Strategic Action Plan for the Welsh Red Meat Industry

Vision

A profitable, efficient, sustainable and innovative Welsh red meat industry, which responds competitively to ever changing market trends and benefits the people of Wales

Draft for Consultation

Llywodraeth Cynulliad Cymru
Welsh Assembly Government

HYBU CIG CYMRU
MEAT PROMOTION WALES

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Chapter 1 - Executive Summary

(i) Introduction

1. This Strategic Action Plan for the Welsh Red Meat Industry has been developed by Meat Promotion Wales (HCC) in close consultation with the Welsh red meat industry and the Welsh Assembly Government. The Action Plan is one of a number of sector specific strategies for the Welsh food and drink industry under the overarching Food and Drink Strategy for Wales, which addresses the major strategic issues facing primary production sectors and all parts of the Welsh supply-chain. It seeks to address the Government of Wales *One Wales Agreement* (of June 2007), by supporting the Welsh red meat agricultural industry, which plays an important role in contributing to environmental considerations and in supporting the rural social economy.

(ii) The Current Situation

2. The Welsh red meat sector (sheep, cattle and pigs) is an important primary production industry in respect of the rural economy and sustainable management of the landscape. Welsh red meat production contributes 43 percent of the annual total value of Welsh agricultural output, worth £361 million (in 2006). In 2008 there were 4.2 million breeding ewes, a breeding beef herd of 340,000 head, a breeding dairy herd of 335,000, and a pig breeding herd of 3,000 head.

3. The abattoir and processing sector in Wales has undergone significant rationalisation and faces a continuing underlying problem of fluctuating and, at times, low profitability. The Welsh livestock auction market sector is also facing similar difficulties. There are currently 24 operational red meat abattoirs in Wales, of which four are responsible for approximately 80 percent of the Welsh sheepmeat throughput and four are responsible for approximately 90 percent of the Welsh cattle throughput. Nine abattoirs account for approximately 90 percent of the Welsh pig throughput. In 2007, 75,500 tonnes of clean sheepmeat, 44,100 tonnes of clean beef, and 2,000 tonnes of pigmeat was produced in Welsh abattoirs. During 2007, the 23 livestock markets in Wales marketed over 1.1 million prime sheep and 21,000 prime cattle. No pigs were marketed through Welsh livestock markets in 2007.

4. The Great Britain (GB) market (particularly England) is an important market for the Welsh red meat industry as it is estimated that only 5 percent of red meat produced in Wales is consumed in the home market and that approximately 63 percent of the sheepmeat and 89 percent of the beef produced in Wales is consumed elsewhere in GB. Europe is also an important export market on which the Welsh red meat industry is heavily reliant to achieve premium prices. It is estimated that in 2007 over 20,000 tonnes of sheepmeat and just over 4,000 tonnes of beef was exported from Wales (despite the export ban at the end of 2007 as a result of the Foot and Mouth Disease [FMD] outbreak) to both the European market and wider afield. Minimal volumes of pigmeat are exported from Wales.

5. Meat consumption across GB is strong and in Wales per capita household purchases of mutton and lamb, beef and veal, and pork are 1.9 kg per person, 5.1 kg per person, and 3.2 kg per person, respectively (in 2007). Multiple retailers control over 80 percent of the GB

household sales of red meat at retail but both in Wales and at United Kingdom (UK) level there is a growing interest in differentiated premium products of a more local origin. However, total UK mutton and lamb imports in 2007 were just under 130,000 tonnes (representing approximately 33 percent of total UK mutton and lamb consumption), whilst 300,000 tonnes of beef and veal (representing approximately 27 percent of total UK beef and veal consumption), and just over 500,000 tonnes of pork (representing approximately 55 percent of total UK pork consumption), were imported into the UK.

6. In 2007, multiple retailers sold approximately 78 percent, 82 percent and 82 percent of all lamb, beef, and pork sales, respectively in Wales and the West regions. At the same time, the volume of sales through independent retailers accounted for 14 percent, 11 percent and 14 percent of all lamb, beef, and pork, respectively, sold in Wales and the West regions.

(iii) Challenges and Opportunities

7. Following a sustained period of low prices and low profitability, there are a number of challenges facing the industry. Responding to political and environmental change, adapting to changing market conditions, embracing innovation and adopting technical best practice, and improving overall business management; all pose a challenge to the industry. At the core, profitability remains the biggest and there is a need to improve the overall confidence in the industry and encourage future investment.

8. Many Welsh producers are struggling to come to terms with the full implications for their businesses of the change in European subsidies, increasing regulation, market and environmental issues. Livestock auction markets and large abattoirs are increasingly concerned with maintaining their sources of livestock supply in the face of uncertainties around production levels whilst also attempting to cope with regulatory burdens. Processing plants in particular are under great pressure from fluctuating prices as a result of the instability in the energy and fuel markets, and increases particularly in waste disposal charges. They are also facing the financial burden of complying with regulatory requirements. This is compounded by the competitive nature of large supermarkets in a climate of fluctuating prices and one in which consumers may react to higher prices for primary produce.

9. However, these challenges also present a number of significant opportunities for the Welsh red meat industry. The image of the ‘Welsh’ brand encapsulates premium fresh red meat products backed up by provenance and taste, as the wet climate of Wales, the quality of its grassland and a family farm tradition, the commitment of all in the supply-chain, the location of abattoirs/ processing facilities close to production and the support available from the Welsh Assembly Government, HCC and industry partners; are all advantages for the industry to utilise. The Protected Geographical Indication (PGI) status for Welsh Lamb and Welsh Beef also provides the industry with the opportunity to develop differentiated products.

10. The market within Wales provides a sound base for development of the sector as consumption of red meat has been increasing. There is also demand for food of more local origin which the Welsh Assembly Government is committed to supporting by encouraging more local sourcing within the public sector and other areas such as retail stores and food

service outlets. Wales is also well placed to respond to consumer demands for meat produced from well cared for livestock and in environmentally sensitive ways.

(iv) Strategic Objectives, Actions and Outcomes

11. This Action Plan has the vision of supporting the development of a ***profitable, efficient, sustainable and innovative Welsh red meat industry, which responds competitively to ever changing market trends and benefits the people of Wales***. It is a flexible plan aimed at enabling the industry to respond to political and environmental change, adapt to changing market conditions, embrace innovation and adopt technical best practice, and improve overall business management.

12. It is focused on the following strategic aims:

- To improve the industry's level of understanding of market trends and to influence consumer behaviour.
- To foster innovation and improve supply-chain linkages.
- To improve the business performance of processors in response to changing market conditions, environmental requirements, climate change and consumer demands.
- To improve the business performance of primary producers in response to changing market conditions, environmental requirements, climate change and consumer demands.

13. In order to take forward the above aims the Welsh Assembly Government, HCC and industry partners will take forward the actions detailed in Chapter 4 of this Action Plan.

Chapter 2 - The Current Situation

(i) Overview

1. Red meat production (sheep, cattle and pigs) in Wales plays a vital part in the rural economy. However the industry faces a number of challenges following a sustained period of low prices and low profitability in the livestock production and meat processing sectors, which has left many farms and red meat companies struggling with financial viability.

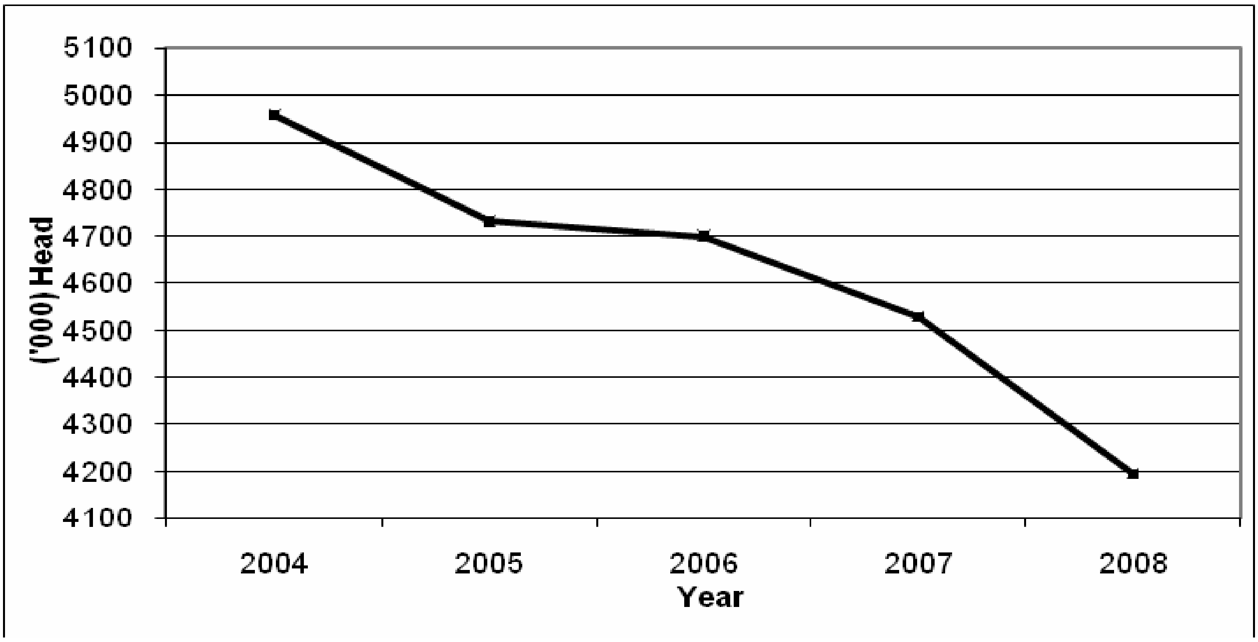
2. In 2006 finished sheep and lambs accounted for 22 percent of the annual total value of Welsh agricultural output, worth £180 million; whilst finished cattle accounted for 18 percent, worth £153 million. The Welsh pig sector, whilst small in comparison with the lamb and beef sectors, is also an important contributor to Welsh agricultural output as finished pigs accounted for 3 percent of the annual total value, worth some £28 million in 2006.

(ii) Livestock Production

3. There have been fluctuating sheep, beef and pig numbers in Wales (and across Great Britain [GB]), partly as a result of Common Agricultural Policy (CAP) reform and partly as a result of the outbreak of a number of diseases such as Bovine Spongiform Encephalopathy (BSE), the 2001 and 2007 Foot and Mouth Disease (FMD) outbreaks, the onset of Blue Tongue Virus (BTV), bovine Tuberculosis (TB), and the less high profile Escherichia Coli (E Coli) and Postweaning Multisystemic Wasting Syndrome (PMWS).

4. Between 1999 and 2008 the Welsh breeding ewe flock has declined by approximately 29 percent (to 4.2 million head). The following graph shows that since 2004 this decline has been by 15 percent overall.

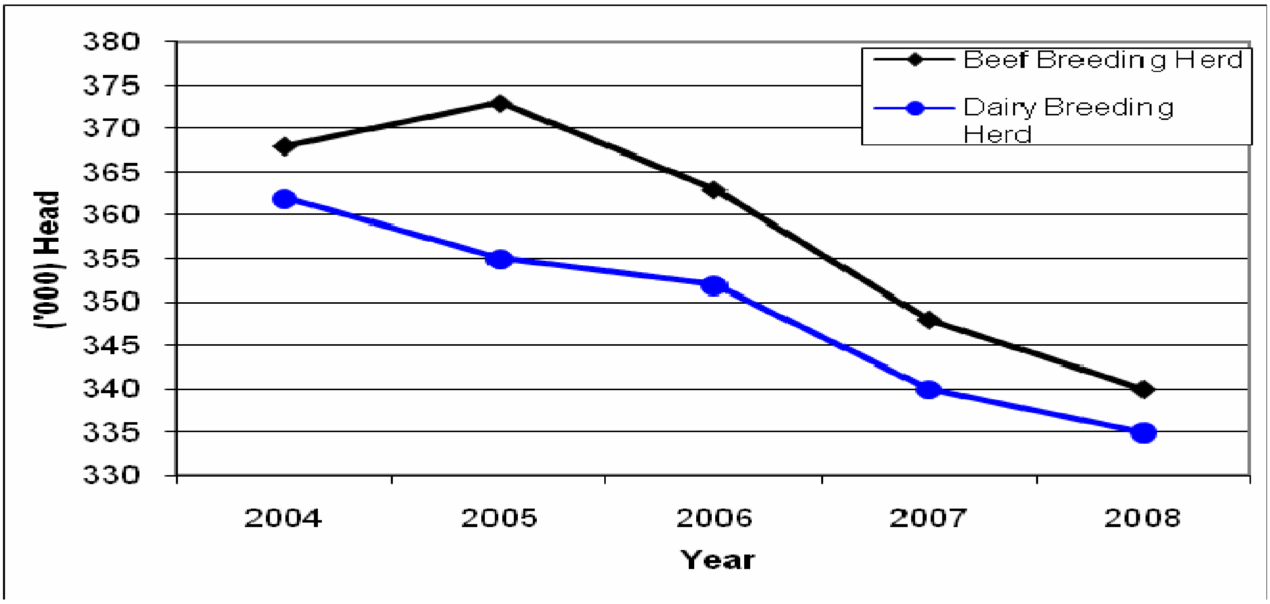
Welsh Breeding Sheep Numbers (2004 – 2008)



Source: *Welsh Assembly Government. June 2008 Survey of Agriculture and Horticulture: Final Results for Wales*

5. The Welsh beef herd has fluctuated in size significantly since 1997. However, as the following graph shows, the Welsh breeding herd has steadily declined since 2004, by 8 percent overall. Between 2007 and 2008 the herd declined by 2 percent, to 340,000 head.

