



## Hybu Cig Cymru: ETRA inquiry written evidence

1. Hybu Cig Cymru (HCC) welcomes the opportunity to provide **evidence to the Economy, Trade, and Rural Affairs Committee** on the nature and detail of its activities, delivery, relationships and funding. The inquiry is very timely against the backdrop of the organisation progressing the development of its new 2026-2030 vision for the Welsh red meat industry.
2. **HCC was created in 2003** by amalgamating the interests of the Meat and Livestock Commission in Wales as well as certain functions of other organisations at the time. This consolidation aimed to streamline efforts in promoting and developing the Welsh red meat sector
3. **A new CEO is in place since the end of January 2025.** The new leadership brings with him extensive experience (over 20 years) in the processing and commercialisation of Welsh red meat in the UK and abroad and is tasked to bring new life and perspective to HCC to continue its evolution as a relevant and meaningful organisation for the successful and sustainable future of a thriving red meat industry in Wales.
4. In addition to the office of CEO of HCC, he also holds the office of **Company Secretary and Director of EID Cymru**, a subsidiary of HCC dedicated to the tracing of animal movements from Wales. EID Cymru is directly and fully funded by Welsh Government.
5. As titled below, in the interest of simplicity and coherence we have chosen to address the **four key inquiry topics** issued.

**HCC's performance in delivering against its current priorities. The appropriateness of HCC's purpose, priorities and activities, and whether they should be revised.**

6. HCC's strategic purpose, **underpinned by the Red Meat Industry (Wales) Measure 2010**, comes from its vision document developed with the industry. The timeline of which aligns to each Senedd term. The current iteration runs up to the end of this Senedd term in 2026.
7. The vision for the Welsh red meat industry is for an innovative and prosperous future which **delivers for levy payers, consumers and wider society.**

8. Sustainability, premiumisation and trade success are all at the heart of the vision to develop and promote an ambitious and progressive outlook for Wales as world-leaders in red meat production, marketing and sales.
9. At the time of writing the organisation is at the initial period of engaging with industry to develop the 2026-2030 industry vision document set to be in place for the next Senedd term.
10. The purpose of HCC is the development, promotion and marketing of red meat from Wales.
11. HCC undertakes research and development, shares information and supports training to improve quality, sustainability, increase cost-effectiveness and add value to Welsh red meat products.
12. HCC **promotes Protected Geographical Indication (PGI) Welsh Lamb and Welsh Beef** and acts as the guardian of the PGI Welsh Lamb and PGI Welsh Beef brand and the post-PGI UK-wide GI brand.
13. In the UK and in many important markets worldwide, HCC works with retailers, processors and food service operators to strengthen business opportunities and undertakes regular promotional programmes for PGI Welsh Lamb and PGI Welsh Beef.
14. HCC carries out its role against a programme of priorities, as stated in the **Red Meat Vision for Wales**:
  - Positioning red meat from Wales as a premium product
  - Developing EU trade opportunities for Welsh red meat
  - Optimising domestic consumption of red meat from Wales
  - Seeking new consumers for Welsh red meat in established global markets
  - Securing market opportunities for Welsh red meat outside the EU
  - Enhancing the competitiveness of the Welsh red meat industry and underpinning the role of Wales' red meat industry in global food security
  - Supporting the economy, natural environment and society through sustainable red meat production and processing in Wales
  - Planning in terms of future trade, production and processing through horizon scanning and market intelligence
  - Demonstrating effective leadership and communicating to ensure unity of purpose and proactive advocacy.
15. The activities of HCC are multiple and varied, in the interest of brevity **find below a selection of the most relevant and impactful HCC activities between 2022-25** (i.e. within the period of the current vision and supporting business plan) grouped by the area of the supply chain that they influence and support.

