

# UK Market for Animal Welfare Friendly Products

## Market Structure, Survey of Available Products and Quality Assurance Schemes

Emma Roe  
Jonathan Murdoch





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Emma Roe and Jonathan Murdoch  
Cardiff University, UK



School of City and Regional Planning  
Cardiff University  
Glamorgan Building  
King Edward VII Avenue  
Cardiff  
CF10 3WA  
Wales  
UK  
Tel.: +44(0)2920874709; fax: +44(0)2920874845;  
e-mail: roex@cardiff.ac.uk

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# PREFACE

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Animal welfare is of considerable importance to European consumers. Nowadays food quality is not only determined by the overall nature and safety of the end product but also by the perceived welfare status of the animals from which the food is produced. The fact that improving the animal's welfare can positively affect product quality, pathology and disease resistance also has a direct bearing on food quality and safety.

The Welfare Quality project is about integration of animal welfare in the food quality chain: from public concern to improved welfare and transparent quality. The project aims to accommodate societal concerns and market demands, to develop reliable on-farm monitoring systems, product information systems, and practical species-specific strategies to improve animal welfare. Throughout this Integrated Project, effort is focused on three main species and their products: cattle (beef and dairy), pigs, and poultry (broiler chickens and laying hens).

The research programme is designed to develop European standards for on-farm welfare assessment and product information systems as well as practical strategies for improving animal welfare. The standards for on-farm welfare assessment and information systems will be based upon consumer demands, the marketing requirements of retailers and stringent scientific validation. The key is to link informed animal product consumption to animal husbandry practices on the farm. The project therefore adopts a 'fork to farm' rather than the traditional 'farm to fork' approach. Welfare Quality will make significant contributions to the societal sustainability of European agriculture.

This publication brings together reports produced by the UK team of the retailing work package 1.2 in subproject 1 during the first year of the project. This subproject investigates societal attitudes and practices as they impact upon animal welfare and assesses to what extent new welfare strategies might be achievable in practice. It has three main work packages concerned with consumers, retailers and producers, respectively. Each work package investigates how these groups view welfare considerations and determines how they might be persuaded to adopt more rigorous welfare standards. Work package 1.2 evaluates the current and potential market for welfare-friendly animal based food products, welfare label characteristics, and inspection systems.

Chapter 1 of this report consists of a literature review of the construction of animal welfare in market and governmental terms in the UK.

Chapter 2 describes the market structure of animal-based products in the UK which can be divided into the five product categories of beef, chicken, pork, egg and dairy. The

Welfare Quality project is focusing only on three farm animal species: chickens, cattle and pigs.

Chapter 3 reports the findings of a survey into the presence of welfare-friendly foodstuffs in the major retailers and other stores. It includes ethnographies of visits into the supermarkets and information about the types of products identified.

Chapter 4 is a study of the non-retailer led labelling schemes, whose logos were found to accompany welfare-claims in the earlier retail survey. Each scheme is discussed in detail following an interview-based study of each quality assurance scheme.

Each chapter is formed from national reports that fed into a comparative report across six European countries that has been submitted to the European Commission. The UK national reports have been published here to provide a more detailed account of the UK situation.

Mention must be made of Professor Jonathan Murdoch, who designed this research programme and who is a co-author for Chapters 1, 2 and 3. Very sadly following a diagnosis of acute leukaemia in February 2005 he died in December 2005.

*Emma Roe*  
Cardiff, May 2006



# THE CONSTRUCTION OF ANIMAL WELFARE IN MARKET AND GOVERNMENTAL TERMS IN THE UK

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## 1.1 INTRODUCTION

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Animal eating has formed an increasingly central place in the Western diet over the last thousand years (Harvey 1993). Yet it is only over the last hundred years that the modernisation of meat production has made it available to all, rather than just the wealthy (Franklin 1999; Harper and Henson 1998). Relations between humans and those animals that provide meat and dairy products for human consumption are particularly complex. The simple abstraction of animals as ‘nature’ or ‘food’ cannot be made for those animals produced as livestock to enter the dairy and meat industry.

‘The metabolic impressions that the flesh of others imparts to our own are an enduring axiom of social relations with the non-human world and the porosity of the imagined borders which mark ‘us’ off from it’ (Stassart and Whatmore 2003:449).

This paper seeks to understand this relationship between the animal (body-subject) and the meat (body-product) product that exists in the context of the growing market and governance of animal welfare friendly food products. The market for animal welfare friendly food products is a particular ‘alignment of producer and consumer knowledge practices [which] are taking shape through a shared corporeal of human and animal well-being’ (Stassart and Whatmore 2003:459). The emphasis of the discussion is not on how nature and society relations are played out in the growing market for animal welfare friendly products (see Buller and Morris 2003); but instead how consumers, producers, retailers and Government are constructing Animal Welfare in market and governmental terms as a response to the rising public profile of the ‘shared corporeal of human and animal well-being’.

Animal welfare concern as Harper and Henson (1998) describe can be traced back to the Victorian period and throughout the post world-war two intensification of agricultural production, but it is the recent food scares which have made visible many of the hidden realities about the intensive industrial agricultural process, that turns animals-into-meat, that have played upon the human conscience and health concerns.

The consequence of a series of major food scares in the 1990s around the meat industry has worked against modernity's abstraction of animals from meat and instead has 'emphasised to the consumer, the connections between animals and meat, and underlined the processes of animal-into-meat' (Franklin 1999:164). Franklin (1999) charts the changing post-modern history of meat consumption through changing patterns of consumer reflexivity in terms of human health. This concern about the risk to human health from eating meat has moved from a connection between higher cardiovascular health problems and the rise in meat consumption to the risk to human health from contracting animal-borne diseases such as Creutzfeldt-Jacob disease (CJD) from cattle suffering from bovine spongiform encephalopathy (BSE) (Franklin 1999). In addition to concerns about how animal health and welfare impacts upon human health has been the impact of these debates upon the human conscience from the increasing visibility of the process of animals-into-meat unveiled during the food scares. One million people signed a Compassion In World Farming petition for animals to be recognised as 'sentient beings' (Watts 1999). In 1997 the fifteen member states of the EU unanimously adopted a new Protocol in which animals became recognised as sentient beings (ibid). Sentient beings are 'capable of suffering because of an ability to feel pain, injury and discomfort and to be aware that these sensations matter' (Spedding 2000:33). This new Protocol paves the way for the suffering of millions of farmed animals to become an increasingly popular political issue, tied up with public anxiety around food quality.

To address why the market for animal friendly food products is increasing at this point in the long history of meat eating, it is necessary to have an understanding for how the position of the animal has changed within human society. Thus firstly, the paper considers the current legislative position within the UK. Secondly, it considers the role of retailers and their ability to raise welfare standards for food products. Thirdly, partnerships between non-governmental agencies and retailers will be discussed that monitor or give farm assurance of welfare standards.

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## 1.2 LEGISLATIVE FRAMEWORK

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The welfare problems of farm livestock has been documented since Ruth Harrison's pioneering book 'Animal Machines' (1964), the most recent review can be found in 1999 UFAW Farm Handbook (Spedding 2000). The legal position for minimising suffering to farm livestock has moved from The Protection of Animals Act 1911, to the 'welfare of all farmed "livestock" on "agricultural land" (see Box 1 for definitions) under the Agricultural (Miscellaneous Provisions) Act 1968, which makes it an offence to cause or allow unnecessary pain or unnecessary distress' (DEFRA website). The latest legislation The Welfare of Farmed Animals (England) Regulations 2000 came into force on 14 Aug 2000. It replaced the Welfare of Livestock Regulations 1994 and the Welfare of Livestock (Amendment) Regulations 1998 and implemented EU Council Directive 98/58/EC, the so-called 'general Directive', into English law. Separate but

similar legislation applies in Scotland, Wales and Northern Ireland (DEFRA website 2004).

**BOX 1.1 Definitions of ‘livestock’ and ‘agricultural land’**

“Livestock” are defined in Section 8(1) of the Agricultural (Miscellaneous Provisions) Act 1968 as animals “kept for the production of food, wool, skin or fur or for use in the farming of land”. The definition covers cattle, sheep, goats, pigs, poultry and other species, such as rabbits, ostrich and deer. It also applies to a horse or a dog when used in the farming of land.

“Agricultural land” is also defined in Section 8(1) as land used for the purposes of an agricultural trade or business. It applies, for example, to an intensive poultry building in an urban area or to a “backyard” farm where livestock are kept for commercial purposes. It does not apply, however, to land on which livestock are being kept for the private consumption of meat, milk or eggs.

