

# ENGLISH BEEF AND LAMB

## SECTOR DIVISIONAL PLAN 2012-2015

Prepared by EBLEX, October 2011

### Executive summary

Having undertaken a full business analysis and review of the current beef and lamb market situation and prospects, the EBLEX board has agreed that the dysfunctional nature of the beef and lamb supply chains means that, for the foreseeable future, EBLEX must maintain a broad spectrum of activity to assist and encourage industry cohesion.

The main challenges have been identified as:

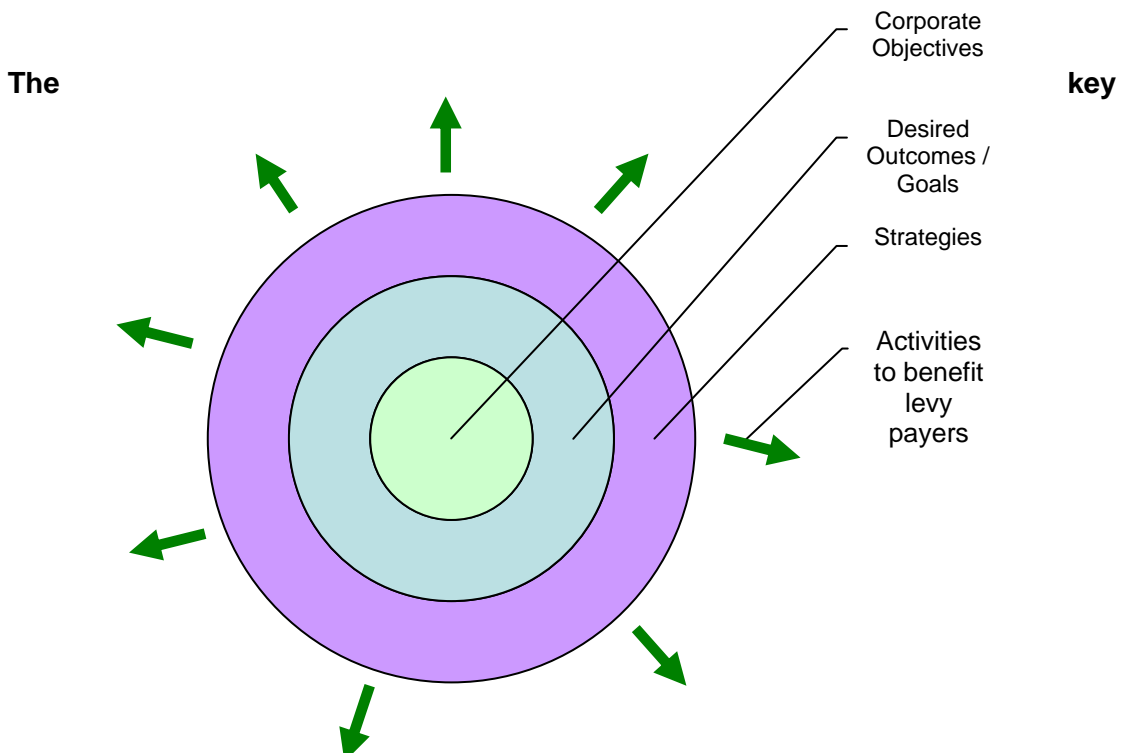
Beef – a need to achieve a competitive price that can sustain profitable production in the UK in both the production base and the supply chain

Sheep – a need to achieve a competitive value for sheep meat that can sustain production in the UK in both the production base and the supply chain

Generic – maintain meat consumption levels in the face of growing challenges.

### Introduction

The EBLEX Board undertook a strategic review in July 2010. The review followed a clear, structured business planning approach. The fundamental Purpose is translated into key Objectives. These Objectives are themselves translated into Outcomes, which describe “what good looks like”, and for each of these outcomes we have established a set of management Priorities and areas of activity where we feel that EBLEX can contribute towards the achievement of the outcomes.



**Objectives of all sectors in AHDB are:**

- Deliver value for money for levy payers in everything we do
- Improve efficiency and productivity in the industry to help levy payers have thriving businesses
- Improve marketing in the industry to help profitability and customer awareness
- Improve services that the industry provides to the community
- Improve ways in which the industry contributes to sustainable development

**AHDB:**

**Purpose:**

To make our industries more competitive and sustainable

**And for EBLEX:**

**Vision:** Of a thriving and sustainable beef and lamb sector, responding effectively to change.

**Mission:** To enhance the profitability and sustainability of the sector by improving efficiency, adding value to beef and lamb and providing relevant services.