## Farmers

16. In 2023 HCC completed the £9.2 million European Union / Welsh Government funded **Red Meat Development Programme (RMDP)** involving three projects designed to increase efficiency and sustainability within the industry as well as enhance the public perception of Welsh Lamb and Welsh Beef. The projects were Stoc+; the Hill Ram Scheme and the Welsh Lamb Meat Quality project:

- **Stoc+ recruited 374 farms and engaged with 42 different vet practices.** As a result, 94% of participating farms had introduced or increased use of health management tools and participatory farms reported their animal health effectiveness increased from 64% before accessing the support to 93%. The results and learning from Stoc+ have been transferred to Welsh Government and have supported the development of the Animal Health Improvement Cycle (AHIC) which will be part of the new Sustainable Farming Scheme (SFS).
- **The Hill Ram Scheme** supported a total of 63 flocks. Analysis of the work suggested that the cumulative future value of genetic improvement achieved through the scheme in a 300-ewe flock if sustained are: £9,235 at year five and £60,403 at year ten. The success of the Hill Ram Scheme led to Farming Connect's Welsh Sheep Genetics Programme which has built on the strong foundations of the original work.
- **The Welsh Lamb Meat Quality Project** aimed to develop a blueprint for the supply chain to ensure that the production and processing of Welsh Lamb would achieve the highest possible levels of quality and consistency. The results highlighted that consumers value the qualities of Welsh Lamb. These messages have been disseminated through the processors across the supply chain with the support of HCC.
- The three projects were cumulatively designed to **strengthen and underpin the credentials and values of the PGI Welsh Lamb and PGI Welsh Beef brands.** This was achieved through working closely with the supply chain and Welsh Government to understand where challenges and improvements could be made.

17. HCC's **Livestock Selection events** help farmers understand how to maximise their production - and returns - by meeting market specifications. From March 2023 onward, HCC has staged over 20 separate days by abattoirs across Wales. During these events HCC also communicates key messages on shelf-life and its importance when seeking new markets.

18. HCC continues to **ensure audits underpin the integrity** of the PGI Welsh Lamb and PGI Welsh Beef brands. HCC utilises the latest forensic science (Oritain) available to support the traceability system, one of a few PGI schemes to have this level of assurance.

19. Over the past five years HCC has sought to develop a closer working relationship with deliverers of the Welsh Government funded **Farming Connect** programme. This has led to HCC presenting at a number of Farming Connect events and meetings. In the autumn of 2024, HCC attended and had information available at each red meat 'Our Farms' events organised by Farming Connect. HCC also has a strategic input and overview on the programme through its presence and representation on the Farming Connect Strategic Advisory Board.
20. A key part of HCC's producer and processor support is to influence and develop partnership working with other organisations. This seeks to enable greater cross-sector delivery and ensure effective and consistent messaging to the industry. In 2023/24 HCC represented the red meat sector in Wales at over **300 meetings pertaining to subjects such as animal health, climate change, genetic improvement and R&D.**

### **Processors and export sector**

21. HCC works with processors and exporters to gain and grow market access, an example of this was a bespoke focused dinner event in February 2025 at the Dubai embassy showcasing Welsh Lamb. Events of this type have **helped facilitate the commencement of sales** of Welsh Lamb with a premium retailer in UAE and Saudi Arabia in 2024.
22. The organisation **regularly has presence in international export trade shows.** In order to showcase Welsh Lamb and Welsh Beef and facilitate the establishment of new customers in existing and new markets as well as strengthening existing ones. Examples over recent years include:
  - Gulfood-Dubai (2022; 2023; 2024; 2025)
  - Foodex-Tokyo (2024; 2025)
  - SIAL-Paris(2022; 2024)
  - Summer Fancy Foods-New York (2024)
  - Anuga-Cologne (2021; 2023)
  - Tutto Food-Milan (2024)
  - SIRHA-Lyon (2022; 2023)
  - AMC-USA (2023; 2024)
  - Tavola-Belgium (2022)
  - RC-Toronto (2021)
23. Driven by proximity and demand, the **European Union market continues to be the main export outlet for Welsh produce.** HCC seek to grow and maintain these markets through ongoing engagement at different levels of the supply chain. For example, the German retail market is notoriously difficult to access and needs local intel and face to face interactions to gain and maintain business. After years of perseverance by HCC's in-market representative, we managed to facilitate access to two premium German food retailers. Similarly, HCC also have in-market permanent representation in Italy, and Gulf Corporation Countries (GCC).

24. HCC seek to showcase the Welsh production systems, an inwards mission in 2024 with one of our largest branded Welsh Lamb accounts, **saw HCC bring across 20 Italian head butchers and area sales managers to experience the Welsh way**. This shows our continued commitment to maintaining key accounts in strategically important markets.
25. HCC continually seek to build on its relationship and support for independent retailers, food service and butchers. **HCC Butchers' Club has a stable membership (current 120 members)**, this at a time when pressures on the sector has increased over the last five years. Butchers' Club members have access to information, recipe cards and Point of Sale material throughout the year.
26. HCC has a staff member whose **primary focus is liaising with the SME businesses** (e.g. butchers, abattoirs, cutting plants) post-farmgate in the supply chain. This ensures that HCC is well informed of any issues or concerns being faced. HCC has also sought to identify external parties that have access to Welsh Government funds that can support SME businesses.