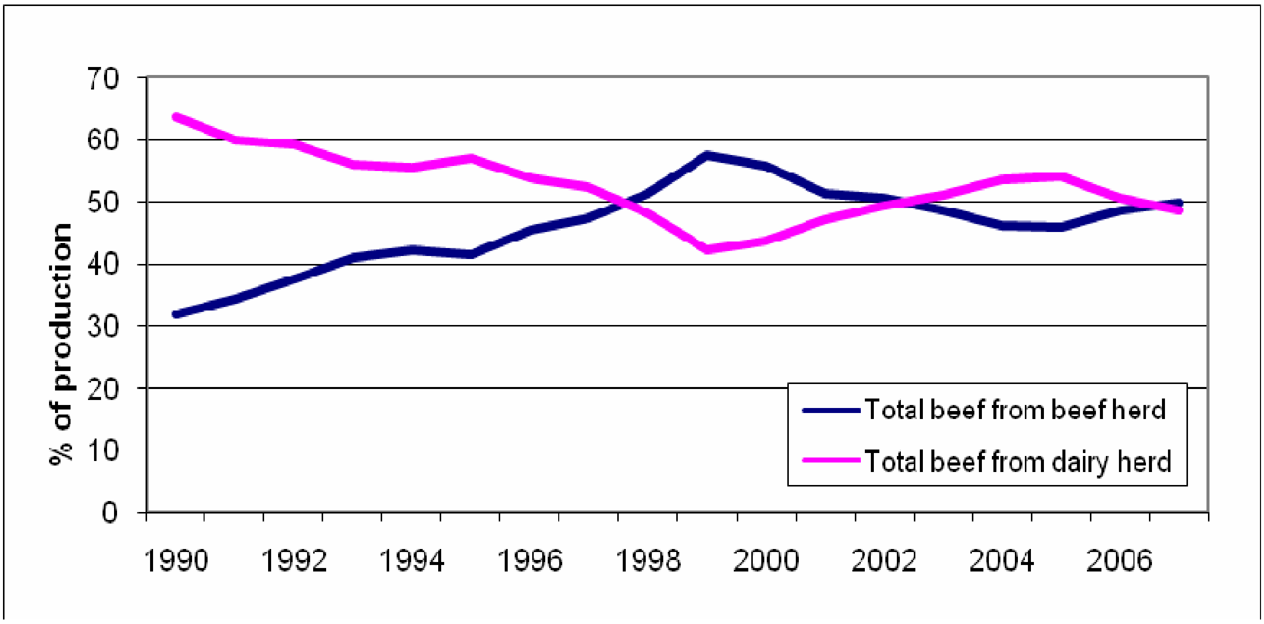
Welsh Breeding Cattle Numbers (2004 – 2008)



Source: *Welsh Assembly Government. June 2008 Survey of Agriculture and Horticulture: Final Results for Wales*

6. The Welsh dairy breeding herd has also decreased since 2004, by 7 percent to 335,000 head in 2008 and this has implications for the overall Welsh cattle herd as the dairy sector is an important supplier of animals for beef production. It is estimated that 49 percent of United Kingdom (UK) prime beef originates from the dairy sector.

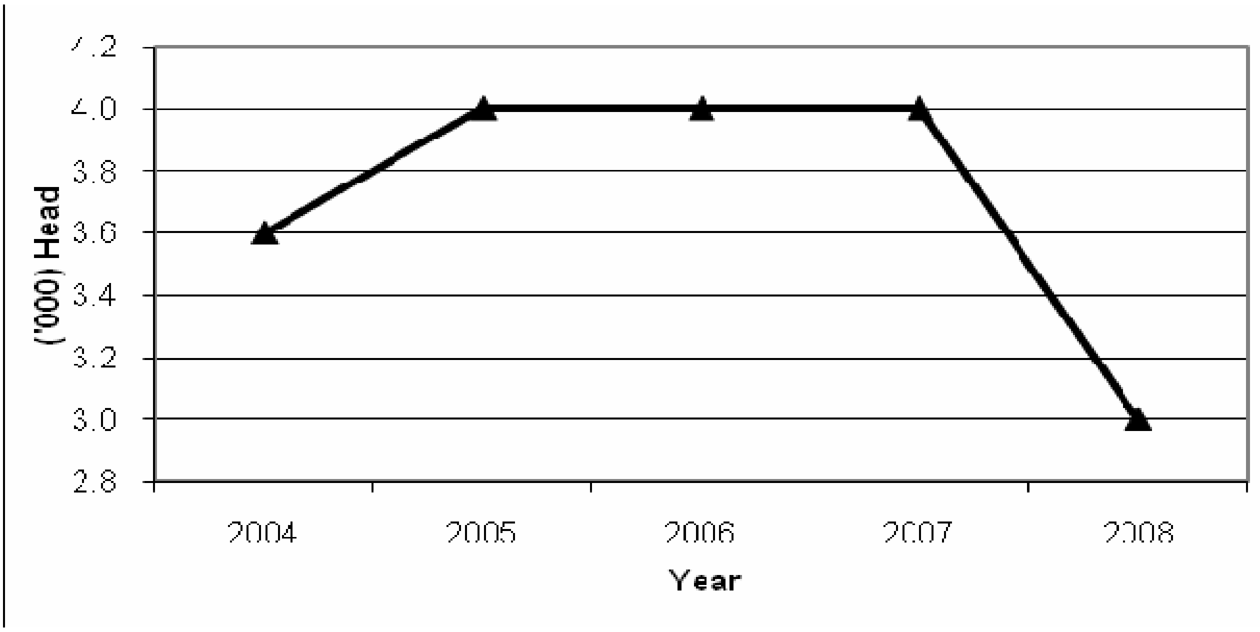
Source of UK Produced Prime Beef (1990 – 2007)



Source: *AHDB Meat Services*

7. Between 1997 and 2008 the Welsh pig breeding herd declined in size by 73 percent from 11,000 to 3,000 head. In the absence of subsidies poor profitability has been a serious problem in the Welsh and GB pig sector. As the following graph shows, since 2004 the herd has fluctuated in size. Between 2007 and 2008, the herd has declined by 25 percent overall.

Welsh Breeding Pig Numbers (2004 – 2008)



Source: *Welsh Assembly Government. June 2008 Survey of Agriculture and Horticulture: Final Results for Wales*

8. The Welsh red meat industry is typified by a large number of producers and a smaller number of abattoirs/ processors, most of whom are Small and Medium Enterprises (SMEs).

9. There is also a stratified structure within the production industry. In the sheep sector there is a dominance of Welsh Mountain breeds which represent 59 percent of pure breeds in Wales. Approximately 60 percent of ewes are classed as Hill, 20 percent as Upland and 20 percent as Lowland. In the beef sector there is a dominance of terminal breeds, with the pure and crossbred Limousin breed accounting for 48 percent of the Welsh herd. In 2006 there were 34,755 people employed on holdings with sheep in Wales and 33,827 people employed on holdings with cattle. Very few specialist pig holdings exist in Wales and as a result there are minimal numbers of people employed on pig holdings in Wales.

10. Many of the farms in Wales are family owned which may constrain the industry's ability to keep pace with technological developments in farming practices. There is also an ageing agriculture and meat industry labour force in Wales and the average age of farm holders in Wales is 57 years. The age profile of the industry is an important factor in determining attitude toward new ideas and co-operation. A problem also exists in encouraging new entrants to the industry which the Welsh Assembly Government is addressing in order to ensure sustainability of the industry and rural communities in Wales. The 'Support for Young Entrants to Farming' Strategy proposes to support young entrants to establish farming businesses and to stimulate innovation and entrepreneurship. A £2 million budget has been allocated to supporting young entrants to farming from 2010 aimed at overcoming the barriers that prevent young people entering the farming industry in Wales thereby ensuring sustainability of the industry and rural communities in the future.

11. Since 1991 there has been a steady decline in the number of livestock holdings in Wales. The number of Less Favoured Area (LFA) holdings and lowland units has fallen by 18 percent and 38 percent, respectively. In 2006 there were 11,035 LFA sheep and cattle holdings and 2,679 non-LFA sheep and cattle holdings. Breeding sheep and beef cattle were found on 38 percent and 23 percent, respectively, of total Welsh agricultural holdings. With respect to breeding pigs, there were only 484 holdings representing 1.3 percent of total Welsh agricultural holdings.

12. Organic production in Wales has been developing steadily with particular emphasis on organic cattle and sheep production. Between December 2006 and December 2007 the area of organically managed land in Wales increased by 21.5 percent to 95,865 hectares, covering 857 holdings and reaching 6.4 percent of the total Welsh agricultural area. In 2007, organic sheep and cattle numbers reached 367,000 and 45,000 respectively, which represented a 32 and 8 percent increase in the year. It is estimated on the basis of the Welsh Organic Producer Survey returns, that in 2007 78,000 prime lambs and 6,000 prime cattle produced in Wales were sold as organic. This represented 1.9 percent and 4.4 percent respectively, of the total prime lambs and prime cattle slaughtered in Wales. Early indications for 2008 are that there has been a significant (more than 30 percent) increase in the organic sector, almost all of which are sheep and beef producers, indicating that Wales is on the way to meet the Welsh Organic Action Plan target of 10-15 percent of Welsh land being organic by 2010. However, future growth of the organic sector is less certain in the current economic climate, and with the increase in the number of farms converting to organic production during 2008, there is likely to be an effect on organic red meat prices, which will need to be considered further in the Strategic Action Plan for the Welsh Organic Sector (due to be released in 2009).

13. With the removal of direct subsidies in 2005, sheep and cattle enterprises have depended mainly on profits generated from the market. However, farm incomes have fluctuated. Since 2004/2005, average net farm income on LFA sheep and cattle holdings in Wales has declined by 21 percent overall, to £12,200 per farm (in real terms at 2007/2008 prices). Over the same period average net farm income on lowland sheep and cattle holdings in Wales rose by 275 percent overall, to £11,000 per farm (in real terms at 2007/2008 prices). Income on specialist pig farms in the UK has fluctuated since the FMD outbreak. For example, in England, farm business income on specialist pig farms has fallen from £26,100 per farm in 2004/2005 to a forecasted £4,100 in 2007/2008. However, despite 2008 sheep and cattle prices increasing, this has been balanced against rising energy and feed costs. Global market forces have led to increases in feed wheat and barley prices and the growth of the ethanol market and shortages in World grain markets means that there will be continued uncertainty about feed costs in the future.

14. In 2007/2008, based on Farm Business Survey data, it can be estimated that 43 percent of total outputs per farm in Wales are contributed by subsidies on hill sheep and cattle farms, whilst 32 percent and 29 percent of total outputs per farm are contributed by subsidies, on upland sheep and cattle farms and lowland sheep and cattle farms, respectively.

15. On average in 2007/2008, Welsh market returns covered only 75 percent of the costs of lamb production, and 56 percent of the costs of suckler calf production. The profitability of pig production and its competitiveness against international competitors is also fragile, as

despite an increase in finished pig prices in 2008 (to a peak in August of 137.38 pence per kg deadweight), input costs remain high.

(iii) Abattoirs and Slaughterings

16. Over recent years the profit margins of the abattoir and processing sector have come under greater pressure from lower fifth quarter returns, costs of by-product disposal and the sourcing policies of the multiple retailers. As a result of this continuing low profitability, the abattoir and processing sector has undergone substantial rationalisation, including changes in the pattern of ownership.

17. Since 1990 the number of abattoirs operating in Wales has fallen from 58 to 24, in addition to one seasonal plant. There are currently two major cattle plants in Wales, St Merryn Meat Ltd. and Randall Parker Foods. Welsh Country Foods, Dunbia Llanybydder, St Merryn Meat Ltd., Randall Parker Foods and Fairfield Meat Co. are the five major players in the sheep slaughtering sector. Most of the headquarters of these companies are outside Wales.

18. The following table illustrates the number of Welsh abattoirs and their throughput. Data for 2007 shows that of the then 25 operational plants, four were responsible for 81 percent of the Welsh sheepmeat throughput (Dunbia Llanybydder, Randall Parker Foods, St Merryn Meat Ltd. and Welsh Country Foods). The largest sheep slaughterer in Wales during this period was Welsh Country Foods. Four abattoirs were also responsible for 91 percent of the Welsh cattle throughput (Cig Calon Cymru, Randall Parker Foods, St Merryn Meat Ltd. and Pembrokeshire Meat Company). The largest cattle slaughterer in Wales during this period was St Merryn Meat Ltd. In the same period, 15 abattoirs in Wales slaughtered pigs, where nine accounted for 92 percent of throughput. The largest pig slaughter in Wales during this period was G R Evans & Co. The specialisation in large plants that has been seen for sheep and beef is not seen in pig slaughtering and the smaller plants tend to slaughter multi-species.