The EBLEX board decided that the two priority objectives should be:

- 1) Help the beef and lamb supply chain to be more efficient
- 2) Help the beef and sheep meat industry to add value through improved marketing.

Recognition should also be given to the importance of work on sustainability and providing services to the sector and the wider community through the dissemination of knowledge about the industry, and market information.

In the 2010 review, the EBLEX board identified two key areas where additional work was essential to capitalise on emerging opportunities and tackle threats which, in the longer term, could damage the profitability of the beef and sheep supply chain. These were:

- 1) Exploiting the increased opportunities developing on the global market for beef and lamb
- 2) Maintaining consumption of home-produced meat on the domestic market through better communicating the image of red meat.

Through a subsequent strategic review in July 2011 as part of the annual business planning cycle, the board concluded that these two opportunities are still the key priorities for EBLEX work but that the current financial resources are adequate to capitalise on these while continuing to deliver our existing outputs. The board is not, therefore, recommending any change to the current levy rates (last revised April 2011).

## Current levy rates

	<b>Cattle</b>	<b>Sheep</b>	<b>Calves</b>
Producer	£4.05	£0.60	0.08
Abattoir	£1.35	£0.20	0.08
	<b>£5.40</b>	<b>£0.80</b>	<b>£0.16</b>

Levy income is expected to be around £15.0 million net (after collection costs taken into account) in the financial year 2011/12.

### ***A budget breakdown can be found in Appendix 1***

Cost savings and maintenance of reserves are to be achieved by savings generated by the increased sharing of services with other sectors and by continuing to exploit the synergies of working together in the AHDB framework. To illustrate the savings we have already made, the percentage of our income spent on support services has more than halved since becoming part of AHDB.

## **EBLEX sector board**

The EBLEX Board has representatives from all sectors of the beef and lamb industry, and is responsible for devising this strategy.

The responsibility for overseeing the implementation of the strategy rests with the AHDB's Senior Executive Team, with the daily devising and implementation of projects and the communication of results to producers managed by a professional EBLEX team based in Stoneleigh and regionally around England.

The sector-specific strategies are set using a PESTLE framework (Political, Economic, Sociological, Technological, Legislative and Environmental analysis). The AHDB Board considered in developing this PESTLE analysis, the broad challenges and opportunities affecting the agriculture and horticulture sectors over the planning cycle. This analysis also serves to identify cross-sector issues that should be dealt with in a co-ordinated manner. The PESTLE framework identified the high priorities for each sector and those relevant to EBLEX highlighted in Appendix 2.

**SWOT Analysis  
Beef and Lamb Sector SWOT**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Availability of extensive grass-based grazing</li> <li>• Extensive production systems in sympathy with environmental requirements</li> <li>• Good animal welfare standards</li> <li>• A variety of breeds and production systems to meet differing domestic and export demand requirements</li> <li>• Comparable production costs and productivity with the rest of the EU</li> <li>• Ability to segment markets and to identify niche market opportunities</li> <li>• Strong independent whole chain assurance schemes</li> <li>• Use of arable by-products</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Supply chain not well integrated with in balance of buying power.</li> <li>• Lack of collaboration amongst producers</li> <li>• Low herd/flock size</li> <li>• Poor nutrient management</li> <li>• Limited exploitation of advancing animal and plant genetics</li> <li>• Variable carcass quality</li> <li>• Low profitability amongst average performing producers</li> <li>• Low level of reinvestment</li> <li>• Lack of skilled on-farm labour</li> <li>• Low producer bargaining power in the supply chain</li> <li>• Inefficient supply chains</li> <li>• Low ability to add value to animal by-products</li> <li>• Processing overcapacity</li> <li>• High meat hygiene inspection costs</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Scope for improved productivity</li> <li>• Robust domestic consumer demand for home-produced meat</li> <li>• Strong global demand for red meat</li> <li>• Export opportunities for some by-products</li> <li>• Scope to displace imports</li> <li>• Scope for greater producer collaboration and supply chain integration</li> <li>• Scope to increase the take up of technological advances</li> <li>• Scope to both reduce production costs per kg and reduce GHG emissions per kg concurrently</li> <li>• Scope to improve marketing skills</li> <li>• Halal market growing both in the UK and worldwide</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Animal disease outbreaks</li> <li>• Rising production costs</li> <li>• Aging farmer population and few new entrants</li> <li>• Sheep EID (Electronic Identification)</li> <li>• Prolonged economic downturn</li> <li>• Government cost sharing plans</li> <li>• Low cost third country suppliers</li> <li>• Climate change (adaptation and mitigation - pressures to reduce GHG emissions from livestock, and challenge to meat consumption)</li> <li>• Single issue pressure groups (anti-meat eating, animal welfare, environmental)</li> <li>• Health issues: association of meat products with human disease (e.g. colorectal cancer)</li> </ul>

