

## Hybu Cig Cymru | Hybu Cig Cymru - Meat Promotion Wales (HCC)

Hybu Cig Cymru - Meat Promotion Wales (HCC) is the statutory industry-led levy organisation responsible for the development, promotion and marketing of Welsh lamb, beef and pork. It undertakes promotional campaigns at home and abroad, is involved in research and development which benefits the efficiency and sustainability of the whole red meat supply chain, as well as collating and analysing market intelligence. HCC is also the guardian of the PGI Welsh Lamb and PGI Welsh Beef brands and administers the PGI verification scheme.

### Food branding

#### **1. Welsh Government strategy:**

- **Activity to promote Welsh food products within the UK and internationally**
- **Activity to support Welsh food producers to develop their branding**

1.1. HCC is an organisation which, though independently-operated, is owned by Welsh Ministers. HCC helps to deliver aspects of Welsh Government food and agriculture policies. It would therefore not be appropriate for us to comment on Government strategy.

#### **2. UK Government activity to promote Welsh food products internationally**

2.1 The support that Welsh red meat has received from the UK Government in emerging overseas markets has included hosting a number of events.

2.2. Most governmental support is received from the Welsh Government, supporting attendance at trade fairs, on inward missions and at events worldwide. The Welsh Government is currently funding a 3-year £1.5 million Enhanced Export Development Programme, focused on retaining and growing European markets and growing new business outside the EU.

#### **3. The value of branding food as local, Welsh, British or otherwise**

3.1 In both UK markets and overseas, HCC sees great strategic value in using distinctive Welsh branding to promote red meat.

3.2 A key part of the export strategy for Welsh Lamb and Welsh Beef in particular has been to aim at premium markets. In order to achieve premiumisation, the 'Welsh' brand has been

used to differentiate the product from other offerings. This is unlikely to change in the future, given the relatively high cost of production in Wales and the allied high standards of welfare and environmental management.

3.3. For lamb, beef and pork, the Welsh landscape and distinctively Welsh values and imagery have been used consistently over the past decades to convey a brand which is rooted in positive perceptions of Welsh agriculture as being low-intensity, high-welfare and in tune with the natural environment.

3.4 In terms of red meat exports, limited product is sold overseas as 'British', most being sold under specific product or retailer brands or as Protected Food Names (PFNs).

3.5 A recent report found that the UK food brand was negatively perceived in most key markets (Europe, North America and Japan).<sup>1</sup>

3.6 There is also a particular negative perception in some overseas markets of the British brand as pertaining to red meat, due to historic poor publicity around BSE and other food health problems.

3.7 An independent report published by HCC, reviewing the success of the Welsh red meat brands between 2003 and 2013 found that premium and new market opportunities for the Welsh red meat supply chain grew by £115 million over the period, and identifies Welsh Lamb in particular as enjoying a significant price premium at retail as compared to other types of lamb.<sup>2</sup>

3.8 This research also indicated that in the domestic market, the brands achieved an increased British retail market share of £64 million over the 10 years, and an increased British retail premium of at least £1 million per year.

#### **4. The value of Protected Food Names (Geographical Indicators), including the UK Government's proposals for a new post-Brexit UK scheme**

4.1 PGI status provides a guarantee of provenance and a mark of quality; re-enforcing consumer confidence in the product and allowing it to be sold at a premium. Effective premiumisation maximises returns to the whole supply chain. Both domestic and global gains will rely on the effective premiumisation and the ability to differentiate and promote branded products.

4.2 According to published research, products carrying a Protected Food Name/ Geographical Indication designation were sold in the EU at a price 2.23 times higher than products not carrying such designations.<sup>3</sup> While these designations are most widely recognised in Europe, they also carry considerable weight amongst food industry professionals in other parts of the world.