Number of Welsh abattoirs and their throughout

	Number of Abattoirs		**Throughput (%)**	
*GB Livestock Units**	**2006**	**2007**	**2006**	**2007**
0 - 1,000	6	4	0.2	0.2
1,000 - 10,001	10	12	4.7	5.6
10,001 - 30,000	5	3	7.0	3.9
30,001 - 100,000	2	2	10.5	12.1
100,001 +	4	4	77.5	78.2
Total	27	25		

**GB Livestock Unit = 1 cattle beast = 3 calves = 5 sheep = 2 pigs*
Source: *AHDB Meat Services Economics*

19. Since 2000, clean sheepmeat slaughterings in Welsh abattoirs has increased by 3 percent to 4 million head in 2007, compared to the UK where numbers have steadily fallen in recent years. Total production of clean sheepmeat in 2007 was 75,500 tonnes. Cattle and calf slaughterings in Welsh abattoirs have also increased since 2000, by 246 percent to 135,100 head in 2007, whereas UK numbers have steadily fallen. This is mainly accounted for by the opening in 2001 of St Merryn Meat Ltd. in South Wales as a cattle slaughtering plant. In 2007 total production of clean beef was 44,100 tonnes. Total pig slaughterings in 2007 amounted to 31,300 head, 18 percent lower than slaughterings in 2000. Pig meat production in Welsh abattoirs in 2007 was 2,000 tonnes. The following table sets out throughput figures for Welsh abattoirs in 2007.

Throughput of Welsh plants, 2007

	Slaughterings ('000 head)	**Production ('000 tonnes)**	**Average carcase weight (kg)**
Clean Sheep	4,054.7	75.5	18.6
Cattle and Calves	135.1	44.1	326.3
Pigs	31.3	2.0	63.9

Source: *Defra*

20.   Opportunities for improved supply-chain collaboration and associated efficiency improvements are constrained by there being a limited number of integrated further processing facilities (where a cutting plant/ further processing plant forms part of, or is attached to, a slaughter facility).

(iv)   The Importance of Trade

21.   Animal disease outbreaks, food scares and fluctuations in exchange rates all affect the UK trade of red meat products. The majority of the market for Welsh red meat is outside the country because a relatively small proportion of production is consumed in Wales. It is estimated that only 5 percent of the red meat produced in Wales is consumed in Wales and that approximately 63 percent (around 58,000 tonnes) of sheepmeat and 89 percent (around 88,000 tonnes) of beef produced in Wales is consumed within the rest of GB. Europe is also an important market: lamb and beef products are in a strong position to access wider global markets as both Welsh Lamb and Welsh Beef are recognised at a European level to have unique regional characteristics and they have been awarded the status of Protected Geographical Indication (PGI).

22.   Overall the Welsh red meat industry is heavily reliant on a prosperous export market (exports outside of GB) in order to underpin farm-gate prices. Developing these markets is therefore of vital importance to the industry. It is estimated that in 2007 when there was an export ban imposed as a result of the FMD restrictions, approximately 23,000 tonnes of sheepmeat was exported from Wales to countries outside of GB, which equated to the value of approximately £60 million. In the same period it is estimated that 4,000 tonnes of beef was exported, which was valued at approximately £9 million. In 2007 the UK exported approximately 109,000 tonnes of pigmeat, of which minimal volumes were from Wales. As the following table demonstrates, 2006 exports were significantly higher for sheepmeat, however beef exports in 2006 were limited as the export ban caused by BSE was only lifted in May that year.

Estimated Welsh Sheepmeat and Beef Export Volumes and Value, 2006 – 2007

	2006		**2007**	
	Volume (‘000 tonnes, product weight)	**Value (£ million)**	**Volume (‘000 tonnes, product weight)**	**Value (£ million)**
Sheepmeat	28.7	76.8	22.5	59.9
Beef	2.9	6.4	4.1	8.7

Source: *AHDB Meat Services*

23.   The export market also has an essential role in supporting the abattoir and processing sector in managing carcase balance. Welsh fifth quarter sales also have a significant impact on price. Estimated Welsh sheep offal exports to countries outside of the UK for 2007 equated to approximately 509 tonnes and a value of approximately £441,000. In addition, it is estimated that in this same period over 4.5 million skins were exported from Welsh abattoirs to countries outside of the UK (through hide and skin dealers and internet auctions,

which are generally located outside of Wales), equating to a value of approximately £5.5 million.

24. Total UK mutton and lamb imports in 2007 were 128,000 tonnes and were at similar levels in 2006. This represented approximately 33 percent of total UK consumption. The main supplier of imported lamb into the UK remains New Zealand which, in 2007, imported 74 percent of the total UK sheepmeat imports, representing approximately 25 percent of total UK consumption. These imports formed part of New Zealand's total tariff free quota to the European Union (EU) of 228,000 tonnes.[1]

25. Imports of beef to the UK come primarily from the Irish Republic, whilst the major non-EU supplier to the UK has been Brazil. In 2007, 300,000 tonnes of beef and veal were imported into the UK, about the same as the previous year, of which 61 percent originated from the Irish Republic and 11 percent from Brazil. Imported beef and veal represented approximately 27 percent of total UK consumption, and imports from the Irish Republic and Brazil represented approximately 16 percent and 3 percent respectively, of total UK consumption. However, Brazil's limited ability to export beef to the EU during 2008, as a result of strict traceability and animal movement measures imposed by the EU, may affect the future supply of beef from Brazil to the UK. Whilst imports from Brazil to the UK have fallen in 2008 (January to September) by 71 per cent, compared to the same period in 2007, total import volumes into the UK have not been affected overall as alternative countries (particularly Uruguay) have increased imports during this period.

26. Imports of pork have increased as UK production has fallen. In 2007 imports of pork were 514,000 tonnes, which represented approximately 55 percent of total UK consumption. The main importers of pigmeat into the UK are Denmark, Germany, the Netherlands and Belgium.

27. Prior to the introduction of the worldwide ban on UK beef and cattle in 1996 almost half a million UK calves were exported annually, primarily for veal production. This provided a valuable source of extra income for surplus calves within the dairy industry. In the period following the export ban and the end of the Calf Processing Aid Scheme in 1999, many of these surplus dairy bull calves were destroyed shortly after their birth. As a result of the lifting of the export ban there has been a re-establishment of this export trade for live calves, predominately to the Netherlands and Belgium. During 2007 there were 64,000 calves exported from the UK, providing the dairy sector with a welcome financial boost alongside the obvious benefits of not having to slaughter large numbers of young calves. It is estimated that Wales exported approximately 11,000 of these calves, of which 42 percent were exported to the Netherlands and 21 percent to Belgium.

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[1] Sheepmeat imports into the EU from third countries are subject to import restraints in the form of Country Specific Tariff Rate Quotas (CSTRQ). Countries, such as New Zealand and Australia, may import previously negotiated quantities, on a carcass equivalent basis, free of duty. Quantities imported above the CSTRQ are subject to substantial tariffs dependent on the type of product being imported. The CSTRQ quantities do not differentiate between fresh, chilled and frozen sheepmeat.

28. In 2007 the UK slaughtered approximately 3,700 calves (1,370 tonnes of veal), which is a 52 percent decline on the same period in 2005. The value of the veal market in the UK is approximately £2 million.

29. An important consideration for red meat trade is that of the exchange rate. In early December 2008, the pound sterling fell to a historic low against the euro (£1: €1.1499) and a seven year low against the dollar (£1: $1.4466). Weakness of the currency increases the value of trade from the UK, impacting directly on price and competiveness, however fluctuations in currency are outside of the control of the industry and as a result are uncertain in their long-term impact on the industry.

(v) Consumption of Meat and Meat Products

30. Red meat consumption throughout 2007 and 2008 has been strong within the UK, aided by factors such as television advertising and retailer promotions. However concerns which suggest links between excessive consumption of red meat and human health or between the production of red meat and its environmental impact, have domestic and global implications for the consumption of red meat.

31. Mutton and lamb consumption has been steady since 1995, with relatively high mutton consumption in England. Per capita household purchases of mutton and lamb in Wales in 2007 was 1.9 kg per person compared to 1.8 kg per person in GB. After a long decline in beef and veal consumption due to BSE, UK figures are now showing an increase since 1995. Per capita household purchases of beef and veal in Wales in 2007 was 5.1 kg per person compared to 5.2 kg per person in GB. There has also been a growth in pigmeat consumption. Per capita household purchases of pork and bacon in Wales in 2007 was 3.2 kg per person and 3.5 kg per person, respectively, compared to 2.9 kg per person and 3.3 kg per person, respectively, in GB.

32. As the following table shows, in simple terms (excluding import and export trade) in 2007 the UK produced 85 percent, 80 percent and 67 percent, respectively, of total UK mutton and lamb, beef and veal, and pork, consumed in the UK.

UK Total Red Meat Supplies of Meat Available for Consumption, 2007

('000 tonnes)	**Production**	**Imports**	**Exports**	**Total consumption**
Mutton and Lamb	325	128	70	383
Beef and Veal	882	300	67	1,115
Pork	622	514	104	935

Source: *AHDB Meat Services*

33. There is also consumer demand for organic products. Currently 3.2 million GB households buy organic meat; organic lamb, beef and pork represent 2.2 percent, 1.5 percent and 1 percent respectively, of total lamb, beef and pork sales. Welsh organic meat sales are currently worth £2.4 million and are growing at 3 percent per annum.

34. Total expenditure in GB on fresh and frozen lamb, beef and pork increased between 2006 and 2007, by 9 percent, 6 percent and 9 percent respectively, whilst expenditure in 2007 was £616 million, £1,604 million and £737 million, respectively. The following table details expenditure on red meat products at a Wales and GB level.

Expenditure (Fresh and Frozen Meat), 2007

		Expenditure (£)	Volume (tonnes)	Average price (£/kg)
Lamb	**Wales**	£ 47 million	8,436	£ 5.56
	GB	£ 616 million	105,782	£ 5.85
Beef	**Wales**	£ 115 million	22,549	£ 5.11
	GB	£ 1,604 million	309,026	£ 5.20
Pork	**Wales**	£ 60 million	14,274	£ 4.24
	GB	£ 737 million	169,880	£ 4.34

Source: *TNS Worldpanel*

(vi) Supply-chain Issues

35. The liveweight selling of sheep and cattle has steadily declined and as a result there has been rationalisation in the live markets sector in Wales and across GB. Since 1995 the number of live markets in Wales has declined from 26 to 23. During this period the liveweight marketing sector was severely affected by BSE and FMD but recovered well, particularly in relation to sheep. Rationalisation is likely to continue due to a reduced number of buyers, changes in the livestock supply-chain, regulatory burdens (e.g. bio-security requirements), and continued growth of deadweight selling.

36. In 2007 over 1.1 million prime sheep and 21,000 prime cattle were marketed through Welsh auction markets, which represented 21 percent and 6 percent respectively, of GB marketings. No pigs were sold through Welsh auction markets during 2007. The table below sets out the throughput at auction markets by UK country. Despite a fall in the total throughput of sheep and cattle through auction markets, the volume of sales per market looks set to increase in the future as a result of the concentration of the sector.

Auction market throughputs of finished stock by UK country, 2007

(000 head)	**Wales**	**England**	**Scotland**	**Great Britain**
Total prime cattle	21	304	43	368
Cull cows	6	87	13	106
Total prime sheep	1,146	3,308	970	5,424
Cull ewes	349	959	144	1,452
Clean pigs	-	36	-	36
Cull sows	-	9	-	9

***Source**: AHDB Meat Services*

37. Multiple retailers today control over 80 percent of GB household sales of red meat, but both in Wales and at UK level, there is a growing interest in differentiated premium products of a more local origin. As the livestock and meat supply-chain can be long and complex, many supermarkets and large food service chains are attempting to shorten the supply-chain by introducing producer clubs and dedicated suppliers. As a result, there are an increasing number of collaborative producer groups that have forged relationships with multiple retailers for the supply of relatively small volumes of product. In order to address this interest for differentiated premium products, direct sales of Welsh red meat products (such as farmers markets, internet selling, farm shops, etc.) are also an important element of the supply-chain, which will require ongoing support in the future.

38. As the following table illustrates, in 2007 approximately 78 percent, 82 percent and 82 percent of all lamb, beef and pork sales, respectively in Wales and the West regions, was sold through multiple retailers. At the same time the volume of sales through independent retailers is declining. In 2007 total butchers only accounted for 14 percent, 11 percent and 14 percent of all lamb, beef and pork respectively, sold in Wales and the West regions. This proportion has declined since 2006, by 28 percent, 12 percent and 20 percent respectively.

Breakdown of the retail outlets for red meat in Wales and West regions, 2007

Volume % Share	**Lamb**	**Beef**	**Pork**
Tesco	27.3	29.4	25.9
Asda	11.4	18.1	18.1
Morrisons	8.3	11.2	9.5
Sainsbury's	10.4	9.7	8.1
Somerfield Group	8.0	6.7	8.4
Co-Op	3.1	3.0	4.4
Iceland	4.8	1.6	3.8
Waitrose	0.6	1.0	1.0
Aldi	2.9	1.0	1.7
Marks and Spencer	0.7	0.7	0.2
Butchers	13.8	11.2	13.7
Others	8.7	6.4	5.2

Source: *TNS Worldpanel*

39. The Welsh organic red meat sector also relies on multiple retailers. The majority of organic lamb and beef (over 80 percent) marketed through multiple retailers is supplied by two Welsh producer groups.