***The full details of the high priorities from the PESTLE and the actions taken can be found in Appendix 3***

Whilst this is the SWOT from the industry perspective and should guide EBLEX strategy, it is also useful to look at a SWOT analysis of EBLEX itself carried out recently by staff.

## SWOT: EBLEX as an Organisation

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• High quality motivated staff with breadth of experience and high work ethic.</li> <li>• Regional spread</li> <li>• Experienced international team</li> <li>• Good standing with farmer stakeholders</li> <li>• Good relationship with Trade associations</li> <li>• Good Communication network</li> <li>• Sound financial base</li> <li>• Strong commercial and political network</li> <li>• Good technical understanding</li> <li>• Good system for accessing expertise and knowledge</li> <li>• Delivery focused remit</li> <li>• Wide range of activities</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Falling finances</li> <li>• Finance system</li> <li>• Thin on ground</li> <li>• Dispersed team</li> <li>• Disconnected from producers (we don't know who our producers are)</li> <li>• Lack of public awareness of EBLEX work (not generally known as the real authority on red meat production)</li> <li>• Identity issues due to a succession of changes with government and EU departments and institutions)</li> <li>• Lack of succession planning</li> <li>• Loss of corporate memory in move to Stoneleigh</li> <li>• IT system</li> <li>• Get involved in too many things so can be over stretched</li> <li>• Restrictions of operating as an NDPB - meaning state aids, difficulty match funding, procurement procedures.</li> <li>• Internal communications between departments and other levy bodies</li> <li>• Lack of staff development</li> <li>• Difficult to get close to major retailers</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Export development</li> <li>• Red Tractor</li> <li>• Climate Change</li> <li>• Halal/5th quarter</li> <li>• Internet communications harnessing penetration of social media (Facebook, Twitter, blogging etc) to demonstrate added value</li> <li>• Improved farmer profitability</li> <li>• Greater efficiencies through closer working with other sector bodies</li> <li>• RDPE funding and EU funding</li> <li>• EU &amp; UK govt. 'leverage'</li> <li>• Genetic improvement of beef and sheep</li> <li>• Uplift in eating quality standards</li> <li>• Improve KT offering though monitor farms</li> <li>• Working closer to major retailers and helping with their producer initiatives</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Red meat levy redistribution</li> <li>• Motivation of staff with current uncertainty</li> <li>• Winterhill sale</li> <li>• Fallout from new building issues</li> <li>• Exchange rate fluctuation</li> <li>• Changes to rules governing non-departmental government bodies</li> <li>• Disease outbreak</li> <li>• Rejection by industry vote.</li> <li>• Lack of profitability in the beef and sheep industries resulting in falling stock numbers</li> <li>• Govt policy on diet and health</li> <li>• KT overload as uncoordinated RDPE projects overlap and increase the level of events etc targeted at farmers.</li> </ul>

## The main challenges

Following a review of PESTLE and the SWOT analysis, and having undertaken a full review of the current market situation and prospects, the board agreed that the dysfunctional nature of the beef and lamb supply chains means that for the foreseeable future, EBLEX will have to maintain a broad spectrum of activity to assist and encourage cohesion in the supply chains.

The board concluded that the main challenges were best summarised under one relevant for beef, one relevant for sheep and one that captured the generic challenge:

### **Beef**

Against a background of a poor economic climate, future reductions in agricultural support and increasing concerns about the environment, the beef sector needs to achieve a competitive value for beef that can sustain production in the UK to maintain both the production base and the supply chain.