### **Consumers and retailers**

27. Following investment over multiple years in targeted TV advertising campaigns, across England and Wales, brand awareness of Welsh Lamb has increased considerably from **39% to 72% (2022 – 2024)**. As independently verified by a leading market research company.
28. In 2024/25, HCC worked in partnership with a leading retailer to maximise consumer targeting, via loyalty card and Sky AdSmart. The campaign was able to target **specific households who had not purchased the Welsh Lamb brand** over the past six months. The growth secured from this activity was an increase in sales of **24% in Wales and 21% in England**. Significantly 50% of the conversion was secured from consumers that had previously been purchasing competitor brands.
29. In **partnership with a large premium UK wide retailer**, HCC implemented a targeted digital campaign in 2023/24 which promoted Welsh Lamb in a one-mile radius of all English stores, thereby securing 10% increase in visits to those stores.
30. In 2023/24, an integrated multi-media channelled Welsh Beef campaign was delivered. A leading market research company found that brand **awareness of Welsh Beef had risen from 70% to 85% and propensity to purchase increased from 44% to 65%**. The campaign reached over half the population of Wales.
31. From **consumer research undertaken** we have worked with top UK chefs and influencers - including the likes of Francesco Mazzei, Owen Morgan, and Chris Roberts - to showcase our product to consumers in an engaging and impactful way.
32. Working collaboratively with these ambassadors has enabled us to reach their audiences as well as our own. On 1 August in 2022 we **reached circa half a million consumers** with a video of Chris Roberts and Francesco Mazzei cooking on a hill farm in Snowdonia.

This is an example of HCC using influential chefs to underpin and communicate the premiumisation of Welsh red meat.

33. HCC **works collaboratively with the other levy bodies** and farming unions for events throughout the year including Great British Beef Week and Love Lamb Week ('Make it' Lamb). In 2024 across all social accounts the 'Make It Lamb' campaign saw a reach of almost 2 million consumers across the four levy bodies in one week. (1 - 7 September 2024).
34. HCC supports its **Pork producers in targeted bursts of activity**. In 2024 our Pork campaign saw over 3 million impressions on social media channels and google search with clicks of over 27,000 and a search advertising click through rate of 14% which is above industry average of 6%.

### **Policy and sustainability**

35. HCC has taken a strong leadership position and its endorsement of the Welsh red meat production system via its '**The Welsh Way**' programme. Research work over the last four years has focused on the four environmental metrics - biodiversity, carbon, water, and soil health - that reflect the total environmental footprint of '*The Welsh Way*' of producing red meat. Key highlights include:
  - HCC published a **biodiversity baseline** in 2023
  - The commissioning of a **Life Cycle Analysis (LCA) in 2024** for Welsh Lamb and Welsh Beef to understand associated greenhouse gas emissions from farm to pre-packaging at the processor. Interrogating data from 373 Welsh farms concluded that Welsh Cattle and Sheep is produced to a significantly lower carbon intensity than UK and international alternatives
  - Results of HCC's commissioned **water usage baseline study are due in 2025**. As part of securing evidence to demonstrate the sustainability of the unique production systems in Wales, HCC is engaging with farmers across Wales to participate in a short survey to quantify the source and volume of water utilised for red meat production.
  - As part of HCC's commitment to the soil health environmental metric, **there is collaboration with sector partners**, AHDB and QMS's aim of environment baselining to establish on farm net carbon, taking account of carbon stored in soil, along with hedges and trees, as well as greenhouse gas (GHG) emissions and sequestration.
  - HCC continues collaboration with both AHDB and QMS on **pre-competitive sustainability workstreams**, and other UK sector partners to help reinforce the sustainability message, and include the industry-led Beef & Lamb Roadmap – to a net zero brief. In addition, work continues on industry leading genetic improvement projects focusing on efficiency and environmental gain such as the **Ram Compare** and **Breeding Better** programmes.

