

WELSH LAMB & BEEF PROMOTIONS LTD

Summary Report to the Agricultural and Rural Affairs Committee National Assembly - November 22nd 2000

1.0 INTRODUCTION

1.1 Welsh Lamb and Beef Promotions Ltd [WLBP] is a co-operative of some 6,000 Welsh Livestock farmers and was established in the belief that Welsh Meat had a reputation for excellence that needed to be promoted and marketed effectively for the benefit of the primary producer. A differentiation strategy was developed initially for Welsh lamb that had traditionally been valued for its quality and taste. In recent years, that strategy has been extended to include Welsh Beef. It has evolved to encompass an image of meat derived from traditional livestock production methods that are in tune with the natural environment, exploiting the grass-based management systems that dominate farming in Wales. It therefore now offers consumers in home and export markets, not just high quality red meat but also appeals to their perception of how they wish to see farm animals being reared and their meat produced and processed. It presents an image of meat derived from less intensive production methods where farmers work to high husbandry and welfare standards with the whole offer being underpinned with a credible independently certified farm assurance scheme. The strapline "*From the green, green grass of Wales*" duly supported with appropriate imagery, helps deliver this strategy.

1.2 The importance of livestock farming to Welsh agriculture cannot be under-estimated with the sector accounting for around 65% of the agricultural output of Wales. This is based on around 5 million lambs and 300,000 head of cattle available to market annually. Global competition would ravage any attempt to market the livestock outputs of Wales as commodities. Brand marketing is, therefore, considered as the best proposition.

2.0 MARKET POSITIONING

2.1 Specific strategies are tailored for various segments of the overall market. The market is segmented as follows:-

- Multiple Retailers
- Independent Retails
- Serviced Food Sector
- Export

2.2 The strategies adopted attempts to position the products to these segments. Due regard is given to quality outlets. The strategies attempt not only to persuade consumers to eat red meat but also to

persuade them to purchase branded Welsh Lamb and Welsh beef. Clear, unequivocal branding, coupled with effective promotion are very important elements in delivering the strategies.

2.3 The only limit to the marketing and promotional strategies are financial constraints.

3.0 FINANCIAL EVALUATION

3.1 Budgeted expenditure has been allocated to each market segment Detailed objectives, delivery mechanisms and targets have been prepared for each segment of the market. For the current year - 2000/2001 - the budgeted income of the business is around £1770k This is made up as follows:-

	£'000's
Members' Subscriptions	360
Species Promotional Levies:	
{Lamb	480
{Beef	280
Objective 5(b) Beef Marketing	250
WDA Food Directorate	380
Other	20
	<hr style="width: 10%; margin: 0 auto;"/> <u>£1770</u>

For an industry with a gross output value in excess of £500m, this is a relatively low budget. It is generally felt that significant achievements have been secured from a limited budget.

4.0 CURRENT SUCCESS

4.1 These are summarised as follows:

[a] 145,000 tonnes (1.2 million carcase equivalent) of branded Welsh Lamb marketed via multiple retailers in the UK. (Approx. 1,500 branches across the UK).

[b] Over 2,000 tonnes of branded Welsh Beef marketed via multiple retailers.

[c] Welsh Lamb and Welsh beef Promotional Kits supplied to over 600 independent butchers in the UK.

[d] 16,000 tonnes (1.5 million equivalent) Welsh Lamb exported to mainland Europe.

[e] The first commercial export deal secured for Welsh Beef to Holland after the lifting of the beef export ban. (Value - approximately £4.5 million per annum).

[f] Important export markets established in Southern Europe for lighter Welsh Lambs (over 5,000 tonnes exported to Greece, Italy, Portugal and Spain).

[g] The first introduction of light lambs to UK multiples, with Welsh Mountain Lamb to Safeway. This is of great significance to Rural and Upland Wales.

[h] Branded Welsh Lamb and Welsh Beef positioned into top London hotels and restaurants.

[i] Developments of markets for forequarter products, e.g. Welsh Lamb Sausage and Welsh Burgers (Lamb & Beef).

[j] Speciality niche markets developed for speciality products such as Salt Marsh Welsh Lamb (Pré Salé Agneau Gallois) in France and the UK - Welsh Black Beef to top restaurants in the UK.

5.0 CURRENT PROBLEMS

5.1 The recent FSA report, highlighting a possible threat of BSE in sheep-meat has had an immediate and devastating impact on key markets in Southern Europe. A great deal of effort (resulting in good successes) has been expended in these markets over the last few years. The current position shows many orders being cancelled (due to BSE fears). This problem is disproportionately serious to Wales, due to the significant amounts exported from Wales to Greece, Italy, Spain and Portugal. WLBP is currently evaluating incremental strategies to recover some of the potential in these markets.

5.2 The relative strength of the £ to the Euro is affecting both export potential. Markets in Europe are now secured on quality parameters and not price. (It is important the industry consolidates these quality markets if and when the Euro strengthens against the £). The currency effect also fuels cheap imports (particularly from Ireland) to UK markets. This increases competition.

5.3 There is urgent need for Wales to establish an appropriate quality assurance logo to 'compete' with the UK Tractor Logo.

5.4 The urgent need to secure European Union protection for the brand names 'Welsh Lamb' and 'Welsh Beef' as *Products of Protected Geographical Indication [PGI]*.

6.0 POSSIBLE CURRENT SOLUTIONS

6.1 The potential for increased funding from Objective 1 and rural Wales Development plans. Success in

marketing and promotion is - without doubt - directly proportionate to the available spend.

6.2 The development of an independent Welsh Quality Certification Scheme operating to EN45011 Standards is well advanced.

6.3 A significant expansion to farmer members from the existing 6,000 is anticipated.

7.0 ADDITIONAL INFORMATION

7.1 Any additional information, either qualitative or quantitative, can be readily provided on request.