(vii) Market Predictions

40. There are uncertainties regarding the situation and outlook for World agricultural commodity markets. Fluctuating prices of cereals, oilseeds and dairy products may have long-term consequences for other agricultural products as, for example, high cereal prices caused by weather variations, global warming, etc., inevitably increase the costs of livestock production. In the long-term, oil and gas prices are a major concern as agricultural production is heavily reliant on commodities derived from fossil hydrocarbons (i.e. fuel, fertiliser, etc.).

41. It is forecast that the Welsh sheep flock, the beef and dairy herds and the pig herd will continue to decline over the next few years, in line with forecasted decreases across the UK. This is due to a number of factors including the impact of decoupled subsidy payments,

continued pressure on margins, competition with other more profitable enterprises, less labour availability, and fewer family farm successions. Slaughterings are also expected to follow the trends within the breeding flock/ herds. However, as there is likely to be some improvement in productivity as a result of efficiency gains from improved carcass weights/ conformation, an enhanced labour resource and improved nutrition, production may not decline to the same extent.

42. The future supply of livestock is of concern to the industry since reduced numbers impact directly on the viability of livestock markets, abattoir and processor facilities, and on funds for the development and promotional activities for the Welsh red meat sector. Furthermore, there are clear indications that future average feed prices are likely to be higher than in the past 10 years and that there is likely to be more volatility in prices unless sustainable production of feed is ensured for the Welsh industry. This uncertainty could negatively impact on producer investment and retention of stock numbers.

Chapter 3 - Challenges and Opportunities

1. The Welsh red meat industry has a number of positive and unique advantages. The image of the 'Welsh' brand encapsulates premium fresh red meat products backed up by provenance and taste,[2] as the wet climate of Wales, the quality of its grassland and a family farm tradition, the commitment of all in the supply-chain, the location of abattoirs/ processing facilities close to production and the support available from the Welsh Assembly Government, Meat Promotion Wales (HCC) and industry partners; are all advantages for the industry to utilise. The challenges lie in responding to political and environmental change, adapting to changing market conditions, embracing innovation and adopting technical best practice, and improving overall business management; whilst coping with declining stock numbers which impacts on critical mass of production, thereby affecting future capacity to meet demand.

2. Establishing a competitive advantage for Wales based on a clear identity and real strengths is a priority across all sectors and the Welsh Assembly Government commits specifically to helping the Welsh agri-food industry gain a bigger share of the quality food market, both at home and abroad. In order to ensure the Welsh red meat industry is positioned in the most profitable markets and in a position to respond to the challenges and opportunities outlined below, reference needs to be made to the Government of Wales *One Wales Agreement* (of June 2007) and the Welsh Assembly Government's strategic direction of working for a better future for food producers, food processing and agri-food businesses in Wales, to develop income and employment and help the agricultural industry adapt for the future. Specifically, reference should be made to the following Welsh Assembly Government publications and commissions:

- New Strategy for Farming in Wales: Farming, Food and Countryside – Building a Secure Future (expected to be released in 2009);
- Food and Drink from Wales Strategy (expected to be released in 2009);
- Food Tourism Strategic Action Plan (expected to be released in 2009);
- Local Sourcing Strategic Action Plan (expected to be released in 2009);
- Sustainable Farming and Environment: Action Toward 2020;
- Strategic Action Plan for the Welsh Dairy Industry;
- Strategic Action Plan for the Welsh Organic Industry (expected to be released in 2009);
- Support for Young Entrants to Farming Strategy (expected to be released in 2009);
- Appetite for Life Action Plan;
- Animal Health and Welfare Strategy: Wales Action Plan 2008-2009;
- Environment Strategy for Wales; and
- AEA Energy and Environment Report: Policy Options Development and Appraisal for Reducing Greenhouse Gas Emissions in Wales.

3. A summary of the main challenges and opportunities facing the Welsh red meat industry is outlined below.

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[2] The Welsh red meat industry has traditionally produced and supplied 'fresh' red meat and future activity will continue to support the 'fresh' market as this is an established market which ensures maximum returns to the industry (in comparison to frozen product).

(i) Political Change

Changes to Agricultural Policy

4. The Welsh sheep, beef and pig sectors are still facing a difficult period adjusting to the subsidy structure brought about by reform of the Common Agricultural Policy (CAP). These changes are focusing producers on the financial performance of their enterprises and on market needs. In future, it has been recommended by the Sustainable Farming and Environment: Action Toward 2020 report, that reform of the CAP should be influenced by the industry, to provide farmers with sufficient time and support to restructure their businesses.

5. World Trade Organisation (WTO) reforms also present a challenge for the industry. The Doha Development Round (which commenced in November 2001) collapsed in July 2008. It was to be an ambitious effort to make globalisation more inclusive and help the World's poor, particularly by slashing barriers and subsidies in farming. The discussions were highly contentious and agreement was not reached despite intense negotiations. Despite the main disagreement being over opening up agricultural and industrial markets in various countries and how to cut rich nation farm subsidies, the immediate cause of the collapse appears to have been that key developing countries (India in particular) wanted a more robust and readily triggered Special Safeguard Mechanism in order to protect their agricultural producers against surges in imports and subsequent price falls. For the time being at least, the European Union (EU) and those in the Welsh livestock industry will not have to face the kinds of cuts in import protection that were expected and would undoubtedly have put serious price pressure on key products (e.g. beef and some pigmeat). However, there is a risk that the WTO's authority and effectiveness has been undermined and that ad hoc trade arrangements may appear making the international trading system more confusing and less open in the future. The effects of the new United States (US) Farm Bill in 2008 could also have an immediate impact on global trade, as support for agricultural production within the US will impact on the supply of global commodities.

> The Welsh red meat industry needs to be able to plan for and cope with policy changes and be in a position to advise policy makers on the implications of new policy and assist in the development of future policy.

Complying with Regulations

6. There is an increasing amount of regulation for the Welsh red meat industry to cope with and an evident need to support the industry in complying with legislative requirements. Current and upcoming legislation/ policy changes include animal identification, supply-chain traceability, water management and soil conservation, waste disposal, pollution prevention, fallen stock, animal by-products, food labelling, animal welfare, hygiene, Meat Hygiene Service [MHS] transformation and charges, food safety, transport, CAP Health Check, etc.; all of which require communication and assistance for the industry to comply. Complying with regulations can be burdensome and as such an opportunity exists for the industry from the work being undertaken by the Welsh Assembly Government Task Force, which is addressing this issue.

To enhance the reputation of the industry, the Welsh red meat industry needs to be enabled to comply with existing and new legislative requirements and regulations in the most cost effective and timely way.

Influencing Regulation Development and Minimising Requirements

7. There is general discontent regarding the amount of regulation imposed on the Welsh red meat industry and as a result implementing changes can be difficult. Regulatory requirements in Wales, across the United Kingdom (UK) and in Europe are considered by many to hinder development and in many instances there is a perception that Welsh red meat products are competing on an 'unfair playing field', particularly with regard to issues such as export regulations and production techniques.

8. The Welsh Assembly Government is reviewing farming industry checks including an appraisal of the farm inspection regime. The Sustainable Farming and Environment: Action Toward 2020 report also recommended that the regulatory burden facing the Welsh agricultural industry must be reduced and simplified. Whilst the Assembly consider proper audit of the industry to be essential, they wish to identify ways of streamlining the many checks in existence. Legislation requirements have increased to include due diligence standards on farm as a result of cross-compliance and there is therefore a need to ensure that producers are not paying for this compliance through alternative checks (such as farm assurance).

The Welsh red meat industry needs to influence regulation development and minimise requirements for the industry wherever possible.

(ii) Environmental Change

'Greening' of Agriculture

9. The Welsh red meat industry has a valuable role in the future management of the environment and the sustainable use of Wales' natural resources. It needs to find innovative solutions to environmental challenges, through mechanisms such as Farming Connect, to enable farmers to adapt to the future. Wise use of our natural resources must be seen as an essential and integral part of good business management. These challenges present opportunities for farmers to promote and capitalise on their high environmental standards and contributions to rural social life, whilst ensuring economic sustainability.

10. A challenge also exists in coping with the diverse objectives and pressures for land use and social priorities (e.g. health) from some Government bodies and from the public.

11. The Welsh red meat industry must also adjust to increasing pressures from EU and Government environmental policies for sustainable farming. Legislation through EU and UK policies will have a direct impact on the industry. However, as noted in the Sustainable Farming and Environment: Action Toward 2020 report (Commissioned by the Welsh

Assembly Government), *"in future farmers will become even more important as providers of food … in a rapidly changing World, as well as (being) stewards of the rural environment and landscape"*. There is therefore a need for the industry to contend with differing objectives and visions for the future and maximise the resultant opportunities.

> The Welsh red meat industry needs to capitalise on its environmental credentials and its role in rural social life, so as to maximise opportunities to deal with diverse environmental pressures and demands and to positively assist both political and public perceptions of the industry. The industry also needs to be in a position to adapt to environmental legislation and requirements, through initiatives such as Farming Connect, to promote the business benefits of good environmental management. Shared practice amongst producers needs to be encouraged, particularly in regard to how individuals have managed to sustain viable production whilst ensuring environmental protection.
>
> There is a need to improve supply-chain linkages within the entire Welsh red meat supply-chain, where appropriate, to conserve resources, through improved operational efficiencies.

Climate Change

12. The issue of greenhouse gas emissions from agriculture is increasingly recognised, specifically from livestock for methane. Greenhouse gas emissions from primary agricultural production contribute around 11 percent of total annual Welsh emissions. Nitrate oxide is released primarily from soil processes such as synthetic fertiliser, manure applications and the leaching of nitrogen fertiliser. Methane is released predominately from ruminants and stored manures, and carbon dioxide is mainly from direct emissions from on-farm combustion of fuel.

13. In July 2008, the Cabinet Office Strategy Unit report - *'Food matters - towards a strategy for the 21st century'* - indicated that there will be pressures to reduce greenhouse gas emissions from livestock.. In October 2008 the UK Government accepted the recommendation of the Climate Change Committee to extend the 2050 emission target to cut 80 percent of all greenhouse gas emissions by 2050, and that target will be binding in law. Furthermore, the Government of Wales *One Wales Agreement* (of June 2007) commits the Welsh Assembly Government to achieving annual greenhouse gas emission reductions of 3 percent per year from 2011 in areas of devolved competence. The Sustainable Farming and Environment: Action Toward 2020 report also recommends that the Welsh Assembly Government take action to achieve carbon neutral status for agriculture by 2020. A major challenge for the Welsh red meat industry is to enable the sector to play its part in reducing emissions. The industry needs to be aware of how to mitigate the effect of its operations on the climate and to take steps to adapt to a changing climate. The effects of climate change are both an opportunity and a challenge for the industry, particularly as both Government and consumers are increasingly moving toward carbon neutral food production.

14. Although grass based livestock production can provide environmental benefits (particularly through mixed grazing) there is a wider issue of emissions adding to greenhouse gas emissions. The Welsh Assembly Government is reviewing existing research, information and market opportunities to ensure that Welsh livestock farmers have access to the

information necessary to help them adapt to the effects of climate change, reduce greenhouse gas emissions and take advantage of business opportunities. HCC and the Welsh red meat industry will work with the Welsh Assembly Government to ensure that this information is widely disseminated to the livestock production sector. The Rural Development Plan for Wales provides a framework to achieve the Welsh Assembly Government's aims under the EU Rural Development legislation. It includes measures targeting the sustainable use of agriculture, which may include activities to reduce the greenhouse gas emissions from livestock management. A wide range of technical measures and policy options for reducing greenhouse gas emissions from the agricultural sector have been identified. Some of these measures will be influenced by existing mechanisms (e.g. environmental schemes) whereas others will require new policies to be introduced, or modifications to the existing mechanisms.

15. An opportunity exists for the industry to adapt systems to cope with climate change, by changing production systems to cope with warmer summers, wetter winters etc., and to comply with legislation such as the Water Framework Directive.

The Welsh red meat industry needs to be in a position to comply with climate change legislation in order to ensure that its contributions to Welsh Assembly Government and UK policy regarding climate change are maximised, whilst ensuring continued economic sustainability. An opportunity exists for the industry to adapt systems to cope with climate change.

Bio-diversity

16. The issue of managing agriculture's dual role, of growing food and protecting the environment and its biodiversity, is of vital importance. Grazing livestock are an important tool in helping to conserve biodiversity. However it is important that the level and type of grazing is managed to endeavour to achieve the production of high quality food whilst not having a detrimental effect on biodiversity and the wider environment. A balance needs to be struck as the industry needs to compete in both domestic and international markets - a critical mass of stock needs to be maintained - and grazing animals provide an important means of conserving large areas of the Welsh countryside. This also raises an important issue with regard to Wales being able to compete effectively in both the domestic and export markets. The cross compliance requirements within the Single Farm Payment (SFP) regime present challenges for the industry which must be met, whilst current and future agri-environment schemes provide opportunities to enhance the environment and contribute to the viability of many farm businesses. A challenge exists however in resuming production when these payments are reduced or terminated.