36. To support the industry, and ensure limited funds are utilised effectively, HCC are participants and contributors in **a number of external R&D projects**. Where possible HCC will work with other levy bodies on pan-UK projects such as **Ram Compare** and **GrasscheckGB**. Over the last year HCC has also been active members of research activity undertaken through the **Land Use Net Zero (LUNZ) Hub and the AFN+ Better Breeding programme**. This activity seeks to drive and inform innovative research to support the red meat sector in the future.
37. HCC has a remit to support the industry through R&D. Research collaborations with academic institutions, including Aberystwyth and Bangor universities, have focused on optimising grassland management and livestock breeding efficiency. These partnerships, circa 2022-23, were further reinforced through the recruitment of four **PhD studentships**, each investigating critical areas that will shape the future of the industry. This strengthened relationship between HCC, the agricultural sector, and universities in Wales underscores the ongoing commitment to advancing research that supports sustainable practices and industry growth.
38. HCC offers an **annual scholarship** to applicants who are employed within the Welsh red meat industry. Previous scholars have made ongoing contribution to the industry while also disseminating valuable insight into their scholarship topic. The current scholar is looking at improving suckler cow efficiency.
39. The **Welsh Lamb Meat Quality project** studied practices at all stages of the supply chain to establish a blueprint of taste quality and consistency. In total, 1,920 consumers across the UK tasted 13,440 samples of Welsh Lamb during the project, giving the industry a credible and robust blueprint of consumer preference. The project also studied the nutritional benefits of lamb, a valuable resource for the sector to highlight the importance of lamb, and wider red meat, in a healthy and balanced diet.
40. The **BeefQ project**, also funded by the European Union / Welsh Government Rural Development Programme, in collaboration with IBERS at Aberystwyth University progressed its aim of testing Welsh Beef production and processing systems using the Meat Standards Australia (MSA) grading system. HCC was an active member of the project facilitating training days and processor involvement in the important work.
41. The findings from the **Welsh Lamb Meat Quality Project** were showcased at the prestigious British Society of Animal Science - '*The Role of Livestock in our Ecosystems and Economy*'.

### **Health and education engagement**

42. HCC supports a **range of health and education development activity**. As part of its annual engagement programme with health professionals, HCC exhibited to over 600 midwives, Royal College Nurses representatives, and lecturers with a total reach of over 20,000 clients/patients to showcase the health benefits of red meat for a balanced diet

(in 2024/25). Complementing this work HCC recently launched a quarterly e-bulletin sent to healthcare professionals about the benefits of red meat.

43. HCC **engages on an ongoing basis with teaching professionals** to inform and educate on evidence-based information around red meat, food and farming. Engagement includes presence at key events like the National Education Show in 2024-25. Complementing this type of activity is an ongoing quarterly e-bulletin at both a primary and secondary school level.
44. In 2024, HCC launched **Meat Minds**, the programme seeks to develop the next generation's knowledge and experience of industry structure and red meat-farm to fork production. As part of the programme members work collectively on an industry focused project, with the aim of producing new information and data to inform the industry as a whole.

### **Communications**

45. HCC collects and **disseminates market research and intelligence** to the Welsh red meat supply chain about consumer trends, market patterns and future challenges. This is achieved through having its in-house market intelligence hub and also utilising external information and data. The information is disseminated on HCC's website, at meetings, webinars and in publications such as the annually released '*Little Book of Meat Facts*'. Examples include:

- A monthly **market e-bulletin with 3,000 subscribers**, containing news items on industry developments. Additionally, HCC also provide a weekly industry update to the subscribers with weekly prices and breaking news items for industry.
- A consumer-focused **monthly e-bulletin to 30,000 subscribers** is also produced addressing why and where to purchase Welsh Lamb. A similar e-bulletin also exists for Welsh Beef and Pork.
- HCC has a suite of **dedicated websites, with complimentary social media accounts**, in order to communicate with consumers, health and educational professionals, and trade. These include: **[eatwelshlambandwelshbeef.com](http://eatwelshlambandwelshbeef.com)**; **[redmeathub.wales](http://redmeathub.wales)**; **[welshlambandbeef.com](http://welshlambandbeef.com)** ; **[porcblasus.cymru](http://porcblasus.cymru)**; **[meatpromotion.wales](http://meatpromotion.wales)**. As a highlight, our social media accounts have a combined 130,000 followers.