*Source: Defra 2004*

This legislation addresses welfare at different stages of the animal’s life, namely on-farm welfare, welfare at market, welfare at transport, welfare at slaughter (DEFRA website 2004). UK farmers fear that public opinion in the UK may force them to comply with stricter welfare rules than their competitors in other countries, thereby incurring higher costs of production. Imported, uncontrolled produce from outside the UK could be sold more cheaply because they do not incur the cost of higher welfare standards (Barclay and Hughes 1998). ‘To an extent this has happened with veal, where imports of Continental veal increased after the British ban on veal crates’ (ibid: 18). The British farmers lost sales and the British public bought meat from animals often kept to lower standards of animal welfare than those practiced in the UK. In the case of veal it got worse because British calves were exported to the Continent to go into Continental veal crates; the meat was then imported back into the UK (ibid). It is because of this type of scenario that legislation forms the minimum level of standards for animal welfare in the UK because ‘the desire for higher welfare standards has to be balanced against commercial pressures and needs to operate within the Single European Market’ (ibid: 5). Additional non-market based reasons for the reluctance in the UK to legislate in too much detail over animal welfare are outlined below.

- The detail required would make such legislation complex, so that the farmers would spend considerable time and energy in complying with it
- It would limit innovation in animal husbandry
- It is generally agreed that legislation cannot, of itself, make animals well looked after. For example, one important factor is having a stockman who can recognise when animals are unwell
- To enforce complex welfare legislation might require checking by inspectors on individual farms (ibid).

## BOX 1.2 The Five Freedoms

The welfare of an animal includes its physical and mental state and we consider that good animal welfare implies both fitness and a sense of well-being. Any animal kept by man, must at least, be protected from unnecessary suffering.

## THE 5 FREEDOMS

We believe that an animal's welfare, whether on farm, in transit, at market or at a place of slaughter should be considered in terms of 'five freedoms'. These freedoms define ideal states rather than standards for acceptable welfare. They form a logical and comprehensive framework for analysis of welfare within any system together with the steps and compromises necessary to safeguard and improve welfare within the proper constraints of an effective livestock industry.

1. FREEDOM FROM HUNGER AND THIRST – by ready access to fresh water and a diet to maintain full health and vigour.
2. FREEDOM FROM DISCOMFORT – by providing an appropriate environment including shelter and a comfortable resting area.
3. FREEDOM FROM PAIN, INJURY OR DISEASE – by prevention or rapid diagnosis and treatment.
4. FREEDOM TO EXPRESS NORMAL BEHAVIOUR by providing sufficient space, proper facilities and company of the animal's own kind.
5. FREEDOM FROM FEAR AND DISTRESS – by ensuring conditions and treatment which avoid mental suffering.

Source: FAWC 2004

The Farm Animal Welfare Council (FAWC) is an independent advisory body of experts, appointed by the Ministry of Agriculture which advises Government on welfare issues. Colin Spedding, former chair of the FAWC argues that it is perhaps more appropriate to outline a set of 'basic needs, since they are less subject to personal preferences, habits or ambitions' (2000). The UK Government seeks independent advice in the field of animal welfare standards, which led to the establishment in 1979 of the Farm Animal Welfare Council (FAWC), a standing committee that meets three times a year. 'Its terms of reference are to keep under review the welfare of farm animals on agricultural land, at market, in transit and at the place of slaughter; and to advise the Government of any legislative or other changes that may be necessary'. The council has freedom to investigate any topic falling within its remit; to communicate freely with outside bodies, the European Commission and the public; and to publish its advice independently (FAWC 2004). The majority of FAWC recommendations, following UK Government consultation with interested organisations, are implemented by legislation and welfare codes. The Government has developed codes of practice following recommendations from the FAWC. 'It is not an offence to infringe the terms

of the codes of practice, but failure to conform to them can be cited in court as evidence of cruelty in the case of a prosecution for cruelty to animals' (Barclay and Hughes 1998, p. 6). In addition FAWC have defined the Five Freedoms a 'set of ideal states rather than standards for acceptable animal welfare' (see Box 2). The RSPCA Freedom Foods farm assurance scheme, discussed later, applies these ideal states as standards in the production of a range of meat and dairy products. Box 3 describes the current and future legislation for the different egg production systems.

#### BOX 1.3 Legislation for different egg production systems

##### *Laying cage system or battery*

Laying cage system, previously known as battery (around 69% of all eggs produced): directives from the EU specify a minimum requirement of 450 sq cm per bird, with up to five birds in a cage. The environment is tightly controlled, with mechanisation where possible to minimise costs. From 2003, new installations must be enriched cages with 750 sq cm per bird, with separate nest, perching and scratching areas. Current cages will need to be adapted to allow 550 sq cm per bird, and will be banned entirely from 2012.

##### *Barn or perchery system*

Barn, previously known as the perchery system (around 6% of egg production): two systems exist under this banner, each providing one nest box per five birds, or communal nests at a rate of 120 birds per square metre of floor area. The barn system has a series of perches and feeders at different levels, with a maximum stocking density of 25 hens per square metre of floor area. Perches must be installed to allow 15cm of perch per hen. For the deep litter system, the hens are kept in houses with a maximum stocking density of seven hens per square metre. The entire floor area must be solid, with a litter of straw, wood shavings, sand or turf.

##### *Free-range system*

Free-range system (around 25% of egg production): to be termed 'free-range', hens must have continuous daytime access to runs which are mainly covered with vegetation and with a maximum stocking density of 1,000 birds per hectare (395 birds per acre). Hen-house conditions must comply with those set out for barn systems, or deep litter stocked at seven birds per square metre when no perches are required.

Despite the problems associated with raising animal welfare standards through legislation the Government does have an important role in education and encouragement towards better behaviour by individuals and organisations in the field of animal welfare (Spedding 2000). An example of how the UK Government is encouraging better animal welfare is found in the recently published 'Animal health and welfare strategy for Great Britain' (Defra 2004) a Government led initiative that has specific aims related to animal welfare which sits alongside the Strategy for Sustainable Food and Farming (DEFRA 2002).

‘This strategy does not provide a magic wand to solve all the problems affecting the health and welfare of our animals. But it sets a framework and direction for a partnership between all of us who have the capacity or the responsibility to influence the health and welfare of animals. Such a partnership is crucial if we are to ensure that the continually evolving threats to animal health and welfare are effectively identified, assessed and acted upon. We hope that all who read this strategy will rise to the challenge with enthusiasm, dedication and shared commitment’ (ibid: 12).

The primary aim of this strategy is to improve animal welfare, reduce endemic disease in animals, to guard and mitigate against the effects of exotic disease in animals and to reduce the incidence of zoonotic diseases in animals which might imperil human health (DEFRA 2004). Arguably the drive at the heart of this Government strategy is to deal with the numerous risks to health and well-being that have come on the back of the success of modernisation. It is an example of Government working with a ‘greater openness and forthrightness in dealings between the public and the public institutions’, challenging ‘the preexisting ethos of authority and submission in transactions between the executive state and the client public’ (Smith et al. 2004).

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### 1.3 THE ROLE OF RETAILERS

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Food sales in the UK are dominated by four retailers (Sainsburys, Tesco, Asda and Morrisons). These supermarkets between them control over two-thirds of the grocery market. Effectively, the retailers (through their buying desks) act as narrow channels for linking UK agriculture to UK consumers. As Young (2004 p. 64) puts it, ‘around 233,000 UK farmers trade with the majority of the population via only a handful of supermarket companies, where UK consumers purchase 75-80 per cent of their groceries’. In this context it is clear that supermarkets have enormous influence over the construction and implementation of animal welfare standards. As Young (ibid.) notes, the huge buying power of supermarkets ‘means they can move quickly and decisively – perhaps more so than political decision makers – on food standard issues including animal welfare’. Moreover, the vast majority of fresh animal produce in major supermarkets is sold under company-own labels (private-label schemes), where they have direct control over how animals are reared and slaughtered.

#### 1.3.1 CHANGING FACE OF RETAILING IN THE UK

First, some comments on the changing face of retailing in the UK. The rise in urban society in the late eighteenth century and early nineteenth century led to the establishment of the Co-operative movement. A movement in its early years ‘dedicated

to reducing flour prices and the supply of unadulterated full-weight produce, to ease the worse rigours of poverty' (Spencer 2002:268). The stores sold food and clothing 'flour, oatmeal, butter and sugar, later tea and other groceries and later still coal and furniture (ibid)' for cash at local retail prices; any profit was shared out at the end of the year to their customers (ibid). The purpose was to improve the moral character of trade rather than to make large profits; the middle man was cut out and lower prices were offered on necessities plus it was a form of saving by the handing out of the 'divvy' at the end of the year (ibid). Between 1862 and 1890 the English Co-operative movement (CWS) grew in size rapidly from just 50 stores in 1862 to an annual turnover of £7.7Mn and a membership of 700,000 people by 1890. The scale of the enterprise led to CWS owning a fleet of shops, depots, agencies and plantations in 4 continents (ibid) by 1876. This period also saw the growth of chain grocers like Liptons and Home & Colonial Stores competing with family, neighbourhood grocers, all who were stocking a greater variety of foods. In 1880 there were ten chains of butchers, by the end of the century there were 2,000, while from 27 chains of grocers there grew to be 3,444 (Spencer 2002:268). Following the end of rationing in the 1950s there was a dramatic transformation in food retailing, the principle of self-service was introduced. The Co-operative movement pioneered the idea.