The Welsh red meat industry needs to be in a position to balance the needs of production with conservation of biodiversity and the environment, in a way that does not compromise its longer-term sustainability. The industry also needs to be in a position to meet economic and environmental demands in the future, once environmental scheme payments are reduced or terminated.

Water and Waste Disposal

17. The availability of water for red meat production is plentiful but flooding can affect land use. With respect to the processing sector the efficient management and disposal of water is an issue that needs to be addressed and the disposal of fallen stock, animal by-products etc. is of concern to both the production and processing sectors. The industry must ensure that water quality is maintained by the appropriate management of soils, manure and waste.

18. New proposals concerning water management require consideration, in particular in coping with the Water Framework Directive and related legislation. Nitrate Vulnerable Zones (NVZ) pose a limited threat for Welsh producers but there will be problems regarding the disposal of animal manures/ abattoir waste, etc. The Farm Waste Directives and Integrated Pollution Prevention Control (IPPC) are also expected to affect the sheep, beef and pig sectors in Wales in some way.

The Welsh red meat industry needs to be in a position to respond to legislation and requirements with regard to water and waste disposal (e.g. fallen stock, animal by-products, etc.), whilst paying due regard to environmental and economic sustainability. The industry also needs to ensure efficient management and disposal of water; and effective pollution control, waste disposal and flood prevention measures.

Energy

19. Recent rises in energy costs are impacting on both producers and processors, although producers are not impacted to the same extent. The growing demand for alternative energy can provide opportunities for the industry to diversify but this needs to be balanced against product demand. There is also an issue of replacing the Hydrochlorofluorocarbons (HCFC) refrigerants in abattoirs before 2010, as required by the EU, which could be costly to some Welsh processors.

20. Reliance of the Welsh red meat industry on hydrocarbons (fuel, fertilizers, etc.) continues to pose a challenge of the industry, as fossil hydrocarbons are a finite resource and are as a result likely to increase in price in the future.

The Welsh red meat industry needs to cope with increasing energy costs and issues by adopting energy saving and conservation techniques and making best/ most economic use of alternative energy sources.

(iii) Societal Change

Demand Drivers

21. The market for red meat is becoming more segmented with demand drivers like taste, packaging, tenderness, colour, origin, etc., increasingly influencing consumers purchasing patterns. There are also increasing consumer concerns about food safety, health and nutrition, the environment, etc., in regard to red meat products and red meat production, to

which the Welsh red meat industry needs to respond to effectively. These demand drivers and concerns over production and processing methods are increasingly leading to demands for quality produce that is safe, healthy and has been produced with due regard for animal health, animal welfare and the environment.

22. Through differentiation, the Welsh red meat industry has the opportunity to increase market share and Protected Geographical Indication (PGI), True Taste award products and organic certifications provide mechanisms for achieving this. However, there is a need to ensure consumers are not confused by a large number of logos on products. Furthermore, although there is a demand for local/ niche/ organic/ premium produce, there remains a core demand for convenient cheap food. The industry needs to respond to these different markets and adapt quickly to their requirements, especially for instance in periods of economic downturn, where there may be a temporary decrease in demand for the more expensive premium products. The industry must consider how it might be able to provide food in a sustainable way in the future, particularly as there is a growing interest in locally sourced food. Reference should be made to the Welsh Assembly Government Local Sourcing Strategic Action Plan and the Tourism Strategic Action Plan (which are both expected to be released in 2009).

23. In order to meet consumer demand for consistent quality and taste and to compete with imported red meats, there is a need to ensure eating quality and product uniformity is improved in the future.

The Welsh red meat industry needs to ensure they are customer focussed and produce in a sustainable way in the future.

The direct and wider benefits of Welsh red meat products need to be disseminated to consumers so as to promote the benefits of consuming Welsh meat products and to counter the threats to this consumption.

Society

24. As society has changed, the demands for red meat products has also changed as a result of rising disposable incomes, limited time for food preparation, a reduction in cooking skills, changes in the structure of the family, and changes in attitudes to food with regard to health, obesity and food intolerances. Globalisation has also resulted in a wider variety of red meat cuts and dishes entering the market place. The ethnic market is an important market for Welsh sheepmeat products (in particular Halal meat) and the immigration of people to the UK from Eastern Europe has offered opportunities to develop dried/ cured meat and offal products.

25. There is also the issue of a proportion of society that perceive higher value cuts of lamb and beef as already being premium products (compared to chicken, turkey and pork) and as a result Welsh branded red meats may struggle to add any further premium or price to these products. During the Foot and Mouth Disease (FMD) outbreak in 2007, retailers reported that consumer’s willingness to pay increased prices for lamb and beef was minimal.

26. Collaborative groups and direct sales (such as farmers markets, internet selling, farm shops, etc.) of value-added products are an important element in order to address this interest for differentiated products, which will require ongoing support in the future, as this is also an important means of meeting local sourcing and environmental demands at the same time.

> The Welsh red meat industry needs to be encouraged to respond to societal changes and take advantage of opportunities for product development as a result of globalisation. The development of added value Welsh red meat products is also required for long-term sustainability.

Demography

27. The flattening in the growth curve of the World's population in the long-term (but steady growth in the medium-term), accompanied by increasing wealth in what were previously undeveloped sectors of the World economy is leading to 'food security' issues. Meanwhile, in the domestic red meat market, in light of consumer demands regarding food safety, health and nutrition, the environment, etc., there is a need to reassure consumers that red meat products are produced in a sustainable and animal welfare friendly manner, and that red meat is an important part of the daily diet.

28. The growing number of consumers who are interested in taste and quality (and their associated spending power) creates opportunities for Welsh red meat both in delivering premium foods and in demonstrating corporate social responsibility. In addition, the growing size of the 'time poor' population also provides opportunities for the industry via convenience products and food service.

29. As a result of recent difficulties in the industry and the downward pressure on producer prices there is expected to be a loss of small commercial producers in the red meat industry, leaving more large commercial producers and lifestyle/ hobby farmers. Strategies need to be developed to ensure all elements of the industry are assisted and that legislation etc. is applied equally across the range.

> The Welsh red meat industry needs to continue to educate and inform consumers on the benefits of consuming Welsh red meat products and to counter the threats to this consumption. Focus should be given to educating the next generation of red meat consumers. The industry also needs to be in a position to respond to demographic changes.
>
> In order to emphasise the quality and raise awareness of Welsh red meat products, the industry needs to advertise, promote and protect Welsh red meat and enhance the Welsh red meat brands.

Labour

30. There is an ageing agriculture and meat industry labour force in Wales and the average age of farm holders in Wales is 57 years. The age profile of the industry is an important factor in determining attitude toward new ideas and co-operation, which creates a challenge for the Welsh red meat industry. There is also, increasingly, a problem of encouraging new entrants into the industry. Creating the right circumstances to attract young entrants to farming is key to the ongoing sustainability of the industry in Wales and contributes to maintaining rural communities and the Welsh culture. As a result the Welsh Assembly Government has introduced a scheme to support new entrants into the industry. Difficulties in encouraging new entrants into the industry are also increasingly leading to a skills shortage, particularly at a managerial level. This creates both opportunities and challenges for the industry in the future.

31. The migration from EU member states has partially addressed the challenge of obtaining skilled staff in the industry, however this has raised concerns over the long-term future of the current skills base and the need for succession planning. It has also created a problem in delivering relevant training. Any future changes to policy on migrant workers in the UK or economic pressures may directly impact on the Welsh red meat industry, as recent UK policies on migration and the economic climate have resulted in increasing numbers of migrants returning home. There is therefore a challenge to both the red meat production and processing sectors, as they rely on these workers, who are now increasingly seeking alternate employment in the UK (which may be less based on manual labour) or returning home.

> New personnel to the Welsh red meat industry need to be encouraged and existing personnel supported to ensure the entire Welsh red meat supply-chain has access to a pool of skilled labour.

(iv) Market Conditions

World Context

32. Increasing globalisation has a fundamental impact on the production and supply of Welsh red meat through increased competition, migrant labour, imports and Worldwide consumer demands. The issues of disease control and having a processing sector that operates on a UK or wider basis are also consequences of globalisation that need to be addressed. The Welsh market is very much linked to the overall Great Britain (GB) market since abattoirs and auction markets in Wales handle non-Welsh stock and vice versa. This also needs to be considered in terms of Welsh branding.

33. With fluctuating World supply and demand trends for red meat, there is a need to analyse current trends to better understand the future challenges and opportunities and to disseminate this information to the industry. Producers also need to be aware of other related economic trends such as oil and feed prices.

34. Beef production is falling across the EU where CAP reforms have led to reduced EU cattle numbers resulting in under-supply. Blue Tongue Virus (BTV) has also affected production across much of the EU. This presents an opportunity for the Welsh industry to meet unfulfilled EU demands. However, emerging markets within Europe pose a challenge for the Welsh industry as some countries are increasing their supply of small lambs onto the European market which could displace Welsh Lamb. There is therefore a need for the industry to produce larger lambs of consistent quality. Other new competitors in the global market, such as Poland, Latvia, etc., also pose a threat to the Welsh red meat industry in future trade and there is therefore a need to produce lamb, beef and pork of consistent quality to ensure a competitive advantage against these countries. In terms of the European market (since the UK is outside of the Euro zone) currency movements can have an economic impact on Welsh agriculture, as well as a political impact, and so need to be closely monitored to ensure the industry responds effectively to these movements.

The Welsh red meat industry needs to be in a position to trade effectively in a Worldwide market place. There is a need to improve supply-chain linkages within the entire Welsh red meat supply-chain, where appropriate through improved operational efficiencies.

Market Opportunities

35. The immediate market for Welsh red meat is much wider than Wales itself and whilst the home Welsh market is important, since the Welsh population consumes relatively small volumes of red meat, the English market is where most of the sales opportunities lie. There are also increasing opportunities in the export market as a result of globalisation and EU expansion. The challenge is to also cope with the import competition from countries such as New Zealand, Brazil and Denmark and to understand the threats and opportunities posed by the new Eastern European dimension of the EU (including Romania and Bulgaria). There is also increasing competition from several major emerging markets, such as China, as their red meat production systems have the potential to catch up with global demands. This challenge is further exacerbated by competitors increasing their ability to provide product throughout the year. As countries (e.g. China) develop their own production systems, imports to these countries may decline and also have a knock-on effect on global trade as Welsh product in shared markets is displaced. However, an opportunity does exist in these emerging markets as consumer disposable income is increasing and as a result demand for red meat products is also increasing. European accession countries, India and China in particular, therefore have potential for massive market growth as demand will initially outstrip local supplies and provide market opportunities for imported red meats. It is also important to consider the role imports can play in maintaining year-round supply of red meat, and which provide business for welsh processors/ packing plants when supplies in the UK decline at certain times of the year.

36. The export market provides an essential outlet for meat products and assists abattoirs in managing carcass balance. Support is also needed in determining how to further add value to the fifth quarter, hides and skins, and to offal products. Opportunities also exist in further developing the veal export trade however consideration must be given to the public perception of this trade. Furthermore, scope exists within a Welsh context for adding value to

the supply-chain through the development of new and better means of waste disposal within Wales (e.g. rendering or new methods of disposing waste facilities).

37. An opportunity also exists for the Welsh red meat industry to capitalise on market opportunities for live exports or exports of livestock genetics. This provides a valuable alternative outlet for the industry. The industry should also look at livestock performance and production systems around the World to identify opportunities.

The Welsh red meat industry needs to add value to Welsh red meat products (including determining how to further add value to the fifth quarter, hides and skins, and to offal products in order to tackle the carcass imbalance issue) and to consider market opportunities for prime red meat, veal, mutton, etc. The industry also needs to be a position to add value to the supply-chain through the development of waste disposal facilities within Wales.

The industry needs to benefit from possible market opportunities for live exports and for the export of livestock genetics, and promote specific breeds and the industry as a whole. The industry should also take advantage of experiences around the World, in regard to livestock performance and production systems.

Promotion

38. Welsh Lamb and Welsh Beef are in a strong position within domestic and global markets as both products are recognised at a European level to have unique regional characteristics. They have both been awarded PGI status, which is an important marketing tool. An opportunity exists for protecting Welsh Pork in the same way. It is hoped that differentiation will also improve margins for producers, as by providing opportunities for quality products (such as PGI), demand is increased.

39. Future expansion of the food service sector will be important to the Welsh red meat industry as increasingly demand for these products is expected to come from caterers, restaurants, hotels, wholesalers, local authorities and the public sector (hospitals and schools). This creates opportunities for the industry in the future. However there is significant confusion amongst consumers about the number of labels and marks on food packaging and there is a role for raising awareness of PGI Welsh Lamb and Welsh Beef to simplify this.

40. Farm assurance schemes (e.g. Farm Assured Welsh Livestock – FAWL) provide additional consumer assurances with regard to Welsh red meat, as these schemes inspect Welsh livestock farms to ensure that stock that enter the food-chain are reared with due consideration for welfare and husbandry. This provides an important opportunity for promotion. However legislative requirements have increased to include due diligence standards on farm as a result of cross-compliance, and so there is a need to ensure that producers are not paying for this compliance through farm assurance checks.