46. In addition, HCC regularly undertakes advocacy and defence communication activity to mitigate the impact of negative publicity around red meat. As an example:
- HCC, often in concert with other levy bodies, take up various issues where red meat and the various elements of its supply chain is misrepresented in the media. This has led to a change in coverage by some media outlets that were proven to be incorrect

in their reporting. **HCC seeks to ensure that the industry's voice is represented within media** through proactive, and sometimes reactive, engagement.

- **From September 2024 to date**, HCC has accrued a total of over 60 positive national press clippings on the topic of Welsh red meat reaching a total audience averaging 2.5 million per item.
- In late 2024, HCC **commissioned a research study into the red meat-eating habits of consumers** to highlight the knowledge gap of its benefits as part of a balanced diet. This resulted in 13 broadcast items with an estimated reach of circa 2 million consumers.

47. HCC's vision, plan and objectives were reviewed and validated in Autumn 2022. Inevitably, as time passes and the world changes there is a risk of its relevance diminishing. This is why, as part of its standard cycle, the organisation is currently undertaking a thorough consultation, research and synthesis of a suitable **new vision for the period 2026 – 2030**. This process is expected to be completed by the end of 2025 with a view of securing approval and funding for implementation ready for commencement by April 2026.

**The relationship between HCC and the farming and meat processing / exporting sector including whether HCC is delivering value for money to levy payers.**

48. The HCC team is in **regular contact with its levy payers, wider stakeholders and customers**, to constantly identify industry challenges and opportunities, support, guide and reflect on its own priorities and activities.
49. These regular interactions are of **paramount importance to support HCC's role as the conduit between the industry and the Welsh Government** representing the industry, informing and challenging government policy.
50. Key organisation with which **regular contact at all levels occurs include** Farmers' Union of Wales (FUW), National Farmers Union Cymru (NFU Cymru), National Sheep Association Cymru (NSA), Livestock Auctioneers' Association (LAA), Welsh Lamb and Beef Producers (WLBP), British Meat Processors Association (BMPA), Association of Independent Meat Suppliers (AIMS), Agriculture and Horticulture Development Board (AHDB), Quality Meat Scotland (QMS), Livestock & Meat Commission for Northern Ireland (LMC) , Pilgrim's, Dunbia, Kepak, Farmers Fresh and other lower throughput processors and sellers of Welsh red meat.
51. Below outlines the **type of engagement activity carried out on a regular basis** with both farmers and meat processing / exporting sector.
- **Regular one-to-one meetings:** HCC holds one-to-one meetings across the year with many stakeholders. HCC notes that the changes in leadership during the last

18 months will have had an impact on these meetings. One of the first priorities of the new Chief Executive after commencing at the end of January 2025 has been to re-engage on a one-to-one basis at senior level with all key levy payer groups.

- **Periodic one-to-many meetings:** HCC organise and attend regular one-to-many meetings. This includes presence at annual general meetings such as presenting to the 2025 NSA Cymru Annual General Meeting; and the recent processor presentations across Wales to listen to industry concerns and present HCC activity in the market.
- **Presence on key representative bodies:** HCC participates in levy payer organisation committees to provide input and listen to industry concerns. Significant examples include HCC attending the FUW Hill and Livestock Committee, the NFU Cymru Livestock Committee, and the NSA Cymru regional meetings.
- **Presence at key agricultural shows:** such as yearly presence at the Royal Welsh Show and RWS Winter Fair acting as a communications platform between HCC, stakeholders, customers, and the general public.
- **HCC's yearly conference:** providing two-way engagement with stakeholders and wider industry on industry development, issues and trends. In addition to expert keynote speakers the conference also includes a regular '*Ask the HCC Board*' agenda item aimed at providing an opportunity for levy payers to query all aspects of HCC's activities.
- **Industry updates:** HCC provides regular industry updates such as monthly market e-bulletins with numerous items on industry developments and statistics. As well as a weekly industry updates with shorter term weekly prices and breaking news. Additionally, HCC regularly (over 100+ releases in 2024/25) issues press releases with industry relevant information for key trade publications.
- **Wider strategic policy forums:** in order to influence policy at the national, UK, and global level, HCC is an active member of a number of representative policy forums including Sustainable Farming Scheme Ministerial Roundtable; Carbon Sequestration Review Panel and the Officials UA Group; Trade Policy Advisory Group; Global Roundtable of Sustainable Beef and the Global Meat Alliance.