### **Sheep**

Against a background of a poor economic climate, future reductions in agricultural support and increasing concerns about the environment, the sheep sector needs to achieve a competitive value for sheep meat that can sustain production in the UK to maintain both the production base and the supply chain.

### **Generic**

Maintain the image of meat tracking levels against a background of a poor economic conditions, and growing health and environmental challenges from a variety of sources.

## Delivering our objectives

**1) Under our objective “to provide good value to levy payers” we will seek out and exploit the benefits of the AHDB framework by sharing services and seeking synergies through working together.**

The services we share fall under five key areas: finance and buildings, human resources, procurement, science, and shared services such as communication and corporate governance. We will continue to work to find further efficiencies and cost savings or achieve greater value for money.

**2) Under our objective “to help the beef and lamb supply chain have thriving businesses by being more efficient and productive”, we will focus on two key outcomes:**

1. Research and development programmes which are capable of delivering practical improvement opportunities for primary producers.

We will concentrate on improving genetic selection methods for significant market traits, improving growth rates through better feed methods, improving animal health and welfare through health planning and better biosecurity, and providing practical responses to climate change mitigation and adaptation.

*Top commercial sheep breeders using estimated breeding values (EBVs) are seeing a benefit averaging £4 per lamb.*

*The top beef breeders using estimated breeding values (EBVs) are seeing a benefit averaging £48 per head.*

## 2. Implementable ideas which are communicated to producers

We will focus on developing the effectiveness of our branded Better Returns Programmes, aiming to convert R&D outputs into actionable steps for producers to implement on their farms and develop skills in relation to best practice. Key areas of concentration will be the importance of selecting the right animals at the right time for slaughter, communicating how to improve fertility of breeding animals, improving the use of practical animal health management programmes and the wider uptake of nutrition management tools. It is important that clear links are made between improving efficiency and lowering the carbon footprint on farm and that this link is communicated to producers. It will also be an increasing focus to better target specific information to specific producers rather than adopting a blanket one-size-fits-all approach, and also encourage more forward-thinking producers to engage in Continuous Professional Development (CPD).

*A total of 65% of producers who attended BRP events used the information to improve their business operation (EBLEX Communications Survey 2011).*

### **3) Under our objective “to improve ways in which the industry contributes to sustainable development” there will be a focus on four key outcomes.**

#### 1. Research into knowledge and understanding of climate change

We will be focusing on the lessons learned from the three roadmaps that will have been produced by April 2012, helping to develop on-farm carbon footprint measurements and systems, examining ways of reducing the carbon footprint on farm and benchmarking English production against other livestock producing nations to ensure we have a competitive climate change position.

*EBLEX work shows the benefit to the economy of using available agriculture landscape for beef and sheep is £63.8 million per year, rising to £0.9 billion when considering the wider landscape.*

#### 2. Utilise modelling for costs of production to help producers pinpoint where they can make efficiencies

As well as continuing the current monitoring of costs of production through collection of Business Pointers information, we will be focusing on costs of production modelling tools that not only monitor rise and falls in input values, but also highlight opportunities for producers to make savings. More efficient and cost effective ways will be deployed to collect the information

*EBLEX Business Pointers work has highlighted that top third producers can be performing nearly 66% more effectively than average producers.*

#### 3. Reducing waste in the supply chain

Following on from the work in roadmap two looking at waste in the supply chain, we will be focusing on identifying and communicating opportunities to further cut back in areas where waste is significantly impacting on cost and the environmental impact of enterprises. This includes making better use of fifth quarter products.

*A recent UK project concentrating on the use of offals saw a £2.2 million cost of disposal turned into an income of £13.3 million.*

#### 4. Increase understanding and knowledge of water footprint

Having established the correct usage of water for production in roadmap two, we will be focusing on ways in which the water footprint of production can be reduced.