41. There is also a need to address consumer concerns and lack of trust in science that may affect their view of the Welsh red meat industry and of meat eating (e.g. attitudes to genetic modification, disease control, etc.). Consumer demands need to be addressed and ensure

that the product is fit for purpose. The sector must be in a position to combat any negative attitudes relating to meat consumption.

The Welsh red meat industry needs to advertise, promote and protect Welsh red meat and enhance the Welsh red meat brands, to emphasise quality and raise awareness of the products (in particular with consumers and the food service). The quality scheme for Welsh red meat products requires ongoing development and support. The profile of Welsh Lamb needs to be maintained and enhanced where possible, the profile of Welsh Beef needs to be raised in domestic and export markets, and a profile for Welsh Pork needs to be developed.

Promotional activities for the Welsh red meat industry should ensure a balance in the trade of meat products, to encourage Welsh red meat and support sub-brands whilst ensuring the strength of the Welsh brand is not diminished or undermined. Consumer understanding and concerns associated with red meat production also need to be addressed.

The Welsh red meat industry needs to minimise regulatory requirements for the industry wherever possible.

Labelling

42. Public perceptions regarding food safety continue to pose a challenge to the Welsh red meat industry as animal disease outbreaks and zoonotic disease either directly or indirectly impact upon demand for products and affect farm-gate profits, leading to calls for official controls (such as nutrition ‘traffic lights’ on food products). Increasing demand for labelling (to inform on origin, nutrition, environmentally friendly, animal welfare friendly, etc.) and food education impact upon the Welsh red meat industry and provide both challenges and opportunities. Credible labelling to ensure that consumers are aware of the origins of their food will be paramount (in particular in retailers and in food service outlets).

The Welsh red meat industry needs to be in the best position to adhere to legislative requirements regarding food safety, food legislation and food labelling; and to advise, assist and influence policy makers and regulatory development.

Where necessary, the industry needs to counter public concerns by highlighting the high standards that are required of Welsh red meat producers and processors under EU, UK and Welsh requirements.

Supply-chain

43. The Welsh red meat supply-chain is long and complex and there is therefore a need for supply-chain integration, where possible, to improve retailer, processor, auctioneer and producer relations. The large abattoirs/ processors operating in Wales are under pressure from their retailer partners to better secure supply-chains for the future. With limited further processing facilities in Wales, compared to the number of slaughtering plants, the Welsh red meat industry faces future challenges in engaging in all aspects of the supply-chain.

44. Differences in market power at various points in the supply-chain (e.g. large supermarkets compared to producers) and issues of sustainability, also lead to wide variations in margins, fragmentation, and make it difficult to collaborate and introduce supply-chain improvements. There is a need to ensure Welsh producers are provided with information to allow them to work better within supply-chains that deliver sustainable profitability and to ensure Welsh abattoirs/ processors work with producers in a more transparent and non-adversarial manner.

45. If the increasing international demands for feed and crops for biomass and biofuel continue (the UK Government is committed to EU plans to substitute 3 percent of transport fuels to biofuels by 2008/2009, rising to 10 percent by 2020), this will continue to affect the livestock sector and will require better linkages with the grain/ feed stock sector.

46. There is a need to take account of and support local-based, small-scale, niche, premium, organic and signature product development, branding and direct sales activities and to allow for the translation of good ideas to a wider scale, within the context of their overall contribution to the industry. To ensure the best future for producers and to retain competitive markets it is necessary to keep as many markets for Welsh Lamb open as possible, but all in balance (e.g. large supermarkets, export, local retailers, ethnic market, live export and food service), and to service these through both deadweight and liveweight supply-chains. Multiple retailers control of the UK household sales of meat both in Wales and at UK level remains a challenge for the industry in the future and the industry's ability to cope with the expected continued decline in independent retailers will also require changes in supply-chain practices in the future. Opportunities exist for supplying Welsh red meat into local authorities, colleges, the army, hospitals, etc., as there is increasingly a demand for sustainable local procurement. This demand could be supported through co-operative business structures which could help to strengthen opportunities for the individuals involved.

47. The organic sector, which integrates environmental conservation practices into farming practices and which is supported by EU Organic Farming Regulations, has the potential to address some of the challenges and opportunities identified as likely to impact on the Welsh red meat industry in the coming years. In doing so it may also serve as an example for other producers by demonstrating how to minimise inputs (and input costs) without adversely affecting production, and help to support the positive public image of Welsh production in general. The rapid growth of the Welsh organic sector seen in 2008 presents a particular challenge for promotion and market development that will need to be addressed to avoid over-supply in the future.

The development of a more coordinated approach between Government, industry bodies, retailers, processors, auctioneers and producers needs to be encouraged in the Welsh red meat industry, that takes into account existing commercial relationships and the consideration of, and linkages with, all production methods and systems (e.g. organic production, direct sales, etc.). Enhanced supply-chain transparency and linkages throughout the supply-chain will ensure long-term sustainability for the industry in the future. In order to address some of the specific needs of the supply-chain, reference should be made to alternate strategies and policies (as outlined earlier in Chapter 3).

The industry also needs to be in a position to respond to supply-chain demands.

To improve business efficiency, the Welsh red meat industry needs to better understand ways to control/ reduce cost of production, by focussing production on factors that improve productivity. Individual red meat businesses need encouragement to ensure business decisions are based on information analysis (e.g. of input costs by using computer technology, etc.).

(v) <u>Innovation and Technical Best Practice</u>

New Technology and Research and Development (R&D)

48. The use of Information Technology (IT), including Electronic Identification (EID), remains an issue for the red meat industry in Wales. Effective use of IT for business management purposes can result in more efficient and profitable businesses and can also provide support for meeting legislative requirements.

49. Research and Development (R&D) should be utilised to generate and disseminate new technological advancements to the industry and should be focused on livestock improvements (both genetic improvements and system development) and improving stock management, overall business management and environmental management. Every effort should be made to work with others in the UK in order to avoid duplication and ensure value for money. Transfer of technologies and knowledge from R&D is needed in the future to ensure that the industry fully benefit from the activities undertaken.

50. The industry also needs to consider a better means to link the producer to the consumer, and to remove suspicion from the supply-chain. Both the live and deadweight marketing systems need an enhanced system of transparency. A challenge exists for the industry in coping with this and also in dealing with the implications for the improvement of whole-chain traceability in the H3 requirements of the 2004 EU Food Hygiene Directive.

The Welsh red meat industry needs to adopt new technology in order to improve business efficiency. R&D should be targeted at the major issues relating to business performance and competitiveness of the industry and, where possible, be undertaken in partnership with others. Through knowledge transfer the industry should be supported in adopting the outcomes of R&D activities.

The industry also needs to be in a position to improve supply-chain linkages where appropriate.

Knowledge Transfer

51. The industry is increasingly required to feed back information through the supply-chain and improvements in this supply-chain communication will provide opportunities for the industry in the future. However, the EU food hygiene legislation introduced in 2006,[3] which forms part of the whole chain, farm-to-fork, approach to food safety, will impose additional burdens on the industry (from 2008 in the case of pigs and from 2010 for sheep and cattle).

52. There is an ongoing need to improve efficiency of production to reduce costs and improve performance (by reducing inputs and maximising outputs for the same costs). The industry needs to consider opportunities for the future and harness existing strengths. There is also a need to help Welsh producers produce more consistent quality livestock and a more consistent eating quality in a more cost effective way, without comprising animal welfare or the ability to deliver environmental goods. Opportunities exist in improving eating quality of red meat by utilising standard best practice (i.e. blue prints) and reviewing the issues. Post-farm best practice regarding meat handling, hanging times, etc. will assist in improving eating quality.

53. With increasing pressures from retailers to increase efficiencies and reduce costs, there is a need to ensure that the production and processing sectors are as efficient as possible. There is therefore a need for producers to better understand their cost of production and for support to be provided for processors to automate and enhance traceability. Producers must also better understand the markets that they are supplying into, and so there is a need for information to enable producers to understand what to produce and when. This will encourage the production of consistent and quality products. There is also a need to educate producers regarding the differentiation between specifications for abattoirs/ retailers and markets/ butchers.

[3] Regulation (EC) 852/2004 on the hygiene of foodstuffs, Regulation (EC) 853/2004 laying down specific hygiene rules for food of animal origin, and Regulation (EC) 854/2004 laying down specific rules for the organisation of official controls on products of animal origin intended for human consumption.

The Welsh red meat industry needs to continue to utilise technology to improve business efficiency and control/ reduce costs. Knowledge transfer should be targeted at the major issues relating to business performance and competitiveness of the industry, and where possible undertaken in partnership with others.

The industry also needs to be in a position to improve supply-chain linkages to enhance communication where appropriate.

Disease Control

54. Trade of red meat products at a UK level is influenced by a number of factors, many of which are outside of the control of those in the Welsh red meat supply-chain, especially disease outbreaks and food scares. Contingency planning (to include animal health and market impact) could assist in preparing the industry for dealing with such outbreaks in a way that would minimise impact. Reviewing bio-security standards, developing health plans and managing animal movements also contribute to improving the profitability of the Welsh red meat sector. There is also an ongoing need to undertake surveillance and/ or eradication (where appropriate) of diseases/ pests likely to impact on the Welsh red meat industry (e.g. bovine Tuberculosis [TB]), and also as climate change in particular has brought about an increased range of potential threats to the industry (e.g. BTV).

The Welsh red meat industry needs to be in a position to deal with disease outbreaks. Contingency planning is required to indicate the ways to best handle and analyse the impact of such issues. There is also a role for R&D and accompanying knowledge transfer to ensure the industry is in a position to respond to food borne infections.

The industry also needs to improve supply-chain linkages, where appropriate, through improved operational efficiencies.

(vi) <u>Overview</u>

55. Mainstream Welsh red meat production has a record of poor profitability and, as a result of the recent financial crisis and disease outbreaks (and their affect on consumer confidence and farm-gate prices) the industry is facing a difficult period. The long-term sustainability of the sector raises a challenge for the industry as it is likely that the full impact of the change from direct subsidies will not be seen for a number of years. This is further exacerbated by rising costs in terms of compliance costs, rising cost of energy and raw materials, as well as feed and forage, pesticides/ herbicides, fertiliser, etc. The overarching goal for the red meat industry is to improve farmgate prices to sustainable levels whilst minimising production/ processing costs.

56. The industry has always been, and will continue to be, affected by short-term and long-term cyclical forces (e.g. climate, disease, legislation, etc.). Much of the state intervention mechanisms that were introduced to combat these have been withdrawn under successive CAP reforms and have not been replaced with global measures.

57. This chapter has presented the challenges and opportunities facing the Welsh red meat industry, and identifies what needs to be done to tackle these challenges and take advantage of the opportunities. At the core, profitability remains the biggest challenge for the Welsh red meat industry and there is also a need to improve the overall confidence in the industry and encourage future investment.

58. This Action aims to develop a ***profitable, efficient, sustainable and innovative Welsh red meat industry, which responds competitively to ever changing market trends and benefits the people of Wales*****.** The following strategic aims summarise these needs, and Chapter 4 sets out the activities required to achieve these goals.

Strategic Aims

- To improve the industry's level of understanding of market trends and to influence consumer behaviour.
- To foster innovation and improve supply-chain linkages.
- To improve the business performance of processors in response to changing market conditions, environmental requirements, climate change and consumer demands.
- To improve the business performance of primary producers in response to changing market conditions, environmental requirements, climate change and consumer demand.

Chapter 4 - Strategic Objectives, Actions and Outcomes

1. It is the intention that this Action Plan will provide strategic direction for the Welsh red meat industry, by identifying strategic objectives, actions and outcomes which will seek to address the challenges and take advantage of the opportunities identified in Chapter 3. Welsh Assembly Government policies, Meat Promotion Wales (HCC) activities and industry activities, will seek to deliver the strategic objectives, actions and outcomes identified in this Chapter.

2. As HCC is identified to be a key responsible body in the delivery of much of this Action Plan, a Corporate Plan will be prepared by HCC in parallel to this Action Plan, which will be publicly available and will seek to expand on the detail of the strategic objectives, actions and outcomes. It is envisaged that a HCC Corporate Plan for 2009 – 2013 will be available by April 2009.

3. Throughout this chapter, reference is made to the Welsh Assembly Government (Assembly), HCC and the Welsh red meat industry (Industry), as responsible bodies for the activities identified. A full list of partners can be found at Annex 2.