'By 1950 there were already 600 of their self-service stores in operation. Once food rationing ended there was a rush to open many more, and within three years there were 3,000. These numbered many larger stores with over 2,000 square feet of selling space, which were dubbed supermarkets; by 1962 there were 12,000 of them' (Spencer 2002:330).

The old multiple retailers like Home and Colonial were slow to reorganise their stores, which tended to be long and narrow, and did not cater well for the huge range of goods that the modern shopper demanded. The giant national supermarket chains like Tesco and Fine Fare began to compete fiercely, emphasising low prices with the aid of high-powered advertising and special offers (Spencer 2002). There was widespread impact on farming as a consequence of the retail power flexed by the muscle of the giant supermarket chains. The produce market became increasingly centralised leading to monoculture and large industrial farms, while smaller farms were squeezed out of the market, unable to produce the quantities required (ibid). The standards of food quality on offer in the supermarkets became affected by the shift to self-service stores and the growing retail competition amongst grocers.

'Self-service meant a different type of food; everything, which before had been cut from larger blocks to the customer's requirements, was now pre-weighed and wrapped before sale. In the early 1990s around one-third of the products were the supermarket's own-label; this is twice the amount in the rest of Europe. Supermarkets claim that they may have little nutritional value but certainly have a generous profit margin; these are the most glossily packaged and are given the most advertising – breakfast cereals being the prime example. No small grocer's shop could begin to stock the wide range of cereals eaten now. Junk food is another example of poor nutritional value, a big profit margin and glossy packaging, which is stocked to excess by supermarkets, many of them making their own brand versions. Junk food is food that is highly processed, that is likely

to be composed only of refined flour and milk solids, sugar, salt and chemical flavourings, or made up from odds and ends of animal carcasses which have been processed, surfacted, sequestered, humected, emulsified and anti-oxidised and turned into blocks of pap' (Spencer 2002:330).

The increasing size of the major retailers has been the dominant theme in the last thirty or forty years. As William Young (2004) reports, in one year alone (1978-9) the new supermarkets closed over 350 shops smaller than 5000 square feet and opened 60 of more than 10,000 sq. ft. Over the period 1971-79 the total number of grocery shops fell from 105,283 to 68,567, a decline of 35%. Continuing trends of this nature meant that independent shops saw their market share slip from 50% in the 1960s to under 15% by the late 1990s. The big winners from this process were Tesco (which became Britain's largest retailer in 1994 and looks set to remain in that position), Sainsbury's, Asda and Safeway (although Safeway has now been taken over by Morrison's).

TABLE 1.1 Leading players in the UK 2000-1

	No. of outlets	Sales (£m)	Profits (£m)	Advertising (£m)
Tesco	691	18732	1054	13.9
Sainsbury's	453	12931	434	25.6
Asda	240	10019	405	19.5
Safeway	470	8151	314.5	1.7
Somerfield	1,904	7727	-2.6	3.5
Morrison's	110	3500	219.1	6
The Coop	1623	3055	45.6	6.1
Waitrose	136	1982	25.7	3.9

Source: Young 2004

The concentration of the UK retail chain means that farmers are locked into tight systems of control. Some commentators believe that the level of competition between the big four ensures that prices to farmers are constantly squeezed (Blythman, 2004; Young, 2004). The fragmented nature of the UK farming industry ensures that farmers are in a weak bargaining position. During the Competition Commission enquiry into supermarket buying practices, it emerged that there was a 'climate of fear' surrounding supermarket-farmer relations. The Commission's report listed a number of buying practices that seemed to work against farmers including: requiring suppliers to make payments or concessions to gain access to supermarket shelf space; imposing conditions relating to suppliers trade with other retailers; applying differing standards to different suppliers offers; imposing an unfair balance of risk; imposing retrospective changes to contractual terms; restricting suppliers' access to the market; imposing charges and transferring costs to suppliers; requiring suppliers of groceries to use third-party suppliers, such as packaging companies, nominated by the supermarket. These types of practices put enormous pressure on suppliers to reduce price. As a result, farmers are often paid less the costs of production. For instance, an NFU survey in 2002 found that for a basket of food goods that cost £37 in the supermarket, the farmers would get only £11.26. As Young (2004 p. 58) summarises it, "there is a suspicion among UK farmers that supermarkets are earning too much of their margin from suppliers (through



charging for shelf space, charges for listing new products etc) rather than earning it off consumers”.

TABLE 1.2 Average difference between farm-gate and retail price

	Measure Value	Farm gate value	Retailer receives	%Farmer receives
Beef	£/kg	1.72	6.58	26
Lamb	£/kg	2.24	4.57	49
Pork	£/kg	0.95	4.78	20
Chicken	£/kg	0.49	2.32	21
Bacon	£/kg	0.96	6.97	14
Milk	£/pint	0.09	0.36	25
Eggs	£/dozen	0.32	1.51	21

Source: Young 2004

Following the Competition Commission report in 2000 a voluntary code of practice for supermarket/supplier relations was introduced. This code contained provisions such as ‘no retrospective reductions in prices’, ‘no obligation to contribute to marketing costs’, no payments for lower profits unless agreed in advance’, no promotions without reasonable notice’ and so forth. However, Friends of the Earth carried out a survey of farmers in 2003 in order to assess the value of this code. Key findings were that less than 44% of respondents knew a code existed and more than half believed it made no difference. Moreover, the supermarkets themselves claimed the code had made little difference to their actions (as they claimed they were already adhering to the code’s provisions).

The pressure of price is but one part of general retail strategies. Retail competition in the UK has 3 dimensions:

1. It is highly hierarchical and intensive. Retailers are constantly looking over their shoulders, copying the innovations of others. To what extent are animal welfare products a competitive issue between retailers?
2. There are geographical variations in store size and locations. In some regions butchery is considered a craft-art and thus a store may have a butchery counter to supply freshly cut meat, whereas in other regions stores stock fresh packaged meat displayed in fridges.
3. Differential food quality is a competitive terrain within supermarkets. There are Brand wars both in and between supermarkets -Own brand, Value brand are examples. More recently Quality brands are competing for shelf space. Other products lines that compete for space in the geography of retail store shelves e.g. Local vs. Organic. Battery farmed and free-range eggs are in direct competition on most supermarket shelves. Further animal welfare friendly products could become a new range.

MINTEL (2002b) discusses the prominence of price as the competitive issue amongst supermarkets.

‘Supermarkets focus on price, in basic food categories, as a draw to increase retail market share. Advertising for any of the big four has, for a number of years, focused on offering consumers the lowest prices. In this way, the multiples have highlighted the cost of food as a paramount consideration, when consumers may have chosen to focus on different aspects. In basic food sectors such as poultry, this has led to a scenario where market values have been depressed due to the high level of product sold on promotion, particularly in the primary market’ (Red meat MINTEL 2002).

Recently, Sainsbury has been among those trying to break from price by focusing on product quality. However, this has not meant they have eschewed price discounting activity. Together with the other multiples, they generally offer at least one product in the poultry range on price promotion. Unless a consumer is specifically looking for a specific cut for a recipe, this can sway buying behaviour. Even if the discounted cut is not purchased for immediate use, freezing for a future meal is an option that again has implications for spending in the market.

Clearly the retailers are potentially powerful players in supporting the market for animal welfare friendly food products, by providing their customers with a range of products with differential welfare standards.

‘Retailers and their customers can specifically support and reward farmers who invest in standards of animal health and welfare that exceeds the acceptable norm’ (DEFRA 2004:28).

Statements like this one from the Government can be understood as part of the development of new forms of relationship ‘between the state, corporate and non-corporate private interests, consumers, and a variety of social interests build[ing] governance relationships in response to the need for greater accountability throughout the entire food-supply chain’ (Smith et al. 2004:3). The retailers have several crucial advantages over government in the context of raising food industry standards:

- they move faster;
- their power is not limited by national boundaries: it applies wherever in the world they source their supplies;
- they are not bound by international trade agreements in the same way that governments are;
- they have great power: if a supplier does not conform, his contract can be cancelled and this can represent his livelihood;
- they have mechanisms for checking on standards: they already inspect their sources for food safety, quality and hygiene (Spedding 2000: 113).

There are three different groups of farm assurance schemes that can be identified in the UK.

