

Written evidence from Prys Morgan, Kepak

Thank you for the opportunity to provide evidence to the Economy, Trade and Rural affairs committee regarding Hybu Cig Cymru.

To provide context for the response I would like to provide some background of my involvement with HCC. I worked for MLC Cymru before moving to HCC in 2003, as Industry development manager. At the time we secured several EU projects and support from Welsh Government. In the financial years 2003/2004 to 2005/2006 this contribution ranged between 37 % and 46% of HCC income.

In 2008 I joined Welsh Country Foods as Procurement Director however I maintained a close working relationship with HCC and was appointed to the Board of HCC in 2012. I resigned from the Board when I accepted the role of Head of Operations at HCC in 2015 where I also contributed to establishing a database for sheep movements, EID Cymru. I returned to the private sector in 2017 and was appointed to the Board of HCC in 2020 until I resigned in 2024 due to governance concerns.

For clarity I am employed by a red meat processor Kepak who pays Welsh red meat levy and I pay Welsh red meat levy as a livestock producer in Wales. The family farms 1000 sheep and 40 suckler cows.

The 1967 Agricultural Act established the need for a levy to support the red meat industry due to market failure. This recognised that the industry comprised many small farmers and individual meat processors. The levy was therefore established with contributions from across the sector and to be used for the benefit of the whole supply chain. HCC was established in 2003 to promote red meat and to increase productivity of the sector.

Whilst there have been changes in the number of abattoirs and farms since the levy was established, there has been no significant change within the supply chain and the market failures that existed in 1967 still exist today. A key role of the levy body has been to communicate the good work being done by farmers, generating respect for the sector and helping Government to understand the key role that livestock farmers in Wales play. This communication work has been successful in lamb, but less so for beef where global issues relating to sustainability have highlighted the lack of understanding in this area.

Since farmers and industry pay levy to HCC, it is extremely important that farmers and industry are fully represented in the HCC Board and can control/direct how that public money is spent for the benefit of all. Hence Board representation should be selected by the Industry and not by Government and chosen from active stakeholders. In 2003, HCC was owned by Industry (Farming Unions, WDA, WLBP and MLC) not by Government and that arrangement worked well.

There are several areas that require strong leadership bringing together the industry and Government. There is strong feeling that HCC have not been fighting the corner for red meat producers in the way that had been done in the past and the protest by over 6000 farmers demonstrates failure to communicate and deliver practical solutions to the challenges the industry face.

At this moment in time, the prices being paid for beef and lamb are good, however this hasn't been the case and in a volatile market is not guaranteed to continue. Against this backdrop, farm incomes in 2023/24 remain extremely low with many farmers working a less than the minimum wage. Hence there is still a need for red meat levy support to help increase productivity / efficiency, to harness developments and technologies through R&D and to support the marketing of PGI Welsh Lamb, PGI Welsh beef and pork from Wales.

Production and processing costs have increased significantly in recent years and the same will apply to organisations promoting the industry and its brands. Hence careful consideration must be given to reducing costs and improving the efficiency of the organisation that spends the Welsh red meat levy, reducing operating costs and working collaboratively with the other levy bodies in non-competitive areas. Examples of this could/should include HR, finance, market intelligence, R&D, nutritional qualities of red meat and the defence of the reputation of the sector. Consideration should also be given to short-term measures to assist the existing organisation to delivery against its remit.

The reputation of any premium brand is built on the reputation of the organisation promoting that brand, not only with customers/consumers but with other stakeholders including Welsh Government, FSA Wales and wider Industry. This is an area that HCC has previously excelled at. Hence it is essential to ensure that that reputation is not undermined by collateral damage and to reassure Industry and levy payers that the monies they have contributed are being spent responsibly.

To that end, it is essential that the future organisation maintains good governance by having a Board of non-executive directors who are actively involved in the industry to provide the employed executive with strategic direction for responsible levy spend.

It should be noted that HCC is first and foremost a Limited company and is governed by company law. Whilst the company is owned by Welsh ministers the directors must comply with company law which takes primacy over other framework agreements from Welsh Government.

HCC at present is almost entirely funded by industry in terms of Welsh Red meat levy and based on this the industry should own the organisation whatever structure is

agreed upon, reverting to a similar structure to that of HCC when it was set up as described above but with more joint working with other levy bodies.

As a Board member and former member of staff who has been involved with HCC since 2003, the adverse publicity which has surrounded HCC in recent years has, personally, been soul-destroying and, professionally, I have found the publicity very disconcerting.

As a representative of Kepak, a company processing Welsh beef and lamb, this negative publicity undermines customer confidence and trust in the organisation marketing the product and making premium quality claims. Unfortunately the narrative over last 12 months has not been conducive to promoting livestock farming in Wales, which is a fundamental role of the organisation. There has also been, over last 12 months, an exodus of skilled people from HCC and this has consequently had an impact on the Industry in Wales at a crucial time. As levy payers we need to understand the root cause of this as it brings into question the ability of the organisation to deliver against it's remit.

As levy payers we also have to understand why both Government and HCC are pursuing an agenda that is contributing to a declining agriculture economy in Wales when Welsh red meat production is recognised as one of the most sustainable products. This has been exacerbated by the fact HCC is not delivering on its original goals and both levy income and production is declining. Livestock numbers in Wales and UK are declining this reduces the levy available. The figure of around 8.7 million sheep in Wales seen in the last 2 years is the lowest level since 2011. Since 2004 in Wales the dairy herd has increased slightly (3%) and the size of the beef herd has fallen considerably (33%). Recent changes to the VAT status of HCC also means that there is 20% less funds available to deliver activities as VAT cannot be claimed back from HMRC.