<u>Strategic Aim 1</u>

To improve the industry's level of understanding of market trends and to influence consumer behaviour

Objective	Action	Lead Responsible Body	Milestones	Outcome
1. To ensure the Welsh red meat industry has access to up to date and relevant information and advice to ensure informed decision making *(including information and advice in regard to policy, legislation, the environment, water usage, waste disposal, energy use, production, global prices, global markets, consumer demands, society changes, live export opportunities, food safety and labelling, supply-chain demands and linkages, and disease)*	(i) Keep up to date with global/ EU/ UK/ Welsh policy and strategic developments (ii) Undertake relevant, cost effective research activity ensuring there is no duplication (iii) Collate, analyse and disseminate relevant information and advice responsibly to the industry using relevant media	Assembly, HCC and industry HCC Assembly, HCC and industry	Monthly Quarterly Monthly (as required) and on an ongoing basis	A Welsh red meat industry with access to a range of information and advice, to enable them to plan for and cope with global changes and be able to trade effectively in a Worldwide market place

Objective	Action	Lead Responsible Body	Milestones	Outcome
2. To inform consumers of the benefits of Welsh red meat in the diet, and counter threats to consumption, and highlight the essential role that livestock production plays in maintaining Wales' landscape and environment	(i) Keep up to date with global/ EU/ UK/ Welsh developments in diet and nutrition (ii) Undertake relevant, cost effective research activity ensuring there is no duplication (iii) Disseminate relevant information responsibly to the industry using relevant media (iv) Deliver a range of educational and health programmes on the importance of Welsh red meat in the diet and to raise consumer understanding of how meat is produced (e.g. school road shows, farm visits, cooking demonstrations, etc.) (v) Improve nutritional standards of food and drink provided in schools in Wales	Assembly, HCC and industry HCC Assembly, HCC and industry HCC DCELLS	Monthly Quarterly Monthly (as required) and on an ongoing basis Annual Ongoing (with annual reporting)	Increased awareness of Welsh red meat products amongst consumers Consumers with access to information and advice of the nutritional value of Welsh red meat and the role of livestock production in maintaining the environment Increased value derived from Welsh red meat products

Objective	Action	Lead Responsible Body	Milestones	Outcome
3. To advertise, promote and protect Welsh red meat, enhance the Welsh red meat brands, and promote the Welsh red meat industry overall *(in a variety of languages and forms of media)*	(i) Create an awareness of the Welsh red meat brands (e.g. PGI, True Taste, Organic, etc.) and enhance their value amongst consumers (through retailers, food service, etc.)	Assembly, HCC and industry	Ongoing (with annual reporting)	Increased awareness of Welsh red meat products and brands
	(ii) Support the retail and food service sectors in Country of Origin labelling and in promoting the consumption of branded Welsh red meat (at home and in export)	Assembly and HCC	Quarterly	Increased value derived from Welsh red meat products and brands
	(iii) Open up new markets for Welsh red meat (at home and in export), where appropriate, for prime red meat, veal, mutton, etc.	HCC	Annual	Both Welsh red meat products and sub-brands supported whilst ensuring the strength of the Welsh brand is not diminished or undermined
	(iv) Encourage local procurement of Welsh red meat by Local Authorities, colleges, the army, hospitals, other public sectors, etc.	Assembly and HCC	Ongoing (with annual reporting)	

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(v) Develop Protected Geographical Indication (PGI) status for Welsh Pork	HCC	Ongoing (specification drafted by September 2009)	
	(vi) Protect and enforce the PGI Welsh Lamb and Welsh Beef designations, to ensure compliance	HCC	Annual	
	(vii) Amend PGI requirements when required to ensure legislative compliance	HCC	Ongoing (initial amendments to strengthen the specifications approved by December 2009)	
	(viii) Promote the value of the Welsh red meat industry and products, livestock breeds, livestock genetics and live exports	HCC	Ongoing (with annual reporting)	

Strategic Aim 2

To foster innovation and improve supply-chain linkages

Objective	Action	Lead Responsible Body	Milestones	Outcome
1. To encourage the development of added value Welsh red meat products	(i) Keep up to date with global/ EU/ UK/ Welsh developments in new products and techniques	Assembly, HCC and industry	Monthly	Collaborative ventures supported and new added value Welsh red meat products developed, resulting in the development of new markets, reduced waste, and improved supply-chain efficiencies
	(ii) Undertake relevant, cost effective research activity ensuring there is no duplication	HCC	Quarterly	
	(iii) Disseminate relevant information responsibly to the industry using relevant media	Assembly, HCC and industry	Monthly (as required) and on an ongoing basis	
	(vi) Support and develop new products at a processing level, for Welsh branded products	HCC with support from Food Network Wales	Ongoing (with annual reporting)	
	(v) Undertake an evaluation of market opportunities for red meat in the 'ethnic' market	FSA Wales and HCC	By July 2009	
	(vi) Encourage new product development and value adding to products	HCC and industry	Ongoing (with annual reporting)	

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(vii) Encourage the development of innovative ways of utilising the fifth quarter, hides and skins, and offal products in added value ways	HCC	Ongoing (with annual reporting)	
	(viii) Encourage further processing and packing facilities within Wales	Assembly	Ongoing (with annual reporting)	
	(xi) Encourage production of uniform quality in product, both of live animals and final meat products	HCC	Ongoing	

Objective	Action	Lead Responsible Body	Milestones	Outcome
2. To improve supply-chain linkages within the entire Welsh red meat supply-chain and develop a co-ordinated approach (for economic and environmental purposes)	(i) Disseminate relevant information responsibly to the industry using relevant media	Assembly, HCC and industry	Monthly (as required) and on an ongoing basis	Welsh red meat industry partners encouraged to cooperate and collaborate, to improve competitiveness and business performance, conserve resources where appropriate, and enhance supply-chain linkages and transparency
	(ii) Pilot a project to enhance supply-chain transparency to ensure sustainability	HCC	Project plan to be developed by September 2009	
	(iii) Provide training to enable the supply-chain to meet market requirements and ensure successful management of the Groups	Assembly and HCC	Annual	
	(v) Support supply-chain projects which seek to conserve economic and environmental resources	Assembly	Ongoing (with annual reporting)	
	(vi) Seek to have an Retailer Ombudsman appointed to regulate supermarkets	Assembly	Ongoing (with annual reporting)	
	(vii) Support development of co-operative networks, to strengthen branding, market share, and market intelligence; and to provide training opportunities	Assembly	Ongoing (with annual reporting)	

Objective	Action	Lead Responsible Body	Milestones	Outcome
3. To encourage the uptake of technology within the Welsh red meat industry	(i) Keep up to date with global/ EU/ UK/ Welsh developments in techniques and new technologies	Assembly, HCC and industry	Monthly	The Welsh red meat industry encouraged to improve competitiveness and business performance through the adoption of technologies
	(ii) Disseminate relevant information and advice responsibly to the industry using relevant media	Assembly, HCC and industry	Monthly (as required) and on an ongoing basis	
	(iii) Promote the benefits of new technological developments to the supply-chain (e.g. as a means to assess input costs)	HCC	Ongoing (with annual reporting)	
	(iv) Deliver industry events and training	HCC	Annual	
	(v) Deliver a network of demonstration farms, development farms and discussion groups	Assembly and HCC	Annual	
	(vi) Encourage the industry to utilise experiences from around the World, in regard to livestock performance and production systems	HCC	Ongoing (with annual reporting)	
	(vii) Support the uptake of automated carcass grading systems (such as Video Image Analysis [VIA]) in Welsh abattoirs	Assembly and HCC	Delivery of project to commence before December 2009	

Strategic Aim 3

To improve the business performance of processors in response to changing market conditions, environmental requirements, climate change and consumer demands

Objective	Action	Lead Responsible Body	Milestones	Outcome
1. To support the improvement of business efficiency of Welsh red meat abattoirs and processing plants	(i) Keep up to date with global/ EU/ UK/ Welsh policy and strategic developments (ii) Influence global/ EU/ UK/ Welsh policies and strategies to ensure commercial performance of abattoirs and processors is not inversely affected (iii) Undertake relevant, cost effective research activity ensuring there is no duplication (iv) Encourage DEFRA and other research institutions to undertake research which meets the needs of the Welsh red meat sector (v) Disseminate relevant information and advice responsibly to the industry using relevant media	Assembly, HCC and industry HCC and industry HCC Assembly and HCC Assembly, HCC and industry	Monthly Ongoing (with annual reporting) Quarterly Ongoing (with annual reporting) Monthly (as required) and on an ongoing basis	The Welsh red meat abattoir and processing sector with access to a range of information and advice, to support business development, efficiency and competiveness, and to be in a position to respond to changing global conditions

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(vi) Deliver industry events and training (vii) Support a range of business improvement activities focused on reducing waste, adding value, reducing energy and water usage, etc. (viii) Encourage best practice regarding meat handling, hanging times, etc. (ix) Undertake contingency planning to assist the industry during times of difficulty (to include animal health and market impact)	HCC HCC HCC Assembly and HCC	Annual Annual Ongoing (with annual reporting) Ongoing	Contingency plan in place to enable the Welsh red meat abattoir and processing sector to respond to difficulty/ crisis

Objective	Action	Lead Responsible Body	Milestones	Outcome
2. To support the Welsh red meat abattoir and processing sector in complying with and adapting to legislation and requirements (whilst ensuring longer-term sustainability is not compromised) and mitigate the sectors impact on the environment in a way that does not disadvantage the industry *(including consideration of climate change, biodiversity, water management, flooding control, pollution control, waste disposal, and energy saving and conservation techniques)*	(i) Keep up to date with global/ EU/ UK/ Welsh legislation and environmental requirements	Assembly, HCC and industry	Monthly	The Welsh red meat abattoir and processing sector with access to a range of information and advice, to allow business development, environmental credentials to be capitalised, contributions to the national climate and biodiversity debate to be maximised, and food to be produced in a sustainable manner
	(ii) Undertake relevant, cost effective research activity ensuring there is no duplication	HCC	Quarterly	
	(iii) Disseminate relevant information and advice responsibly to the industry using relevant media	Assembly, HCC and industry	Monthly (as required) and on an ongoing basis	
	(iv) Deliver industry events (e.g. open days, training days, etc.)	Assembly and HCC	Annual	
	(v) Provision of advice on the sources of support, and delivery of support, available to improve performance and on agri-environment schemes	Assembly and HCC	Ongoing	
	(vi) Facilitate a co-ordinated approach to water management, pollution control and waste disposal, between industry and relevant private and public sector bodies	Assembly and HCC	Ongoing	

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(vii) Encourage utilisation of local slaughtering/ processing facilities, where appropriate, in order to minimise the environmental impact of movements of livestock to slaughter	Assembly, HCC and industry	Ongoing	
	(viii) Pursue environmental accreditations at plant level	Industry	Ongoing (with annual reporting)	
	(ix) Seek to add value to the Welsh supply-chain by encouraging better use of, and disposal of, waste materials (e.g. offal, by-products, etc.)	HCC and industry	Ongoing (with annual reporting)	
	(x) Seek to utilise alternative energy sources, where possible (e.g. to replace Hydrochlorofluorocarbons [HCFC] refrigerants in abattoirs before 2010	Industry	Ongoing (HCFC alternatives utilised by 2010)	
	(xi) Develop an environmental impact 'roadmap' for Welsh red meat production	Assembly and HCC	December 2009	

Objective	Action	Lead Responsible Body	Milestones	Outcome
3. To encourage new personnel into the Welsh red meat abattoir, processing and butchery sector, and support existing personnel	(i) Provide support for training in abattoir/ processing plant/ at events, to enhance the skills base (including business management, sales and marketing, etc.)	Assembly, HCC and industry	Annual	Provision of support to enhance skill levels in the Welsh red meat slaughter and processing sector, to assist in creating a more sustainable workforce
	(ii) Support work-based learning (e.g. butchery) in business operators	Industry	Annual	
	(iii) Demonstrate best practice responsibly to the industry using relevant media	Assembly, HCC and industry	Annual	
	(iv) Support further education opportunities in key red meat areas (i.e. meat science)	HCC and industry	Annual	
	(v) Promote the processing industry as a career opportunity	Industry	Ongoing	
	(vi) Promote and support new entrant's initiatives/ events, etc.	Assembly, HCC and industry	Ongoing (with annual reporting)	
	(vii) Support the Equality and Human Rights Commission Inquiry into employment and recruitment practices in the meat processing sector	Industry	March 2009	

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(viii) Implement the recommendations of the Equality and Human Rights Commission Inquiry into employment and recruitment practices in the meat processing sector, where applicable	Assembly	Implementation commenced by December 2009	
	(ix) Ensure all employees of the red meat processing sector are treated in accordance with the Department for Health's Single Equality Scheme (2007-2010)	Assembly	Ongoing (with annual reporting)	

Objective	Action	Lead Responsible Body	Milestones	Outcome
4. To advise, assist and influence policy makers and regulatory development, with regard to the Welsh red meat abattoir and processing sector	(i) Keep up to date with global/ EU/ UK/ Welsh policy (ii) Undertake relevant, cost effective research activity ensuring there is no duplication (iii) Interact with the Assembly Task Force (iv) Ensure interaction with policy makers to ensure Welsh interests are protected	Assembly, HCC and industry HCC Industry Assembly, HCC and industry	Monthly Quarterly Ongoing Ongoing	New policy requirements/ regulations influenced to minimise regulatory burden, where possible

Strategic Aim 4

To improve the business performance of primary producers in response to changing market conditions, environmental requirements, climate change and consumer demands

Objective	Action	Lead Responsible Body	Milestones	Outcome
1. To support the improvement of business efficiency of Welsh red meat producers	(i) Keep up to date with global/ EU/ UK/ Welsh policy and strategic developments	Assembly, HCC and industry	Monthly	The Welsh red meat production sector with access to a range of information and advice, to support business development, efficiency and competiveness, and to be an a position to respond to changing global conditions
	(ii) Influence global/ EU/ UK/ Welsh policies and strategies to ensure commercial performance is not inversely affected	HCC and industry	Ongoing	
	(iii) Undertake relevant, cost effective research activity ensuring there is no duplication	HCC	Quarterly	
	(iv) Encourage DEFRA and other research institutions to undertake research which meets the needs of the Welsh red meat sector	Assembly and HCC	Ongoing (with annual reporting)	
	(v) Disseminate relevant information and advice responsibly to the industry using relevant media	Assembly, HCC and industry	Monthly (as required) and on an ongoing basis	