### **Delivering value for money**

52. HCC believes that it is **delivering good value for money for levy payers with a limited and dwindling budget** for what is a broad scope.

53. The value of aggregate agricultural output rose by approximately £120 million to around £2.2 billion in 2023. The value of output from cattle remained high at £572 million. The value of output from sheep showed a further increase of £57 million (or 21%) to just

under £325 million. **Gross output from cattle and sheep is estimated to be 40% of the value of agricultural output in Wales.**

54. **For the financial year 2024/25, HCC is exclusively funded by levy payers' funds to the tune of circa £4.3 million** (including £1.3m Levy Repatriation). To aggravate the pressures on HCC finances, in April 2024 a change to the organisations VAT status had a considerable impact on its buying power. HMRC ruled that HCC levies are outside of the scope of VAT, with effect from 1 April 2024. Prior to this date HCC had always charged VAT on levy invoices and recovered input VAT on all goods and services paid for by the levy. The net impact to HCC has been estimated to be approximately £400,000 which is no longer able to be recovered on the goods and services it purchases on behalf of levy payers. We are not the only levy body to be affected in this way with the change first being invoked with AHDB and thereafter with HCC and QMS from April 2024.
55. These funds are destined to develop *and* promote Welsh red meat and **equates to circa 0.6% of the value of the throughput (2024 – across the three species)**. Considering the broad scope of HCC activities as required by its remit, this is a substantially lower level of investment when compared to other consumer goods industries. Branded companies would typically invest 5% to 10% of revenues in marketing alone and that is only one of the areas of HCC's scope.
56. As a result of the above HCC has to be **selective and careful** with the activities and initiatives that are supported on the basis of importance and delivery potential.

**The relationship between HCC and the Welsh Government, including whether the Welsh Government should have more oversight.**

### **The relationship between HCC and Welsh Government**

57. HCC, created in 2003, is a private company limited by guarantee wholly owned by the Welsh Government to develop, promote and market Welsh red meat. The *Red Meat Industry (Wales) Measure 2010 (the Measure)* gives the Welsh Ministers the power to deliver on the statutory objectives of:
- Increasing efficiency or productivity in the red meat industry
  - Improving marketing in that industry
  - Improving or developing services that the industry does or could provide to the community; and
  - Improving the ways in which the industry contributes to sustainable development.
58. The Measure sets out at Schedule 1 statutory functions of the Welsh Ministers for the purpose of furthering the objectives. The Measure gives the Welsh Ministers power to

delegate their functions under the Measure. **The Welsh Ministers have exercised their power and delegated functions under the Measure to HCC.**

59. Section 7 of the Measure gives the Welsh Ministers power to delegate their functions under the Measure. A **delegation agreement made between the Welsh Ministers and HCC on 28 March 2008 ('the Delegation Agreement')** delegated all of the functions set out in the Measure to HCC, which allows the collection of the levy at the point of slaughter in Wales or export and undertakes the statutory functions in relation to the Welsh red meat industry.
60. **Underpinning the relationship is a legal framework document that sets out the broad framework within which HCC operates**, details the terms and conditions under which the Welsh Ministers may provide resources to HCC, and defines the roles and responsibilities of the Welsh Ministers and HCC as well as the relationship between them. HCC's articles of association outline the managerial and administrative structure and responsibilities of HCC.
61. The Welsh Ministers set HCC's strategic objectives in its remit letter. **HCC must set out how it will achieve its strategic objectives in its business plan** which is approved by the ministers.
62. **Appointments to the HCC Board are made by the Welsh Ministers** in accordance with the Commissioner for Public Appointments' code of practice.
63. **The board is representative of farmer and processor levy payers and others who possess skills relevant to the future development of the organisation.** The current representation on the board includes, levy payers, marketing, corporate governance, the supply chain and sustainability.
64. The board comprises 11 non-executive directors (including the Chair). Two statutory committees and a working group also exist to advise the board on various functions and work streams.
65. **The HCC board is accountable to the Welsh Government** for achieving the defined objectives, ensuring high quality corporate governance and for oversight of the company's executive, including the role of the Chief Executive as the company's Accounting Officer. Governance and the internal control regime are primarily a matter for HCC's board.
66. HCC is responsible for **maintaining robust audit, internal control, and governance functions** to ensure its operations are efficient, transparent, and accountable. The audit function is crucial for reviewing financial performance, ensuring compliance with relevant regulations, and providing assurance that resources are used effectively. Internal controls are designed to safeguard assets, mitigate risks, and ensure the integrity of financial

reporting and operational activities. The governance framework at HCC includes clear roles and responsibilities, regular reporting mechanisms, and adherence to principles of good governance, ensuring that the organisation operates with transparency and in line with both public expectations and government policies. These functions collectively support HCC's strategic objectives and contribute to its continued financial health and sustainability.