- Industry led schemes (e.g. British Farm Standard). In animal welfare terms these schemes are just above the basic legislative requirements of the UK Government.
- Farm Assurance Schemes (Industry or retailer led). Welfare standards that are

higher than the UK minimum may feature as a component of the scheme or in other words are *implicit* within the scheme (e.g. The Soil Association Organic food).

- ‘High welfare’ schemes. *Explicit* high welfare schemes, more often NGO led (e.g. Freedom food).

The Assured British Meat (ABM) scheme was launched in 1998 with the objective of establishing a single national integrated assurance scheme along the food chain (from producer to abattoirs) in the meat sector. This scheme was restructured to become the British Farm Standard (or the Little Red Tractor) in the year 2000. The scheme includes a number of independent schemes which cover 6 sectors of agricultural production: beef and lamb, pork, poultry, milk and dairy products, vegetables, cereals and oilseeds. The tendency for farm assurance schemes is towards complete supply-chain integration to provide assurance that connects and includes animal feed, production, transport, markets, slaughterhouses, processors and retailers (FAWC 2001).

Johansson and Burt (2004) comment that in comparison to other European countries the UK is widely considered as an industry leader when it comes to grocery retailing operations in general and private brands in particular. The UK grocery sector is dominated by large vertically and horizontally integrated retail chains, each with extensive private label product ranges.

“As most grocery retailers do now own manufacturing assets, their increasing involvement in private brand manufacturing goes beyond just buying an existing product on the market. To achieve product differentiation, close relationships need to be established and co-ordinated routines must be set up between the manufacturer and retailer” (ibid: 3).

Private brand ranges require retailers to utilise their information and market power in a true channel leadership role, not merely to provide “improved” trading terms (ibid). This necessitates a pro-active approach to maximise the complimentary skills of manufacturers and retailers (Hughes 1996), and a reconfiguration of roles, functions and tasks within the traditional channel. ‘Typically retailers become more involved in all stages of the product development process from need recognition and idea generation to product and market testing’ (ibid:5). According to Johansson and Burt (2002) UK grocery retailers are divided into a number of business units, and a category management approach to buying is evident. These business units are discrete entities in their own right and are often broken down into categories, which are managed by teams, with subteams working on specific product groups like biscuits, crisps etc. The teams are made up of marketers, buyers, product developers and merchandisers. The *marketers* are responsible for sales, pricing and consumer attitude research. *Buyers* are mainly responsible for profitability, availability and food science background. They understand what is physically safe, how to ensure that nutritional values are attained, and what can be practically made in the factory. The *merchandisers* are responsible for maximising the return on space in the store.

### 1.3.2 WELFARE-FRIENDLY RETAILERS

Marks & Spencers and Waitrose are both British retailers who are placing themselves at the forefront of meeting the demand for animal welfare quality food products. Marks & Spencers has received awards from the leading farm animal welfare group Compassion in World Farming (CIWF). In 2002 they were awarded the title of 'Compassionate Supermarket of the Year', and in 2003 they were awarded 'Welfare Ideal – Most Advanced Supermarket'. Marks & Spencers policy is to 'uphold and improve standards of animal welfare throughout its supply chain (M&S Press Release 2003). It meets regularly with CIWF and representatives from other organisations, maintaining an ongoing dialogue to keep groups aware of Marks & Spencer's continued drive for improvements in animal welfare' (Marks & Spencers website). In 1997 they became the first major UK retailer to exclusively sell free-range eggs. Then in September 2002 they became the first UK retailer to only use free-range eggs in all food products. This covers 250 million eggs a year, laid by 700,000 chickens. M&S state in their most recent Corporate Social Responsibility report that this was welcomed by animal welfare groups and that market research has shown that customers associate this type of initiative with Marks & Spencers. In addition M&S are currently working towards producing slower-growing free-range chickens and non free-range chickens. The Marks & Spencers Select Farm scheme of standards raises the welfare standards of animals by stating that 'animals will be bred outdoors and benefit from more space and straw bedding, allowing them to live and behave more naturally'(M&S 2003). These standards are going to be reviewed during 2004/5 by a group of external specialists on feed, nutrition, health, medicine, animal welfare, transport, slaughter and environment. Waitrose were awarded 'Compassionate Supermarket of the Year' in 2002.

'Strict Farm Assured protocols ensure that animals are reared in the most natural conditions possible and that the farm environment is controlled to high standards. This not only guarantees each animal's welfare but also provides an audit trail that gives Waitrose the assurance of quality we require. Standards for livestock production allow only veterinary-prescribed antibiotics for animals. Waitrose also works with producers, feed mills and suppliers to produce premium meats, such as free range pork, Aberdeen Angus beef, Hereford beef and Poulet d'Or chicken' (Waitrose 2004).

For example, the Waitrose Aberdeen Angus Beef has its own labelling scheme which assures that meat has only come from cattle bred from pedigree bulls. They state that they have a complete commitment to animal traceability and to achieving the highest animal welfare standards across all their meat supplies which is backed by a dedicated state-of-the-art meat processing facility (Waitrose 2004). Waitrose argue that the focus upon an open discussion between retailer, processor and farmer coupled with an advanced processing system that incorporates bespoke chilling and maturation facilities culminates to deliver high quality supplies of Aberdeen Angus beef (ibid). Waitrose and Marks and Spencers are undoubtedly the leading retailers in welfare friendly food products. There are not such clear commercial market agendas for the sale of welfare friendly food products for the other UK supermarkets (Tesco, Sainsbury, Asda, Morrisons, Somerfield). As a result they are some way behind the market leaders.

However it is not true to say there is a disinterest in animal welfare, for example the UK's biggest retailer Tesco is involved with sponsoring various research projects on animal welfare issues including the Food and Animal Initiative (FAI) in Oxford, UK. One project from the FAI has been to identify new ways of improving the taste of Tesco Finest's pork products. As a consequence,

'much higher fibre content has been introduced to the pigs' diets. This is beneficial to the intestinal health of the animals and consequently their overall well-being' (<<http://www.tesco.com/everylittlehelps/environmentdetail.htm>>).

However can the retailers meet the challenge to support the production of meat and dairy products with higher welfare standards plus effectively market these higher quality food products? Following the UK legislation which raised the welfare of pigs bred in the UK above those in the EC, there have been a range of problems associated with how UK pig meat is labelled and sold, directly related to the sourcing policies of the major retailers. This is revealed through different accounts in the Competition Commissions report on grocery supplies from supermarkets. At a British Retail Consortium meeting in November 1998 a Government minister received assurances from the leading retailers that all their own-label fresh pork, bacon, ham, sausages and pork pies would come from animals that had not been kept in 'stall and tether' systems and had not been fed on meat and bone meal (Competition Commission 2000). However despite these assurances the UK pig farming industry has reportedly gone through difficult times following the implementation of stricter legislative guidelines for the welfare of pigs. The strong pound has led the multiples to look towards to the Continent to source their pig meat, where supply (that meets the UK welfare standards) can not meet demand. In defence of this behaviour by the retailers the British Retail Consortium (ibid: 40) state that 'support for British meat farming only took place within a framework of compliance with EC competition law and responsiveness to customer demand for imported meat'. A supplier of pig feed 'Tuck Box Ltd' stated that in May 2000, 'the impact of tighter production legislation in the UK than in other EC countries was costing UK pig producers a minimum of £5.26 more per finished pig' (ibid:81). Tuck Box Ltd outlined a range of issues where the retailers were not doing all that could be done to communicate the higher welfare standards of UK produced pork to the consumers. They argue that the following welfare information about UK bred pork should be communicated to the consumer at the point of sale.

- EC bred pork may well be fed on animal protein and bone meal, whereas in the UK this had been banned.
- In the UK there are stricter controls on the transport of livestock.
- UK pigs are not kept under the 'stall and tether' production method, again not pointed out to the consumer at the point of sale.
- The castration of pigs is banned in the UK.
- Pig meat processed in the UK should not be labelled as British, if it wasn't bred in the UK.

The example of the impact of the UK pig welfare legislation on the pig industry provides important lessons for why retailers need to cooperate with Government and farmers if animal welfare standards are to be raised, and getting this cooperation is not

always easy. The National Beef Association argues that ‘unless the large multipliers alter their marketing position and compete with each other on a quality basis as opposed to a price, they would force unfair adjustments on their suppliers, since the multiples are extremely skilled at protecting their own margins’ (Competition Commission 2000:45). Thus despite the retailers having the ability to regulate their supply chain, the diversity in the retail sector results in different retailers having different abilities and willingness to develop food standards above the baseline (Marsden et al. 2000). It is the purchasing actions of consumers and where they choose to shop that results in consumers having differentiated rights to food quality (ibid).