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(vi) Deliver a network of demonstration farms, development farms and discussion groups	HCC	Annual	
	(vii) Deliver training events	HCC	Annual	
	(viii) Support a range of business improvement activities (including benchmarking) and encourage informed decision making	HCC	Annual	
	(ix) Encourage utilisation of genetic information for decision making and support improvements on-farm	HCC	Ongoing (with annual reporting)	
	(x) Encourage ‘best practice’ in stock management, breeding, grassland management, nutrition, housing, etc.	HCC	Ongoing (with annual reporting)	
	(xi) Communicate the importance of better understanding ways to control/ reduce cost of production and developing consistent quality products that meet market needs	HCC	Ongoing (with annual reporting)	

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(xii) Educate producers regarding the differentiation between specifications for abattoirs/ retailers and markets/ butchers, to ensure livestock meet requirements (xiii) Undertake contingency planning to assist the industry during times of difficulty (to include animal health and market impact) (xiv) Support producers to develop health plans (xv) Undertake surveillance and/ or eradication (where appropriate) of disease/ pests likely to impact on the Welsh red meat industry	HCC Assembly and HCC HCC and industry Assembly	Ongoing (with annual reporting) Ongoing (with annual reporting) Ongoing Ongoing (with a 6-monthly report)	Contingency plan in place to enable the Welsh red meat production sector to respond to difficulty/ crisis

Objective	Action	Lead Responsible Body	Milestones	Outcome
2. To support the Welsh red meat production sector in complying with and adapting to legislation and requirements (whilst ensuring longer-term sustainability is not compromised) and mitigate the sectors impact on the environment in a way that does not disadvantage the industry *(including consideration of climate change, biodiversity, water management, flooding control, pollution control, waste disposal, energy saving and conservation techniques)*	(i) Keep up to date with global/ EU/ UK/ Welsh legislation and environmental requirements	Assembly, HCC and industry	Monthly	The Welsh red meat production sector with access to a range of information and advice, to allow business development, environmental credentials to be capitalised, contributions to the national climate and biodiversity debate to be maximised, food to be produced in a sustainable manner and to be in a position to adapt to climate change
	(ii) Undertake relevant, cost effective research activity ensuring there is no duplication	HCC	Quarterly	
	(iii) Disseminate relevant information and advice responsibly to the industry using relevant media	Assembly, HCC and industry	Monthly (as required) and on an ongoing basis	
	(iv) Deliver a network of demonstration farms, development farms and discussion groups	HCC	Annual	
	(v) Deliver training events	HCC	Annual	
	(vi) Provision of advice on the sources of support available to improve performance and on agri-environment schemes	Assembly	Ongoing	
	(vii) Encourage uptake of existing environmental audits available (for example through the Environment Agency)	Assembly	Ongoing	

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(viii) Encourage consideration of the uptake of agri-environmental schemes (e.g. Tir Cynnal, Tir Gofal, Organic Farming Scheme, etc.), where appropriate, ensuring red meat production sustainability is not adversely affected	Assembly	Ongoing (with annual reporting)	
	(ix) Encourage shared practice amongst producers on how individual businesses sustain production whilst ensuring environmental protection	HCC and industry	Ongoing (with annual reporting)	
	(x) Seek to add value to the Welsh supply-chain by encouraging efficient disposal of waste materials (e.g. fallen stock, etc.)	HCC and industry	Ongoing (with annual reporting)	
	(xi) Seek to utilise alternative energy sources, where possible (e.g. hydrocarbons)	Industry	Ongoing	
	(xii) Develop an environmental impact 'roadmap' for Welsh red meat production	Assembly and HCC	December 2009	

Objective	Action	Lead Responsible Body	Milestones	Outcome
	(xiii) Assist producers in adapting to climate change, by adapting production systems (e.g. encouraging ventilation in sheds, increasing access to shade in the fields, etc.)	HCC and industry	Annual	
	(xiv) Seek to reduce methane and nitrous oxide emissions from grass fed livestock	Industry	Ongoing	

Objective	Action	Lead Responsible Body	Milestones	Outcome
3. To encourage new personnel into the Welsh red meat production sector, and support existing personnel	(i) Provide support for training on farm/ in auction markets/ in abattoirs/ at events, to enhance the skills base (including live-to-dead training, animal selection/ handling/ presentation, business management, etc.)	Assembly, HCC and industry	Annual	Provision of support to enhance skill levels in the Welsh red meat production sector, to assist in creating a more sustainable workforce
	(ii) Demonstrate best practice responsibly to the industry using relevant media	Assembly, HCC and industry	Monthly (as required) and on an ongoing basis	
	(iii) Support further education opportunities in agriculture	HCC and industry	Ongoing	
	(iv) Promote the processing industry as a career opportunity	Industry	Ongoing	
	(v) Promote and support young farmer and new entrants initiatives/ events, etc.	Assembly, HCC and industry	Ongoing (with annual reporting)	

Objective	Action	Lead Responsible Body	Milestones	Outcome
4. To advise, assist and influence policy makers and regulatory development, in regard to the Welsh red meat production sector	(i) Keep up to date with global/ EU/ UK/ Welsh policy	Assembly, HCC and industry	Monthly	New policy requirements/ regulations influenced to minimise regulatory burden, where possible
	(ii) Undertake relevant, cost effective research activity ensuring there is no duplication	HCC	Quarterly	
	(iii) Interact with the Assembly Task Force	Industry	Ongoing	
	(iv) Investigate the links between cross compliance and farm assurance, to ensure there is no duplication or additional burden	Assembly and HCC	December 2009	
	(v) Ensure interaction with policy makers to ensure that Welsh interests are protected	Assembly, HCC and industry	Ongoing	

Chapter 5 - Implementation, Monitoring and Evaluation

1. Chapter 4 set out the actions to be taken forward under this Action Plan in order to implement the strategic aims and attempt to achieve the vision of a ***profitable, efficient, sustainable and innovative Welsh red meat industry, which responds competitively to ever changing market trends and benefits the people of Wales***.

2. It is evident that to achieve such a vision, close partnership working between the Welsh Assembly Government, Meat Promotion Wales (HCC) and the Welsh red meat industry will be essential to progress the objectives and implement the actions. Full engagement of all stakeholders across the supply-chain will be necessary. It is envisaged that delivery of this Action Plan will be funded primarily by Welsh Red Meat Levy and Rural Development Plan funding.[4]

3. The Welsh Assembly Government in partnership with HCC is committed to supporting the development of the Welsh red meat sector and will therefore be putting in place arrangements with HCC for implementation, monitoring and evaluation of this Action Plan.

4. A Monitoring Group (consisting of the Welsh Assembly Government, HCC Board members and representatives of the Welsh red meat industry) will agree a framework for reporting and measuring progress, including the measurement of the following with regard to the Welsh red meat industry:

- Access to information and advice
- Impact on value and awareness of products (both in the domestic and export markets)
- Collaborative ventures supported
- Development of new added value products
- Improved competiveness and business performance
- Awareness of new technologies
- Availability of skilled labour
- Influence on policy/ regulation development

5. An annual report detailing how the actions are being taken forward will be published by this Monitoring Group in collaboration by the Welsh Assembly Government and HCC. The reports will be issued following the collation of relevant data to coincide with year-end of each financial year.

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[4] **Welsh Red Meat Levy** is jointly paid by producer and slaughterer, raised on all cattle, sheep and pigs slaughtered in Wales or exported live. HCC is the body responsible for spending the levy on various functions to support activities for the Welsh red meat industry.

Under the **Rural Develop Plan 2007-2013**, the following mechanisms are utilised by the Welsh Assembly Government to deliver activities in the agricultural sector:

- Farming Connect;
- Farm Advisory Service;
- Processing and Marketing Grant Scheme; and
- Supply Chain Efficiencies Scheme.

Annex 1
Meat Promotion Wales (HCC) Board Members

John Brereton

John Collins

Huw Evans

Rhodri Evans

Alan Gardner

Professor William Haresign

William Jenkins

Dr Nic Lampkin

Graham Probert

Glyn Roberts

Rees Roberts (Chair)

Wyn Williams

John Yeomans

Appointments to the HCC Board are made by Welsh Ministers in accordance with the provisions of the Government of Wales Act 2006. The current formation of the HCC Board was announced by the Minister for Rural Affairs Elin Jones AM, on 17 March 2008 following an appointment exercise run in accordance with the Commissioner for Public Appointments Code of Practice for Ministerial Appointments to Public Bodies.

The HCC Board comprises both industry and independent representatives and represents the whole Welsh red meat supply-chain.

Annex 2
Government and Red Meat Industry Partners

In addition to the partners directly involved in the supply-chain,[5] the following is a list of partners with a role in delivery of this Action Plan, many of whom will have a dual role in delivery (i.e. representing both Government and Industry).

- ADAS
- AEA Energy and Environment
- Agricultural Colleges
- Agricultural Consultants
- Agriculture and Horticulture Development Board (AHDB)
- All Wales Ethnic Minority Association (AWEMA)
- ASDA
- Association of Independent Meat Suppliers (AIMS)
- Bangor University
- Banks
- Breed Societies (sheep, beef and pigs)
- Breed Evaluation Services
- British Livestock Genetics
- British Meat Processors Association (BMPA)
- BPEX Ltd.
- British Retail Consortium (BRC)
- British Wool Marketing Board
- Certification Bodies
- Commission for Racial Equality Wales
- Country Land and Business Association (CLA)
- Countryside Council for Wales (CCW)
- Creative Rural Communities
- DairyCo. (formally Milk Development Council)
- Department for Environment, Food and Rural Affairs (DEFRA)
- Department of Human Health
- Disability Wales
- Dunbia Llanybydder
- EBLEX Ltd.
- Environment Agency Wales
- Envirowise
- Equal Opportunities Commission Wales
- Equality and Human Rights Commission
- Farm Animal Welfare Council (FAWC)
- Farm Assured Welsh Livestock (FAWL)
- Farm Business Survey in Wales
- Farmers' Union of Wales (FUW)
- Farming Connect

[5] Producers, contractors, feed merchants, hauliers, auctioneers, abattoirs, processors, independent retailers, wholesalers, retailers, food service, exporters and consumers.

- Federation of Small Businesses in Wales
- Food Centre Wales, Horeb
- Food Industry Centre, UWIC
- Food Standards Agency Wales (FSA Wales)
- Forestry Commission
- FWAG Cymru
- Guild of Welsh Lamb and Beef Suppliers
- IMPROVE
- Institute of Biological, Environmental and Rural Sciences (IBERS)
- Innovis Ltd.
- Lesbian, Gay and Bisexual (LGB) Forum Cymru
- Livestock and Meat Commission Northern Ireland (LMC NI)
- Livestock Marketing Ltd.
- LANTRA
- Marks and Spencer
- Meat Promotion Wales (HCC)
- Merched y Wawr
- MLC Commercial Services Ltd.
- National Beef Association (NBA)
- National Sheep Association (NSA)
- National Farmers Union Wales (NFU Wales)
- National Health Service (NHS)
- National Federation of Meat and Food Traders
- Organic Centre Wales (OCW)
- Quality Meat Scotland (QMS)
- Race Equality Council
- Race Equality First
- Randall Parker Foods, Llanidloes
- Research Organisations
- Road Haulage Association (RHA)
- Royal National Institute for the Blind (RNIB) Cymru
- Royal National Institute for the Deaf (RNID) Cymru
- Royal Society for the Protection for Animals Cymru
- Royal Society for the Protection of Birds
- Sainsburys
- Scottish Agricultural College (SAC)
- Scottish Executive Environment and Rural Affairs Department (SEERAD)
- St. Merryn Meat Ltd.
- Strategic Food and Drink Advisory Group
- Sustain
- Tesco
- Trading Standards
- The Church in Wales
- The Co-operative
- The Food Commission (UK) Ltd.
- The Food Technology Centre, Llangefni
- The National Trust
- The Woodland Trust

- Universities
- Veterinaries
- Waitrose
- Wales Consumer Council
- Wales Council for Voluntary Action
- Wales Environmental Link
- Wales Women's National Coalition
- Wales Young Farmers' Clubs (Wales YFC)
- Wales & Border Counties Pig Breeders' Association
- Welsh Assembly Government's Department for Children, Education, Lifelong Learning and Skills (DCELLS)
- Welsh Assembly Government's Department for Economy and Transport
- Welsh Assembly Government's Department for Environment, Sustainability and Housing
- Welsh Assembly Government's Department for Health and Social Services
- Welsh Assembly Government's Department for Heritage
- Welsh Assembly Government's Department for Rural Affairs
- Welsh Country Foods Ltd.
- Welsh Lamb and Beef Producers Ltd. (WLBP)
- Welsh Levy Board
- Welsh Livestock Auctioneers Association (Welsh LAA)
- Welsh Council for Voluntary Action (WCVA)
- Welsh Federation of Women's Institutes
- Welsh Local Government Association (WLGA)
- Women in Agriculture
- Women's Food and Farming Union
- World Wildlife Fund Cymru