



**Minutes of Items 2 and 3 of the agenda of an update meeting
of the Directors of Hybu Cig Cymru (HCC) held at 9.30am via Microsoft Teams on
Thursday 8 September 2022**

- Present:** Cath Smith (Chair)
Melody Chapman, Gareth Wynn Davies,
John T Davies, Rhys Davies, Jack Evershed, Prys Morgan,
Emlyn Roberts and Claire Williams
- By invitation:** Maria Richards, Welsh Government
- Executive
in attendance:** Gwyn Howells (Chief Executive Officer - CEO)
Julie Davies-Jones (Secretariat)
Kirsten Hughes (Red Meat Executive – Item 2)
Rhys Llywelyn (Market Development Manager)
John Richards (Industry Development and Relations Manager)
Owen Roberts (Communications Manager)

1. **Apologies**

Bryan Regan (Corporate Services Manager).

Formal part of meeting

2. **To consider the Welsh Red Meat Levy Rates for 2023 / 2024 (Attachment 1)**

The above was taken as read and summarized by the CEO and the Red Meat Executive.

The updated paper had been prepared following the Board meeting of 7 July 2022 whereby it was agreed by the Board that an increase in the Welsh Red Meat Levy rate for 2023 – 2024 was necessary due to the following reasons:

- the rate of inflation since the last Levy rate increase in 2011 was eroding HCC's Levy income significantly; meaning less spending power with which to deliver and support the industry
- following Brexit and the Covid-19 pandemic, adapting to new trade deals etc the industry had faced uncertainty and a number of challenges which continued to impact on the industry as well as the ongoing current cost of living crisis
- in addition to the challenges mentioned above, the fixed costs incurred as a percentage of revenue had also increased
- continued reduction in income as a result of inflationary erosion would further place pressure upon HCC resulting in activities being potentially curtailed in the future.

Following the Board's comments at the 7 July 2022 Board meeting, the Executive proposed the following options for the Board's deliberation:

This paper outlines three levy rate increase options, as follows:

- Option 1:** Levy increase to reflect the rate of inflation since 2011:
(a) Either a one-off levy increase in Apr-23; or
(b) Three separate levy increases in Apr-23, Apr-24 and Apr-25.
- Option 2:** Introduction of a mechanism for annual levy rates to track inflation rates, to determine rates from Apr-23 onwards.
- Option 3:** One-off levy increase in Apr-23 and the introduction of a mechanism for annual levy rates to track inflation rates.

The Board agreed that messaging and communication around this matter would be key. The CEO confirmed that once the Board had reached agreement on an option and the recommendation passed to the Minister for consideration, the Executive would focus on arrangements for consulting with the industry and a communication plan.

The Board was given the opportunity to feedback on the options and following in depth discussion and taking into account comments from all present, the Board unanimously agreed to Option 2 as highlighted in Attachment 1:

Option 2: Introduction of mechanism for annual levy rates to track inflation rates, to determine rates from Apr-23 onwards

Option 2 proposes linking Levy rates to inflation, using a tracker, to ensure that Levy income would be maintained in real terms. It is proposed that Levy rates each financial year would reflect average annual inflation in the previous calendar year, as measured by CPIH. This mechanism would be used to determine Levy rates from Apr 2023 onwards.

An example was given that if the CPIH annual inflation in 2022 was 7 percent, the Levy rates for 2023/ 2024 would increase by 7 percent. Rate increases in 2024 / 2025 and onwards would be determined by the CPIH annual inflation rate in the preceding calendar year. The exact rate of inflation for the preceding year would be known in January of each year.

Linking Levy rates to inflation each year would ensure that Levy income would be maintained in the future at levels where sending power is not compromised, thereby future-proofing the industry. Furthermore, this approach would avoid future one-off increases in rates.

The proposed Levy rates for 2023 / 2024 would be well within the maximum rates permitted by the Red Meat Industry (Wales) Measure 2010 (Amendment) Order 2011, and amendments to the ceilings would not be required for many years.

Next steps:

The CEO to engage with Welsh Government officials with regard to preparing a recommendation for the Minister. The Board would be updated on progress at the 6 October 2022 Board meeting.

Action: CEO

3. **To receive a verbal report of the Communications Advisory Committee meeting held on Thursday 8 September 2022**

The Chair of the Committee gave a brief verbal report on the key areas discussed at the above meeting and declared an interest in discussions on the Royal Welsh Show 2022 and the Winter Fair 2022.

Signed.....
Chair of HCC