### 1.3.3 SUPERMARKETS IN THE MEAT AND DAIRY SECTOR

The project WELFAREQUALITY is focussing on three animals – poultry, pigs, and cattle, and associated meat products -chicken, pork, beef, and dairy products. This section will discuss some of the main issues that surround the supply, manufacture and marketing of these different meat products in the context of different retail strategies. There are four different retail strategies –sales driven, market driven, customer driven, and market driving (Kumar, Scheer and Kotler 2000). A retailer at different times may draw on all these different strategy positions. Can these different strategies be identified in the meat and dairy market? Are there particular strategies that are adopted to promote the sales of welfare friendly food products, or could there be in the future? How does the current structure of meat sales in the red meat and poultry sector make space for or hinder the market for welfare friendly products? The biggest contribution to the meat sector by the multiples has been through the widescale introduction of branding. Sub-branding to indicate premium quality, healthy eating, organics and greater convenience have effectively boosted many meats from their commodity status to offer a real differential in the eye of consumers and added value to the market as a result (MINTEL 2002b).

#### *Red meat*

The retail strategy of the red meat industry shows great attention to orientating products to meet customer demand in terms of market segmentation, education and customer convenience. The red meat industry is segmenting the market to offer different products to suit the different tastes of all customers. Consumers are offered beef products that range from those to suit the health-conscious with extra lean mince to premium Aberdeen Angus mince (*The Grocer* May 2003). Another customer related issue is education, a key issue in the red meat sector. ‘Gail Bourne, planning manager for Asda says: “People want more guidance on how to cook the product and what it looks like when it’s finished”. Information in an accessible form is being considered by the industry which provides recipe leaflets and endorsements from the latest celebrity chefs’ (*The Grocer* May 2003). Additionally the red meat industry is conscious of how different red meat products can fall out of favour if it doesn’t suit the lifestyles of customers.

Here three issues that are affecting the pigmeat industry and the retailing behind pork sales are described, firstly supply and demand problems, secondly consumer attitudes towards pork and thirdly product description. In February 2004 *The Grocer* reported that 'pork continues to suffer from limited supply and rising costs, in particular the recent hikes in feed prices'. The lack of product also makes it difficult to run effective promotions, leaving pork trailing behind its more abundant brothers in the red meat category. Pigmeat marketing manager at the Meat and Livestock Commission says 'consumers need to think differently about pork. It's a lean meat, healthy meat. There's no reason why it couldn't be used in the same way people use chicken'. "People don't think about buying a steak and then cutting it up and using it in a curry like they do with chicken." Pork fillet had good sales in Denmark. However this market has fallen perhaps in part to the inconsistency of the name of this part of the category. Some retailers call it fillet others call it tenderloin. The steak is a very convenient red meat product, and yet still with exception to the mince industry, red meat is perceived as slower to cook, more expensive and difficult to cook in comparison with chicken which is understood better.

### *Chicken*

The poultry industry is particularly interested in developing the fresh chicken category. Chicken manufacturer's Grampian Country foods market director says that there is still a significant amount of category development in the chicken sector because it is such a popular meat with rising meat sales. According to Grampian Country Foods the primary fresh chicken market is growing 11% (*The Grocer* May 2003). 'Chicken is such an easy product to cook and that removes consumers' fears they are going to get it wrong. And of course it is a very healthy product' (ibid). 'Drummers and thighs' are the areas of the category that are considered to hold significant opportunity for raising the sales of fresh chicken. The concern expressed by the fresh chicken industry is that chicken may slip further into commodity territory, or in other words processed chicken meals. The consequence of an increased rise in chicken for commodity products as opposed to sales as fresh chicken is that fresh chicken becomes devalued. To combat this threat Grampian has launched new products in 2003 to increase the diversity of fresh chicken products and to meet consumer demand for fresh chicken products. In Feb 2004 Grampian reports that the chicken sector is continuing to grow and is worth £1.1Bn. Half the market is 'light' meat, typically fillet, growing 5.7% in value year-on-year. These statistics show that it has been successful with its 'added value' products in shifting emphasis away from chicken commodity products. The retailer Sainsbury, for example, is a retailer that is focussing on premium opportunities for 'adding value' to a product, with its Taste the Difference free range chicken and the introduction of a breed called Devonshire chicken. This example from the chicken industry shows how both 'sales driven' and 'consumer driven' strategies are in play in this case to increase the segmentation in fresh chicken products.

Welfare friendly products do not feature in these examples but as a 'value added' product the marketing of them can foresee ably follow along similar strategic lines. Is the growth in the market for fresh meat products and the fall in commodity meat products relevant to a change in market structure that can facilitate further 'value added'

fresh meat products such as welfare friendly? Industry comment reflects the concern about maintaining category price levels if the commodity market is the stronger force in the market. Thus the balance between the freshmeat market and the commodity market has strong implications on the category price, which is particularly relevant for the ‘added value’ meat market. Value may be added through adding ‘quality’ in the form of animal breed, feed, taste, or welfare standard. Does the marketing of commodity products disadvantage value-added meat?

#### *Private brand or ‘own brand’ sales*

Private brands account for 40-50% of the assortment of the leading grocery chains, and encompass a wide range of quality and customer oriented options (Johansson and Burt 2004). Private branding strategies evolve from the simple “repackaged” labelling option into a true product brand characterised by product development and added value ranges (Burt 2000). The previous discussion highlighted the segmentation of the meat category in all meat types towards ‘added value’ products. Many of these ‘added value’ products are being developed by each retailers private brand such as Tesco’s Finest\*, Sainsbury’s Taste the Difference, Tesco’s Organic. In the UK private brands form a significant part of market share for the leading retailers (see table).

TABLE 1.3 Private brand market shares

Organisation (Type) *	Food ** sales (b€)	Market share (%)	Number of food outlets	Private brand (%)	Private brand (no.)
Tesco	28,691	20.6	770	50	12,000
Sainsbury (I)	23,047	16.5	453	60	10,200
Safeway (I)	13,627	9.8	255	40	7,000
Asda (I)	12,789	9.2	594	40	7,000
Somerfield (I)	7,157	5.1	1,408	47	4,600
<i>Total Market</i>	139,372	100		39	
<i>– top 3</i>		46.9			
<i>– top 5</i>		61.2			

Notes: \* Type: I = integrated, C = consumer co-operative, BG = buying group; \*\* Food sales = foodstuffs, housekeeping, healthcare, toiletries, drugstore products

Source: derived from M&M Eurodata (2001) in Johansson and Burt 2004:10

#### *Eggs*

Retailer emphasis on free-range and organic eggs has almost certainly contributed to the rise in these sectors. The price of retailer value lines has risen from approximately 25 pence per six eggs, to 54 pence per six eggs in 2003, making the price advantage of value lines less significant. At the same time, some free-range and organic lines have seen a reduction in price, meaning that the gap between standard laying cage eggs and premium eggs has become less noticeable. Some retailers are also selling organic and free-range eggs in larger pack sizes, thus increasing volume sales. In conjunction with



these strategies, consumers are now more inclined to splash out on premium products as a result of steady increases in personal disposable income (PDI).

*A compassionate stance*

A survey conducted by the Compassion in World Farming Trust (CIWF) in May 2003, which examines compassionate retailing by the major retailers, demonstrates that both Marks & Spencer and Waitrose no longer sell intensively produced eggs, with both having a strong bias towards free-range eggs. Tesco is particularly strong on Barn eggs, which account for 36% of sales and is one of the few retailers that allocates so much shelf space to this type of egg. Tesco’s percentage of intensively farmed eggs sold in May 2003 has declined from 55% in 2001 to 40% in 2003. Safeway has also seen a reduction in the percentage of sales that are battery eggs from 52% in May 2001 to 48% in May 2003.

TABLE 1.4 Compassionate retailing

	Organic %	Free-range %	Barn/perchery %	Battery cage** %	Total
Asda	5	24	5	66	100
CWS (Co-op)	4	37	0	59	100
M&S****	30	70	0	0	100
Morrisons	3	22	0	75	100
Safeway	5	23	24	48	100
Somerfield*	4	16	1	79	100
Tesco	6	18	36	40	100
Waitrose***	16	69	15	–	100

Notes: \* includes Kwik Save; \*\* intensively farmed eggs; \*\*\* Waitrose no longer stock Barn eggs; \*\*\*\* M&S now only stock free-range eggs.

Source: CIWF/Mintel.

The multiples have been pressurised by lobby groups such as the CIWF Trust to reduce, if not stop altogether, the proportion of laying cage eggs produced because of animal welfare and food safety. Tesco pursued a campaign of putting up posters in stores to persuade consumers to buy free-range or organic eggs in 2003. Consumers have become increasingly concerned as to how well animals are treated in the food production process and this has influenced their choice of purchase. According to the Mintel report, *Attitudes Towards Ethical Foods – UK – February 2004*, some 27% of consumers feel strongly enough about animal issues to stop buying those products which they perceive to be cruel to animals. As from 2012 so-called battery cages will be bigger and will be called enriched cages, which will be larger in size.