67. **The Auditor General for Wales is the company's auditor** in accordance with paragraph 18(1) of schedule 8 to the Government of Wales Act 2006.

68. The Welsh Government's role therefore focuses on accounting for delivery of objectives and the management of relationships between it and HCC. The Chief Executive attends board meetings to form the link between governance and management, with other members of the HCC leadership team also in attendance.

69. **In practical terms the breadth and depth of the Welsh Government involvement with HCC** can best be described as follows:

- Appointment of HCC Board members
- A Welsh Government official has observer status on the HCC Board and is therefore kept abreast of all issues at HCC Board level
- Quarterly formal governance meetings are held between HCC executive level and civil servants; and
- Monthly meeting held between HCC executive level, HCC Chair and Welsh Government Director of Rural Affairs.

70. The current level of Welsh Government involvement in HCC, as described above, provides in our opinion **the right balance between freedom of execution and accountability oversight** in both strategic outlook and financial delivery of objectives.

71. **The disperse nature of the Welsh red meat supply base** makes it very difficult for the development and execution of strategy without the right vehicle to funnel that intention.

72. Any alternative oversight structures involving **no Welsh Government oversight** and more supply chain ownership risks failing due to the forementioned disperse nature and potential vested interests in the supply chain.

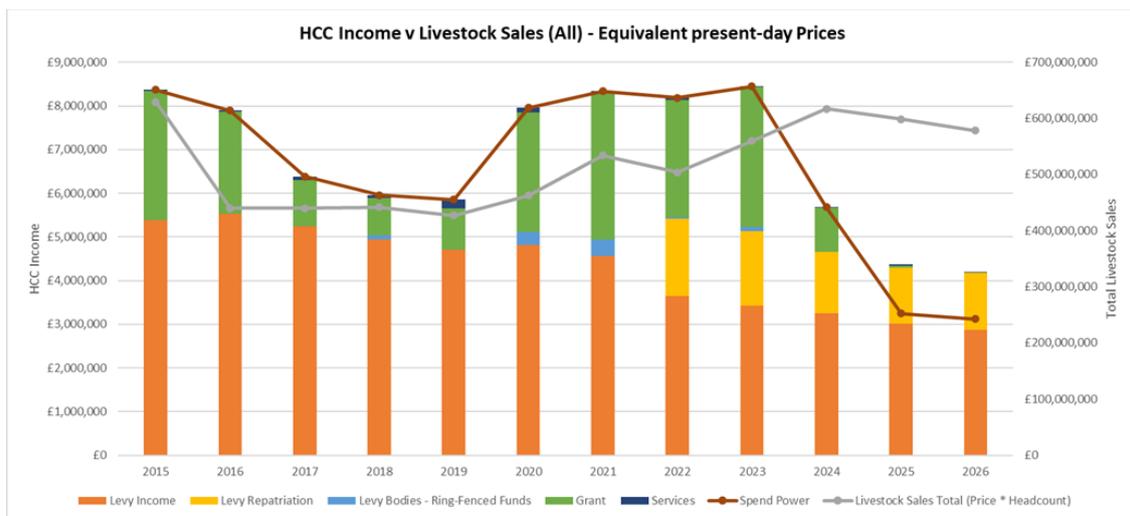
73. Any alternative oversight structures involving **more Welsh Government oversight** risks alienating a supply chain which is by nature suspicious of excessive government intervention.

**Whether HCC the most effective vehicle for developing, promoting and marketing red meat from Wales, and whether a red meat levy is the most effective means of funding this activity.**

74. HCC remains in principle the **most appropriate vehicle for supporting the red meat industry in Wales**, for the following reasons:

- Involves all relevant stakeholders in the supply chain
- Could ensure financial contributions from all relevant stakeholders
- Has a single-minded focus on the red meat industry in Wales
- Demonstrates Welsh Government real support for the red meat industry in Wales
- Provides independent expertise and knowledge for the industry
- Guardians of the PGI Welsh Lamb and PGI Welsh Beef brands
- Allows for a mechanism for the Welsh Government to be supporting partnership working with the industry over a perception of dictating policy only; and
- Satisfies the need to align a traditional and very disperse supply chain.

