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Our ref: GH/KS/Cons.

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Dear Ms Hatton

**Re: Consultation on *proposed Red Meat Industry (Wales) Measure***

Thank you for the opportunity to present evidence on the proposed Red Meat Industry (Wales) Measure.

Hybu Cig Cymru - Meat Promotion Wales (HCC) is the industry-led organisation responsible for the development, promotion and marketing of Welsh red meat. HCC implement on behalf of all Welsh farmers and other key industry participants, a strategic plan to develop profitable and sustainable markets for Welsh red meat to derive benefit for all in the supply chain.

HCC's comments on the questions raised are outlined in the attached document.

We hope that these comments are useful in your deliberations and look forward to presenting oral evidence on Thursday 05 November 2009.

Yours sincerely

**Gwyn Howells**  
**Chief Executive**

Hybu Cig Cymru – Meat Promotion Wales (HCC)

## **Written Evidence on the proposed Red Meat Industry (Wales) Measure**

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### **Background**

Red meat levy is jointly paid by producers and slaughterers/ exporters, raised on all cattle, sheep and pigs slaughtered in GB or exported live. Statutory levy in the red meat sector exists to fund activities to assist with the development of this sector, notably work that would not be done under normal market conditions. This results from the fact that producers in these sectors and in many cases processors too, are too small to be able to resource such areas of work themselves.

### **1. Is there a need for legislation to be made to develop and promote the Welsh red meat industry and if so why?**

Historically there were several organisations collecting and distributing levy in specific agricultural and horticultural sectors in UK or GB contexts. The organisation in relation to red meat was the Meat and Livestock Commission (MLC), which was established under the 1967 Agriculture Act to raise and collect levy from the red meat sector across GB.

The 2005 Radcliffe Review of the UK agricultural and horticultural levy boards (covering beef, lamb, pigs, horticulture, cereals, dairy and potatoes) acknowledged the importance of a compulsory levy on the red meat industry to be used to address market failure such as structural issues, industry problems and combined promotion of red meat products.

The Review stated however that devolved administrations should have the flexibility to create these levy and promotional boards to operate within their own countries in accordance with their own specific needs.

In response, an industry-wide consultation was undertaken by the Welsh Assembly Government in Wales during 2006 where it was decided that Wales should retain a separate red meat levy raising body (on cattle, sheep and pigs) which should be directly accountable to Welsh Ministers.<sup>1</sup> In order to respond to this wish the Welsh Assembly Government established an Assembly Sponsored Public Body - the Welsh Levy Board - as a red meat levy raising body from 01 April 2008.<sup>2</sup> The Welsh Levy Board was established as an interim body until such time as powers could be conferred on Welsh Ministers.

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<sup>1</sup> For all other commodities (horticulture, cereals, dairy and potatoes) the UK administrations agreed to establish a single UK levy board - the Agricultural and Horticultural Development Board (AHDB).

<sup>2</sup> As a consequence of the Radcliffe Review, the MLC - who were the existing red meat levy raising and collecting body for Wales - was abolished on 31 March 2008.

The National Assembly for Wales (Legislative Competence) (Agriculture and Rural Development) Order 2008 (relating to the Welsh Red Meat Industry) has now extended the legislative competence of the National Assembly for Wales to make new laws for Wales by Measure in relation to the Welsh red meat industry and this proposed Red Meat Industry (Wales) Measure will be the final stage in this process of a Welsh red meat levy raising body being directly accountable to Welsh Ministers.

The proposed Measure will enable Welsh Ministers to oversee the development, promotion and marketing of the Welsh red meat industry in order to better ensure that the specific needs of the Welsh industry are addressed appropriately, while maintaining full accountability and control at a Welsh level. HCC are therefore supportive of the principle that Welsh Ministers become directly accountable for the Welsh red meat industry.

**2. Are the sections of the proposed Measure appropriate in terms of making statutory provision, through a legislative framework, for the development and promotion of the Welsh red meat industry? If not, how does the proposed Measure need to change?**

We are of the view that the sections of the proposed Measure are appropriate in terms of making statutory provision for the development and promotion of the Welsh red meat industry.

**3. How will the proposed Measure change what organisations do currently and what impact will such changes have, if any?**

Welsh Levy Board

Since 01 April 2008 the Welsh Levy Board has been responsible for setting and collecting the Welsh red meat levy. However the proposed Measure will remove the necessity for the Welsh Levy Board as Welsh Ministers will have powers conferred upon them to undertake these activities directly. The Welsh Levy Board was only ever expected to be an interim body and as such we welcome the proposed Measure in this regard.

HCC

At present HCC is accountable to Welsh Ministers through the Welsh Levy Board. HCC is the industry-led organisation responsible for the development, promotion and marketing of Welsh red meat. Since 01 April 2008, through a delegation agreement with the Welsh Levy Board, HCC has also been responsible for Welsh red meat levy collection.

The proposed Measure will allow this accountability to be more direct as there will be no need for the intermediate body - the Welsh Levy Board. It is also expected that a similar delegation agreement would be in place between Welsh Ministers and HCC to collect levy in Wales. In regard to the long-term future of HCC, in Plenary on 20 October 2009

the Minister for Rural Affairs stated that HCC will continue to promote and develop the red meat industry in Wales in the future and that there are no intentions to absorb HCC into the Welsh Assembly Government. With these points in mind HCC are supportive of the proposed Measure as we do not expect there to be any change in the functions of HCC or in the delivery of support for the Welsh red meat industry.