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#### 1.4 ANIMAL WELFARE GOVERNANCE PARTNERSHIPS BETWEEN RETAILERS AND NON-GOVERNMENTAL AGENCIES

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The FAWCs ‘five freedoms’ have become the basis for welfare standards in the production of ‘Freedom food’, the RSPCA’s farm assurance and food labelling scheme. Schemes such as Freedom foods build public confidence in food, they again indicate this shift from the ‘closed policy avenues of *government* to the more socially inclusive and stakeholder notion of *governance*’ (Smith et al. 2004:2). The concept of governance describes a political space that usefully welcomes new participants, such as environmental and social nongovernmental organisations (NGOs), to contribute to the definition of problems of public significance as well as in devising likely solutions’ (Smith et al. 2004: 2). Another example is The ‘Race To The Top: tracking supermarket progress toward a fairer and greener food system’ (RTTT). It was established in 2000 ‘to help the major UK supermarkets enhance their social, environmental and ethical policies and performances, through a process of engagement with a variety of civil society organisations’ (Fox and Vorley 2004: 20). Animal welfare was one of the components of the assessment process (Lymbery 2000). The project ended January 2004. Its failure despite six supermarkets taking part in 2002 confidentially, and 3 supermarkets taking part in 2003 publicly, appears to have been the lack of a business case for companies to engage with the RTTT. Fox and Vorley (2004) outline a number of reasons for why the project failed they range from a lack of participation from the big retailers who argue for self-regulation to the diversity within the supermarket sector in terms of scale, ownership and customer base. As one member of the advisory group noted: “the consumer and the citizen are generally not the same person, and supermarket companies listen to the former first and the latter a long way second” (Fox and Vorley 2004:23). Supermarkets still hold high levels of public trust, despite the lack of transparency in many of the ways in which they operate within the food system (ibid). The supermarkets’ power within the food system has become increasingly dominant.

Compassion in World Farming (CIWF) are having some influence over supermarkets in the field of farm animal welfare. In 2001 and 2003 they produced reports called ‘Raising the standard’ which assessed supermarket performance on animal welfare to support supermarket best practice and consumer choice. They are successfully monitoring the retailers’ influence over animal welfare standards. Their biennial report aims to do a number of things: to track and benchmark supermarket commitment and progress; to reward progress and best practice through ensuring public recognition; to highlight where animal welfare standards need improvement; to inform consumers about the welfare standards where they shop; to seek to re-establish ethical standards of farm animal welfare as an alternative to price-based competition for the lowest price. Waitrose is top of the league for the most Compassionate Supermarket of the year 2003-4, closely followed by M&S. Supermarkets are increasingly including some reference to animal welfare in their company reports on Corporate Social Responsibility. As the British Retail Consortium (BRC) report commented ‘Every product will soon be telling

a story – and they all need to be good’ (BRC 2003:137). Thus despite the failure of RTTT the CIWF are in dialogue with retailers about animal welfare issues.

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## 1.5 CONCLUSION

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The rise in interest for animal welfare friendly food products can be understood through the history of meat-eating in the UK and the recent impact of food scares that have carried direct risks for humans that have consumed meat. The quality and safety of meat, and thus the welfare and health of the livestock animals have become an increasing issue on the public conscience. In response the Government has introduced higher standards of legislation that directly improve the lives of farmed animals in the UK, but that also require the support of farmers, retailers and consumers to support the emerging market for meat with better welfare standards. This paper outlined some of the failures and successes so far since the initiation of tighter welfare regulations for some livestock. The veal and pork industry in the UK have both encountered difficulties and some of the blame is attributed to the UK retailers who haven’t adequately informed consumers of the higher welfare standards for British produced meat. It appears that if differential legislation is continued then the British consumer will require greater education about the human health benefits of higher meat quality and the improved welfare quality of the lives of farmed animals to support a fragile welfare-friendlier meat industry in the UK. The animal welfare standards have been raised further for some animals that operate under supplier/retailer-led farm assurance schemes. The RSPCA Freedom Foods farm assurance and food labelling scheme is one of the most popular. The Co-op was the first major retailer to adopt Freedom Food in 1994, and since then distribution has increased to include all the major supermarkets. However, most of the major multiples only carry Freedom Food labelled free-range eggs. Only the Co-op has a wider range that includes fresh pork, bacon and sausages, free-range chickens and cooked meats. The most common animal welfare friendly product is free-range eggs and barn eggs where supermarkets have their own relationships with producers providing these higher welfare standard eggs. Compassion in World Farming has been successful in monitoring and awarding success publicly to supermarkets that support animal welfare friendly food products. Thus it appears that schemes which have attracted business interest from retailer that have formed successful moves to raise animal welfare standards beyond the minimum level.

The retail market in the UK is heavily concentrated around the four main supermarket retailers. There is also a high level of vertical integration where the power lies with these same four retailers. Farmers in the UK supply products to the standard stated by the retailers. Thus the scope for higher welfare standards than the basic UK legislative level is initiated by the retailers. The NGOs form an important role in the drive towards higher welfare standards in the UK. Examples are found of NGOs auditing the achievements of retailers in the welfare field and supporting food assurances schemes that meet higher welfare standards.



## 2

# THE MARKET STRUCTURE OF FOOD IN THE UK

In this sub-deliverable we outline the main contours of the market for foods as it currently stands in the UK and we pay some attention to welfare-friendly product lines. This provides a context and knowledge base that can be taken forward in sub-deliverable 1.2.2.1\*.

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### 2.1 INTRODUCTION

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In recent years UK consumers have been feeling relatively well off due to economic prosperity and a long period of low interest rates, and thus across the entire food industry they seem prepared to spend more on what they believe to be a *quality* product. Between 1999 and 2003, both personal disposable income (PDI) and consumer expenditure increased by 14%, and is forecast to increase by a further 11% between 2004 and 2008, thus the outlook for trading up or increasing the ‘higher quality range’ is good (see Table 2.1).

TABLE 2.1 PDI and consumer expenditure, at constant 1999 prices, 1999–2008

	PDI			Consumer expenditure		
	£bn	Index	% annual change	£bn	Index	% annual change
1999	625.46	100	–	592.51	100	–
2000	655.88	105	+4.9	618.70	104	+4.4
2001	684.84	109	+4.4	638.20	108	+3.2
2002	698.24	112	+2.0	659.88	111	+3.4
2003	714.91	114	+2.4	674.66	114	+2.2
2004 (est)	734.21	117	+2.7	690.85	117	+2.4
2005 (est)	753.30	120	+2.6	708.81	120	+2.6
2006 (est)	772.89	124	+2.6	727.24	123	+2.6
2007 (fore)	792.21	127	+2.5	746.88	126	+2.7
2008 (proj)	812.81	130	+2.6	767.79	130	+2.8

Source: Mintel, 2004f

Table 2.2, taken from British Lifestyles 2004, breaks down expenditure on food for in-home consumption for the period 1993 to 2003. These figures show how expenditure in the meat and fish products sector and the dairy sector has risen but at below average levels. The biggest rise in expenditure is in the fruit and vegetables and convenience foods sectors. Expenditure on milk, cheese and eggs accounted for £5.20 billion in 2003, which represents 9.8% of total expenditure on food for in-home consumption and demonstrates an 11% decline at current prices since 1993. In contrast, expenditure on convenience foods amounted to the greatest amount of expenditure in 2003, some £16.97 billion, which equates to 32% of total expenditure.

Data from the DEFRA Family Food Survey indicates that overall there has been a slight rise in consumption of meat and meat products. However, primary meats have all shown a decline in volumes and spending since the mid-1990s. The exception is the beef and veal segment, which was emerging from the BSE crisis at the start of the period.

TABLE 2.2 Expenditure on food for in-home consumption, 1993-2003 (£bn)

	Meat and fish	Fruit and vegetables	Milk, cheese and eggs	Flour, bread and cereal	Confectionery, sugar, sweeteners, oils and fats	Convenience foods	Total
1993	9.75	8.03	4.69	3.19	4.75	9.96	40.37
1994	9.85	8.50	4.62	3.19	4.94	11.00	42.09
1995	9.72	8.91	4.63	3.22	4.98	11.67	43.13
1996	10.43	9.46	4.97	3.29	5.45	12.68	46.29
1997	10.21	9.83	5.12	3.36	5.49	13.21	47.21
1998	10.24	9.87	5.00	3.34	5.80	13.53	47.77
1999	10.44	10.13	4.94	3.34	5.72	13.92	48.49
2000	10.83	10.15	4.84	3.43	5.80	14.53	49.57
2001	10.96	10.21	4.98	3.53	5.55	15.19	50.41
2002	11.09	10.36	5.04	3.47	5.53	16.00	51.50
2003	11.31	10.56	5.20	3.54	5.56	16.97	53.14
% change 1993-98 at current prices	+5	+23	+7	+5	+22	+36	+18
% change 1998-2003 at current prices	+10	+7	+4	+6	-4	+25	+11
% change 1993-98 at constant prices	-4	+12	-3	-5	+11	+24	+8
% change 1998-2003 at constant prices	+5	+2	-1	+1	-9	+19	+6

Source: Mintel 2004f

Thus the two animal-based food sectors of the market have actually experienced a decline in prices. This may have negative implications for aspirations to increase animal

welfare standards and meat quality. Currently it appears that consumers are less willing to pay more for quality meat and dairy products as they are in other sectors. The growth of the convenience sector may suggest that this is an area in which a WTP more may be marketed more successfully to include higher quality meat on welfare grounds.