*Less than half of one per cent of the water footprint of English beef and lamb is made up of piped water, EBLEX research shows (Testing the Water – Roadmap Two December 2010)*

#### **4) Under our objective of “improving marketing in the industry to help profitability and customer awareness”, we will focus on three key outcomes.**

##### 1. Communicating the benefits of beef and lamb

We will focus on three key areas of activity

- Education – digital education resources for teachers to help improve skills
- Health and Nutrition – use social media platforms to help debunk myths about red meat with key messages about importance of beef and lamb in the diet
- Engaging consumers via the media – beef and lamb advocates to help tell our story

*The evening meal occasion is alone is worth £19 billion per annum. Beef, and to a lesser degree lamb, is present in at least eight of the top 20 UK meals, but only one of the top ten, which presents significant opportunities for improvement.*

##### 2. Quality assured beef and lamb is identified to aid informed consumer choice

- We will focus our mainstream consumer media and PR campaigns on promoting the Red Tractor Good Food Story to achieve better depth and breadth of the message
- We will continue to use the Quality Standard Scheme to help develop trade brands and introduce new and innovative cuts and recipes to the consumer. The specifications to the scheme will be reviewed and consulted on with the supply chain to enhance the quality message.

*Beef and sheep producers receive between 5% and 15% premium through branding such as QSM and Red Tractor, which equates to between 13p and 40p per kg deadweight. The average premium was approximately 25p per kg dwt.*

##### 3. Maximising the carcass value at home and globally

We will focus on:

- Carcass utilisation including fifth quarter
- Range development

- Premiumisation
- Extending markets for under utilised cuts
- Benchmarking costs
- Halal sector

On the home market, increasing emphasis needs to be put on providing the consumer with good value for the increased amount of money they will be paying for the product. The high price at retail level of lamb is limiting consumption on the home market and this area of work will be important in helping mitigate that impact.

Increased penetration of new cuts into the market will be spearheaded by working with the high quality food service sector.

On the export market front, we will divide our activity into three main areas: France, the Rest of Europe and then Global (work outside Europe).

The main focus in each area will be:

- France
  - Differentiation using QSM
  - Supply chain research – beef
  - Halal
  - Generic lamb promotion
- Europe
  - Adding value
  - Extending QSM
  - Further expansion of beef market
- Third Country markets
  - Overcoming obstacles to market access
  - Trade development
  - Fifth quarter

*Cuts innovation on the US market to help carcase utilisation has increased the wholesale value by \$50 - \$70 per head (CattleFax estimate)*

**5) Under our objective of “improving services that the industry provides to the community” we will look at more widely disseminating the information we gather to better inform all players within the industry, allowing them to make more informed business decisions.**

Our focus will be on positioning EBLEX and AHDB as *the* knowledge house for the beef and lamb sector and disseminating that knowledge, market information and understanding.

We will target our information on three key areas: information to producers, information to the supply chain and information on policy issues both, UK and European. Our aim will be to exploit all forms of media, including new digital media, and to proactively manage issues relating to the beef and lamb sector as well as defending the sector when necessary.

This work will include closer work with other sectors on the Market Surveys currently produced by Market Intelligence and the way those surveys are distributed.

*The targeted market information collected in the UK and EU market surveys is estimated to have a potential value to the beef and lamb industry of up to £8.75 million per year.*

## **Key Performance Indicators**

### **Good value for levy payers**

- Procurement savings  
Ensure EBLEX obtains its proportional share of the savings anticipated by centralised procurement
- Overhead savings  
Reduce like-for-like overhead costs by 3% per annum

### **Improving Efficiency (improved trend evaluated over three years)**

- Improved carcase weights against number of lambs born, measured by kg of carcase weight per breeding ewe
- Improved carcase weights for beef, measured against the age of slaughter by looking at kg carcase per day gain
- Improved Targeted Selection Lambs (measured against current 57% of lambs hitting market requirement) of 3% per annum
- Improved Targeted Selection Beef (measured against current 48.8% hitting market requirement) of 3% per annum rolling average over 3 years.

### **Sustainability**

- Climate Change Roadmap Three produced by December 2011
- Benchmarking process established for carbon footprint farm, water footprint beef and lamb, and waste in abattoirs
- Improved costs of production model

### **Improved Marketing**

- Benefits of Red Meat: Three key targets monitored by Millward Brown tracking
- Consumption: Maintain consumption of beef and lamb at current levels (or better) in relation to supply
- Four new cuts utilised in multiples and food service sector
- Fifth quarter exports: 50% increase in fifth quarter exported in 2011/12
- Exports: sustain current percentage of lamb exports (30%), increase beef exports from 10% to 20% by end of 2012.

### **Improved services to industry and wider community**

- Increase digital statistical information available on website by 30%