**4. What are the potential barriers to implementing the provisions of the proposed Measure (if any) and does the proposed Measure take account of them?**

We are not aware of any potential barriers to implementing the provisions of the proposed Measure. The fundamental purpose of the proposed Measure is to remove the need for an Assembly Sponsored Public Body (i.e. the Welsh Levy Board) to be in place for the purposes of managing the development and promotion of the Welsh red meat industry. The proposed Measure will make Welsh Ministers directly accountable for the Welsh red meat industry. HCC is supportive of this principle.

**5. What are your views on the intended effects of this legislation in producing a regulatory framework that is sufficiently flexible, such that it would be possible, to change the way at which the red meat levy is determined and collected?**

*Current methodology for determining and collecting levy*

The red meat levy, which is jointly paid by producers and slaughterers, is raised and collected at the point of slaughter (abattoirs) on all cattle, sheep and pigs slaughtered in GB. Levy collected from abattoirs in Wales is used by HCC to support the Welsh red meat industry and levy collected in England and Scotland is used by their red meat levy bodies to support the English and Scottish red meat industries respectively.

Distribution of red meat levy is based entirely on the geographic location of the abattoir and not on where the animal may have originated. This makes Wales vulnerable to any changes or restructuring within the Welsh abattoir sector as neither Welsh Ministers nor HCC can control the location of abattoirs. Abattoir closures in Wales would result in a reduced levy income in Wales thereby affecting the effectiveness of HCC.

In the calendar year 2008 there were 24 abattoirs operating in Wales, all of which slaughtered sheep and 20 of which slaughtered cattle. However 4 of the 24 sheep slaughtering abattoirs accounted for the majority of sheep throughput (82 percent) and 4 of the 20 cattle slaughtering abattoirs accounted for the majority of cattle throughput (91 percent). Should one of these high throughput abattoirs close, levy income would be significantly affected in Wales.

*Suggested changes to the methodology for determining and collecting levy*

In addition to the concerns regarding the vulnerability of the Welsh abattoir sector, HCC also has identified an imbalance between English, Scottish and Welsh breeding numbers and the amount of levy AHDB, QMS and HCC receive.<sup>3</sup> The 2008 June agricultural survey shows that the Welsh beef cow herd was responsible for 17 percent of the total GB beef cow herd but in the 2007/08 financial year HCC only received six percent of the total GB cattle levy. In relation to sheep over the same period, Wales accounted for 29 percent of the GB breeding flock and received 28 percent of GB sheep levy.

As a result, we believe that a more equitable methodology for levy distribution would be based on livestock breeding populations. Levy would continue to be collected within GB at the point of slaughter but would be redistributed based on the location of livestock breeding populations. This methodology could ensure levy incomes across GB were more proportionate to the contribution of each country in relation to livestock breeding populations and their importance to the entire red meat supply chain. Levy income would also not be vulnerable to abattoir closures and would ensure levy payers benefitted directly from the levy they pay, as it would be utilised to develop and promote the red meat sector in which they are involved.

With the current levy system, Wales are losing levy income to England and Scotland, as animals born and reared in Wales are travelling over the border to England/ Scotland for slaughter. HCC has calculated that a change in levy distribution based on livestock breeding populations could result in Wales securing an additional £0.74 million to £1.54 million in levy per annum.

In Plenary on 20 October 2009 a discussion was held regarding the proposed Measure and the Minister for Rural Affairs confirmed that she intends to hold discussions with English and Scottish Ministers to discuss a more equitable levy distribution mechanism for the future.

*How the proposed Measure may affect the methodology for determining and collecting red meat levy?*

A change in levy distribution, based on the location of livestock breeding populations, may however face challenges. The proposed Measure therefore provides the flexibility to change the levy mechanism should these challenges prove insurmountable. If GB Ministers cannot agree a solution, a new levy collection and distribution mechanism may need to be implemented in Wales.

The flexibility to be able to offer alternative methods for the determination of how the levy is raised and collected according to the needs of primary producers, who are the main levy payers, is an essential element of the proposed Measure.

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<sup>3</sup> AHDB (Agricultural and Horticultural Development Board) is the red meat levy body in England. QMS (Quality Meat Scotland) is the red meat levy body in Scotland.

HCC view

The proposed Measure provides a framework which could allow a change in the way in which levy is determined and collected. HCC are supportive of this flexibility within the proposed Measure as this allows the possibility of a change in the levy mechanism in the future should there be agreement that it is the only way that the interests of the Welsh red meat industry could be protected. We would however expect any change in the levy mechanism to be undertaken following industry-wide discussion.

**6. What impacts could the proposed Measure have on cross-border trade in the red meat sector?**

We are of the view that the proposed Measure will not have any effect on cross-border trade. The proposed Measure seeks to make Welsh Ministers directly accountable for the Welsh red meat industry and it is not envisaged that this would have any impact on the trade of livestock across borders.

**7. What are the financial implications of the proposed Measure for organisations, if any?**

There are no immediate financial implications foreseen from the proposed Measure however it could be used to safeguard Welsh red meat industry funding should attempts to agree an equitable levy distribution mechanism fail.

**8. Are there any other comments you wish to make about specific sections of the proposed Measure?**

We wish to utilise this opportunity to highlight the importance of retaining a separate red meat body in Wales to support the industry in development, marketing and promotion. As well as Welsh Ministers, HCC is also accountable to the industry (both producers and processors) who pay the levy which enables HCC to carry out its duties.