### *Vegetarianism*

Mintel (2004a) reports that UK consumers' love of meat is not declining. Although consumption patterns of different types of meat are constantly evolving, there is no great shift to stop eating meat altogether. The proportion of adults agreeing with the statement,

“I am a vegetarian”

has remained constant at just over 6% of the sample between 2001 and 2003.

TABLE 2.3 Agree/disagreement regarding being a vegetarian, 2001-03 (%)

	Any agree	Neither agree nor disagree	Any disagree
2001	6.5	5.5	57.8
2002	6.3	5.4	64.1
2003	6.2	4.8	67.2

Source: GB TGI, BMRB 2001-03/Mintel (taken from the GB TGI survey of around 25,000 adults)

Data suggest that although attitudes to animal welfare standards are rising up the consumer agenda, their attitudes are not becoming extreme enough to attract them to becoming entirely vegetarian. This implies according to MINTEL (2002) that meat produced to high standards of animal welfare will always find a market.

### *Ethical foods*

The total market for ethical foods is increasing rapidly (Mintel 2004a). The market grew by 41% between 2000 and 2002 to just over £1.5 billion. Mintel estimates that the market achieved further strong growth in 2003 to reach around £1.75 billion. Organic foods are the biggest sector of the market and the main driver for growth. Organic foods account for 66% of total sales and grew by 37% in the review period (see Figure 4).

Farmers' Markets and the Fairtrade Mark are the fastest growing sectors. Sales of Fairtrade Mark products grew by over 100% since 2000 to reach £63 million in 2002, and are estimated to be worth £90 million in 2003. This is due to expansion of the number of categories for which a standard exists as well as increased take-up of products containing Fair Trade ingredients that can carry the Mark.

TABLE 2.4 Estimated UK retail sales of ethical foods, 2000-02

	2000		2002		% change 2000-02
	£m	%	£m	%	
Organic food	727	68	1,002	68	+37.8
Farmers' Markets	65	6	166	11	+155.4
Free-range eggs	150	14	145	10	-3.3
Freedom Food - incl. eggs	100	9	105	7	+5.0
Fairtrade Mark	31	3	63	4	+103.2
Total	1,073	100	1,481	100	+38.1

Source: Mintel

### Organic foods

Fruit and vegetables dominate the market for organic foods and accounted for 45% of total sales in 2002. Mintel's exclusive research for *Organic Foods – UK, Market Intelligence, November 2003*, confirms that organic vegetables are the most commonly purchased type of organic food and that there has been a greater increase in the proportion of respondents purchasing fruit compared with those purchasing vegetables between 2001 and 2003. Wide availability in the grocery section as well as the expanding variety of organic produce, is helping to ensure steady growth in this sector.

Organic prepared foods is the fastest growing sector of the organic food market. This reflects growing demand for convenience foods (see Table 2.5). According to *Organic Foods – UK Report, Market Intelligence November 2003*:

'Investment by the main grocery multiples into organic ready meals and other convenience foods has helped to grow this sector of the organic food market. Further growth can be expected for organic varieties, particularly among relatively more affluent consumers who have embraced premium food lines and who have embraced organic foods.'

TABLE 2.5 UK retail sales of organic food and non-alcoholic drink, by type and by value, 2000 and 2002

	2000		2002		% change 2000-02
	£m	%	£m	%	
Fruit & vegetables	341	47	451	45	+32.2
Dairy	95	13	137	14	+42.1
Prepared foods	85	12	153	15	+80.1
Meat & poultry	65	9	92	9	+45.1
Bread and cereals	58	8	68	7	+15.6
Baby foods	51	7	59	6	+15.6
Eggs	17	2	20	2	+17.6
Non-alcoholic drinks	15	2	22	2	+33.3
Total	727	100	1,002	100	+37.8

Source: Mintel 2003



The organic growth trajectory in the convenience food sector may be an indicator for how WelfareQuality products could do well in this sector. The longer lead in time for organic dairy and meat products may account for the lower organic meat and dairy sales in comparison to fruit and vegetables.

Organic dairy, red meat and poultry are the other two sectors with above average growth in the review period, up to 2002. Food scares such as foot-and-mouth disease have helped sales of organic meat and poultry, with the organic proposition lending confidence to a concerned public. Concern about animal welfare is likely to be another driver of sales, although primarily among those who can afford to act on their concerns. Indeed, the Soil Association reports that avoiding GM ingredients, as well as a concern for animal welfare, is a major driver of organic meat sales.

*Free-range eggs*

Data shown in Table 2.5 are for free-range eggs, excluding those included under the estimated sales of foods sold under the Freedom Food standards scheme. Mintel estimates that the value of the market for free-range eggs, including those produced to the Freedom Food standard is £230 million in 2002.

A quarter of total UK egg production in 2002 was reared under free-range conditions. An additional five percent of eggs were barn reared, resulting in laying cage production accounting 70% of total production, a 5 percentage point decrease since 2000. Around two thirds of total UK egg production is sold through retail outlets. Free-range accounts for 27% of retail sales by volume – up from 25% in 1998.

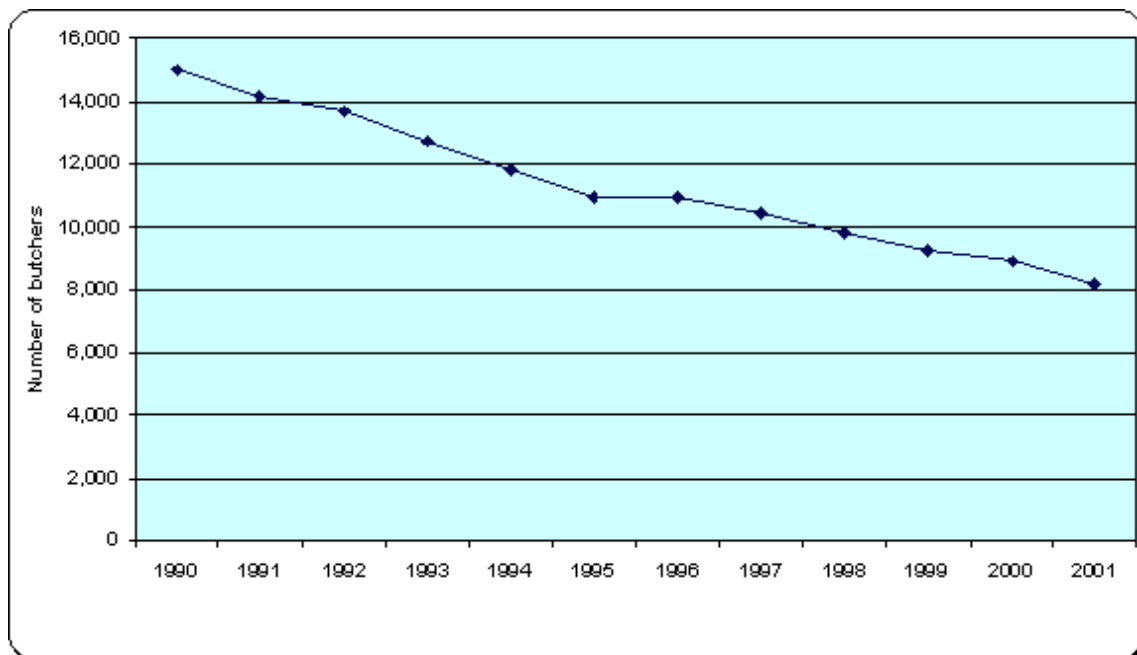


FIGURE 2.1 UK mainstream independent butchers, 1990-2001

Source: Mintel 2002

*Independent butchers*

The number of independent butchers has fallen (see Figure 2.1), except within the Halal meat sector where it is believed, although statistically hard to show, that butchers have increased. (Mintel 2002)

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## 2.2 INDIVIDUAL FOODS

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### 2.2.1 EGGS\*

In volume terms, some 4.88 billion eggs were sold in 2003, with an estimated 5.00 billion in sales in 2004 (see Table 2.6). Between 1999 and 2004 volume sales increased by an estimated 13%. Value sales were put at £507 million in 2003 following an increase of 23% since 1999 and a rise of 17% in real terms. Value sales of eggs are expected to rise an estimated 13.4% year-on-year to £575 million by the end of 2004.