75. In order to appropriately support the industry and achieve its objectives. **HCC requires adequate funding in both level and structure.**



76. **Until 2024 the organisation was funded by a combination of levy payers' money and grant-aid** originally sourced from EU funds that have now ceased.

77. Levy income itself is driven by two key factors. The levy per head and the number of heads. As can be seen in the graph even after accounting for inflationary increases on the levy per head (since April 2023) the levy income has severely reduced over the past years and continues to do so. An additional effect of the continued reduction of livestock numbers is that **throughput critical mass for Welsh processors is quickly reaching a tipping point** with an increased risk of a significant processing capacity loss via plant closures.

78. In addition, changes in the VAT rating treatment of the company by HMRC means from 2025 the company can no longer claim VAT back on its purchases which translates into a **further loss of circa £400,000 per annum** in purchasing power.
79. The net effect of this is that the **purchasing power of the organisation is now less than half what it was ten years ago** when measured in today's pounds.
80. In addition, currently the Welsh Government is providing no annual financial support to HCC which results in a levy income as a percentage of the value of the finished animal of approximately **0.7% for sheep and 0.4% for cattle** which is becoming increasingly challenging for the effective delivery of the objectives of the organisation.
81. To partially mitigate the above challenges HCC has pursued several initiatives, as follows:
- **Levy Rate Increase:** HCC consulted with industry on levy rates during the autumn of 2022. It was proposed that future increases in the levy rates would link with inflation, measured by Consumer Prices Index including owner occupiers' housing costs (CPIH) from the previous calendar year. The Welsh Red Meat Levy rates were increased in April 2023 following a call for views with industry, a mechanism to link future levy increases to the CPIH was recommended by the HCC Board and subsequently agreed by the Minister.
  - **Levy Repatriation:** from April 2021, a scheme to reapportion producer levy between Wales, England and Scotland, to allow for movement of animals raised in one country but slaughtered in another, came into effect. The scheme was introduced to address the imbalance in the system where levy was collected in the country of slaughter without taking into account the country where the animal spent a significant part of its life.
  - **External Funding:** historically HCC has been able to augment levy income through external funds, an example of this was the Red Meat Development Programme (RMDP). The £9.2m five-year RMDP was delivered through the European Union / Welsh Government Rural Communities – Rural Development Programme 2014-2020. Other examples of funding received by HCC include the Welsh Government's Enhanced Export Development Programme. HCC has been successful with a few projects within this area, such as the ARFOR Challenge Fund and also a AberInnovation Solutions Catalyst programme. Many organisations are now adapting their structure and delivery style to meet the changing funding landscape.
  - **Efficiencies:** the organisation continues to identify opportunities to deliver efficiencies by reducing expenditure where appropriate, maximise income and deliver best value for money for the Welsh levy payer. Key measures include a revised staffing structure, ensuring that posts deemed surplus to requirements are not replaced (saving £240,000 p.a.), and estate rationalisation to optimise the use of HCC's office space and facilities (saving circa £300,000 over five-years). Although not directly impacting levy payers' funds, HCC also recently ceased its current lease

agreement for EID Cymru offices by agreeing to move them to existing Welsh Government facilities resulting in savings to tax payer of circa £400,000 over five-years, underlining HCC's commitment to provide good value for money and its ability to act swiftly. Additionally, HCC continues to review procurement processes to secure best value for money, implementing digital transformation initiatives to streamline workflows, and refine budget management practices to prioritise essential activities.

82. **To address the need for sustained financial capacity and reaffirm its commitment to supporting the industry, as well as its collaborative approach with the supply chain, the Welsh Government should consider a financial relationship moving forward, that reflects funding capacity pre-EU exit.** This would not only ensure the continued stability and growth of the sector but also enable HCC to fully discharge its responsibilities under the *Red Meat Industry (Wales) Measure 2010*. Sufficient Welsh Government grant funding and levy income are essential for the effective delivery of key initiatives, ensuring the industry's sustainability and its ability to meet future challenges.