

WELSH LAMB & BEEF PRODUCERS LTD

Chairman's Report 2010

Dear Fellow Member

It gives me great pleasure to present my annual report to you once again. Overall 2010 was a relatively good year for Welsh livestock producers with the prices paid for on outputs particularly lamb, holding on to their gains of recent years. The economy in Europe however remains precarious with several EU countries facing possible financial bailouts from the European Central Bank. We are also witnessing increasing inflationary pressures in the UK which if they continue could see the Bank of England moving to increase our base interest rates. Both of these could result in a strengthening of the pound relative to the euro which could have an adverse effect on our red meat exports and the relative value of our Single Farm payments. The increasing cost of commodities on the world stage continues to push our input prices upwards which coupled with the prospect of an increasing exchange rate could make 2011 rather challenging.

As an industry we must therefore not become complacent and believe that our improved revenues will continue. We must continue to invest in our future and improve the marketability of our produce. Our highly competitive Farm Assurance Scheme remains a very powerful tool for us to achieve that especially when consumers are becoming very selective in the purchases they make, particularly at the top quality end (*which of course is where our Welsh Lamb & Welsh Beef products are positioned*).

On our efforts to support the marketing of our products it is with disappointment that I have to report that our application for financial support to help support the marketing of our member's products from the Welsh Assembly Government's Supply Chain Efficiency programme was regrettably not supported. Nevertheless, we continue to look for all viable marketing opportunities.

Our web-based Animal Health Planning Tool has been very well received and this "state of art" Animal Health Planning Tool is available at no cost to you as a member. All you have to do is register for its confidential use by visiting our website. (www.wlbp.co.uk)

During 2010 Warwick University was commissioned by DEFRA to undertake an in-depth review as to whether membership of a recognised farm assurance scheme could represent a low risk for non-compliance with the Statutory Animal Health inspections which are a legal requirement under animal Health Legislation and Codes. WLBP was a willing partner to this study and we were delighted to learn that the final results were extremely positive with the difference of compliance of farms in our scheme being significantly more than that for farms outside the scheme. WLBP will use these findings to strengthen its case that our members show a very good risk profile to compulsory inspections carried out by government and should be treated more favourably with regard to the frequency and content of such audits. WLBP is negotiating with the relevant authorities to progress this initiative and I will keep you posted of developments.

There are some significant strategic issues emerging that require careful consideration and positive leadership within our industry. I am referring to the issues of the carbon footprint of red meat and the counter debate relating to the sustainability of food supplies for a growing world population. At present it appears that consumers have a limited awareness of these issues, with the vast majority indicating that they have had no bearing on their attitude to red meat. However this is likely to change in future, as awareness of these issues grows; and that as an industry we are ready for this increase in awareness. WLBP strongly believes that Welsh Lamb and Welsh Beef as a grass fed product should be regarded as a product from a natural regime, which has a limited negative impact on the environment. Grass cannot be consumed by humans and its conversion to meat for human consumption is preferable to using cereal and other inputs regularly consumed by humans for the meat rearing process. WLBP also feels very strongly that the carbon sequestration science is understood and presented as part of this debate and it is ridiculous that the carbon footprint of Welsh Mountain Lamb is greater than feed lot “intensively” reared beef.

Despite the improved prospects for profitability the gradual de-stocking of the suckler beef herd and sheep breeding flock continued over the last year, and further declines are likely over the coming few years which could be influenced further by the CAP Reform debate. This is a serious matter and could compromise the on-going sustainability of the Welsh Red Meat industry.

As you have probably noticed we now file our Annual Report on our web-site as opposed to printing it and posting it out to our current 7,500 members. We will of course send a hard copy to anyone who requests one. I hope you agree that this is a sensible cost-cutting move

which we will use more and more. I wish to take this opportunity to thank my fellow board members for their on-going hard work, support and loyalty over the year and to thank you as our member for your continued support.

Richard Howells

Chairman