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<sup>1</sup> **Source:** AHDB. Horizon: International Consumer Buying Behaviour: 2018

<sup>2</sup> **Source:** HCC. Flying the Flag: Decade of success for the Welsh red meat brands: Review 2003-2013

<sup>3</sup> [https://ec.europa.eu/agriculture/external-studies/value-gi\\_en](https://ec.europa.eu/agriculture/external-studies/value-gi_en)

4.3 Brexit does however create an uncertainty to the long-term protection for products with PFN status, as unless the status, or a UK protected food name status which is recognised worldwide as being equivalent, can be maintained post Brexit, the ability to attract a premium for Welsh red meat could be limited. It is possible for produce originating outside the EU to have PGI status, Colombian Coffee being a notable example, but legislation giving mutual equivalent protection for European food names must be incorporated into the third country's law.

4.4. Immediate, seamless protection for the Welsh Lamb and Welsh Beef brands post Brexit, as part of a scheme which is recognised as equivalent to PGI, is essential for the red meat industry.

4.5 HCC welcomes the proposed establishment of a UK GI scheme which mirrors as closely as possible the current European arrangement. However there remain details to be confirmed. It is important that any new scheme recognises the distinctive identity of such produce, rather than being subsumed into a UK brand.

4.6 HCC responded to the DEFRA consultation on establishing UK GI schemes after EU exit in October 2018, outlining its views on the scheme and logo design. It was conveyed that, given that recognition of the PFN scheme logos had grown in the UK, and 2014 data collected for HCC showing consumer awareness of the PGI logo in the UK to be at 19 percent,<sup>4</sup> any drastic change in the PFN logos would have a negative effect, reducing the brand awareness back to zero and undermining all the work of Government and industry over the past 25 years. The response also encouraged UK Government to commit sufficient resources towards a scheme promotion and awareness campaign in the same way as the EU had over previous years.

## **5. The value of food branding in the tourism and hospitality sector**

5.1 Agriculture has a key role in maintaining the landscape of Wales, which is a key component of the Visit Wales campaign and is largely responsible for attracting around a million overseas visitors and contributing £2.9 billion to the economy from tourism to Wales each year.<sup>5</sup>

## **6. Welsh Government strategy and support for food processors**

6.1 HCC helps to deliver aspects of Welsh Government policy in this area. It would therefore not be appropriate for us to comment on Government strategy.

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<sup>4</sup> **Source:** Beaufort Research for HCC. November 2014.

<sup>5</sup> **Source:** Natural Resources Wales. A summary of the State of Natural Resources Report: An assessment of the sustainable management of natural resources. September 2016).

## **7. Trends in processing capacity in Wales and how Brexit might affect this**

7.1 The Welsh red meat slaughtering industry has for many years faced a continuing underlying problem of fluctuating and at times low profitability. The sector as a whole suffers from underinvestment especially amongst small and medium enterprises and margins are coming under increasing pressure.

7.2 There are currently 18 operational red meat abattoirs in Wales, of which 16 slaughter cattle, 18 slaughter sheep and 11 slaughter pigs. Numbers are steadily declining. The cattle and sheep slaughtering sectors are dominated by large abattoirs whilst the pig slaughtering sector is dominated by small and medium sized abattoirs.

7.3 In the last few years, whilst some extra red meat slaughtering capacity has come on stream through business expansion and through new businesses opening, there has at the same time been contraction amongst businesses and business closures/ suspension of operation, resulting in an overall decrease in throughput.

7.4 Achieving capacity (or extending it) is largely dependent on any investment and expansion by the larger companies. The smaller companies have limited effect on increases or decreases in capacity.

7.5 Many processors have concerns over the future availability of EU labour. Shortages may apply to semi-skilled labour in larger abattoirs, but also to qualified veterinarians who are essential to the whole processing sector.

7.6 The challenges the industry is currently facing will have a substantial impact on the future resilience, performance and profitability of the sector which raises concerns over the long-term viability of Welsh abattoirs without future investment in this sector.