TABLE 2.6: UK retail volume and value sales of eggs, 1999-2004

	Bn eggs	Index	£m	Index	£m at 1999 prices	Index	£m	Index
1999	4.44	100	413	100	413	100	627	100
2000	4.53	102	430	104	431	104	706	113
2001	4.67	105	453	110	440	106	729	116
2002	4.73	107	463	112	446	108	737	117
2003	4.88	110	507	123	482	117	733	117
2004 (est)	5.00	113	575	139	544	132	858	137

Source: Mintel 2004c

The rise in the value of the egg market can partly be attributed towards a growing consumer tendency to buy more expensive free-range and organic eggs. This trend has been heightened by the recent media critique of the food industry, which has fuelled concerns over food safety and modern diets, animal welfare and social and environmental responsibility. Consumers are becoming increasingly aware of food safety issues and as a result, the value-driven bargain hunter appears to be conceding to the quality hunter, particularly among those consumers with higher levels of suspicion and PDI. A rise in egg prices has also resulted from the increasing cost of wheat and soya, which has risen dramatically due to drought in 2003. Sales of free-range eggs now account for a quarter of the market, with sales doubling since the mid- 1990s. A further contributory factor is that the retail price of supermarket own-label value eggs has also

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\* Extracted from Mintel 2004c.

doubled over the last three years. This in turn has encouraged a shift by many consumers towards free-range eggs, which now in many cases, are not that much more expensive than value eggs.

TABLE 2.7 UK retail sales of eggs, by method of production, 2002-03

	2002		2003		% change 2002-03
	Bn eggs	%	Bn eggs	%	
Laying cage*	3.12	66	3.17	65	+1.6
Free-range	1.18	25	1.32	27	+11.8
Organic	0.14	3	0.15	3	+7.1
Barn	0.28	6	0.24	5	-14.3
Total	4.73	100	4.88	100	+3.2

Notes: Data may not equal due to rounding; \* includes cage value and cage standard.

Source: Mintel (2004c) and trade estimates.

Organic eggs account for 3% of retail sales in 2003, the equivalent of some 150 million eggs, and have experienced a 7% rise in sales over the preceding year. Barn eggs make up 5% of sales by volume in 2003 and have witnessed a decline in sales of 14% since the previous year, with sales amounting to some 240 million eggs, although value sales have remained stable (not tabulated). Consumers remain somewhat confused as to what Barn eggs offer and tend to buy free-range and organic varieties instead. Laying cage eggs represent the largest share of retail sales at 3.17 billion eggs in 2003, but have lost share to free range and organic eggs, with a share of 65% in 2003 (see Table 2.7).

Free-range egg sales have risen partly because consumers have more disposable income and therefore feel more able to afford the luxury of free-range eggs. Free-range eggs have seen a reduction in their prices, while many laying cage eggs have increased in price, thus the price differential between free-range and cage eggs is less obvious than in previous years. Free-range, organic and barn eggs now have a greater prominence within supermarkets than they used to. More shelf space has been allocated to many of the premium ranges, as a result of pressure from animal welfare groups such as the CIWF Trust, and also because of the higher margins that premium products yield. Some organic and free-range eggs are now sold in larger pack sizes than just six, which again serves to increase overall consumption of these ranges.

Organic eggs accounted for approximately 10% of free-range eggs by volume and some 16% of retail sales by value in 2003 however organic egg data is often included within the free-range egg category. Organic eggs represented approximately 3% of egg sales by volume in 2003, and the equivalent of 150 million eggs. This figure equates to an estimated 7% of sales in 2003 by value to reach £33.2 million. This makes the average price of an organic egg almost 22 pence per egg compared to about 10 pence for a standard egg in 2003. Organic eggs are produced using birds fed on a vegetarian diet. The land used must be rested for 12 months prior to organic use, to ensure that it is free from any pesticides, herbicides or commercial fertilisers.

Laying cage (battery-laid or intensively farmed) eggs still account for the majority of egg retail sales by volume in 2003, although free-range eggs, including organic eggs, have continued to gain share. In 2003 free-range eggs accounted for 30% of egg sales by volume compared to just 24% in 1998, representing a 38% rise in sales since 1998.

Barn eggs have also gained ground, making up 10% of sales in 2003. This is due to major retailers promoting free-range and organic eggs more than in the past, allocating a greater amount of shelf space and prominence to these egg varieties.

### *Retail distribution of eggs*

Table 2.8 demonstrates that multiple grocers have increased their share of the egg market from 69% of sales by volume in 1999, to over three-quarters (77%) in 2003, which is the equivalent to 3.76 billion eggs. Sales through the multiples have risen by almost 23% for the period under review.

Supermarkets are also attempting to shift consumer purchasing habits away from the low-margin value lines towards high value premium eggs, such as free-range, organic and barn eggs, as well as more specialist eggs such as duck eggs. Waitrose and Marks & Spencer sell exclusively organic and free-range eggs, while the Co-op has a higher free-range bias than many other grocery multiples.

TABLE 2.8 UK retail distribution of eggs, by volume, by type of outlet, 1999-2003

	1999		2001		2003		% change
	Bn eggs	%	Bn eggs	%	Bn eggs	%	1999-2003
Multiple grocers	3.06	69	3.41	73	3.76	77	+22.9
Co-ops	0.18	4	0.19	4	0.20	4	+11.1
Independents	0.18	4	0.19	4	0.15	3	-16.7
Farm store	0.13	3	0.09	2	0.04	1	-69.2
Market stall	0.13	3	0.14	3	0.15	3	+15.4
Milkman	0.18	4	0.14	3	0.10	2	-44.4
Butcher	0.13	3	0.09	2	0.10	2	-23.1
Others*	0.45	10	0.42	9	0.38	8	-15.6
Total	4.44	100	4.67	100	4.88	100	+9.9

Note: \* includes department stores

Source: Mintel 2004c.

### *Animal welfare as a driver for consumer motivation*

This is increasing in importance. In response to the statement:

“I buy free-range whenever I can.”

Some 36% of respondents in 2003 agreed, compared to 34% in 2001 (see Table 2.9).

TABLE 2.9 Agree/disagreement regarding buying free-range products, 2001-03 (%)

	Any agree	Neither agree nor disagree	Any disagree
2001	34.2	26.3	24.0
2002	33.2	31.0	24.8
2003	36.1	31.2	24.3

Source: GB TGI, BMRB 2001-03/Mintel 2004c

The egg industry has benefited from campaigning by the animal welfare charity, the RSPCA, which is encouraging consumers to trade up to free-range or barn eggs, rather than battery-laid eggs. In February 2003, new posters were erected in 154 Tesco branches, promoting “less cruelty, free-range or barn eggs”. The promotion of animal welfare standards clearly has resonance with a significant element of consumers. The government’s Farm Animal Welfare strategy is clearly addressing a genuine concern among consumers. WelfareQuality eggs certainly would have a market and this could be increased by further education of consumers who have to differentiate between eggs in market structured by different production standards.

The Lion Quality system was introduced in autumn 1998 in order to raise the quality and image of eggs in the UK. A series of stricter guidelines were introduced for producers wishing to use the Lion Mark on their eggs. This includes:

- Laying cage-produced eggs must not feature farm descriptions or pictures of free-ranging hens on the box.
- Barn system flocks must have a maximum size of 32,000 birds in colonies of no greater than 4,000 where the total flock size is over 6,000. Maximum stocking densities are set at 11.7 birds per square metre for part litter and slat systems, and 15.5 birds per square metre in multi-tier systems. There must also be a scratching area for dust bathing and 5cm linear or 4cm circular feeding and drinking space per hen.
- For free-range hens, all the requirements for barn hens must be kept with the addition of outdoor shading in the absence of a veranda and one pop-hole per 600 birds allowing outside access for eight hours daily.

#### *The diet of the bird*

A recent addition to the standardisation and categorisation of eggs involves consideration of the diet of the bird. Prominent in this respect are:

- Organic eggs: these are from hens which have been raised on vegetarian diets grown on land free of pesticides, herbicides or commercial fertilisers. The birds are free-range and the land upon which they graze must be rested for 12 months prior to the establishment of the facility. Stocking densities are the same as for regular free-range hens, but hen-house conditions specify 15.5 hens per square metre rather than 25.
- Enriched eggs: these are typically from hens fed on a combination of wheat,

barley, oats and maize, plus additives. The eggs contain enhanced vitamin levels including Vitamin E antioxidant, plus lutein, selenium and Omega-3 polyunsaturated fatty acids. (It should be stated that most flocks are fed on multigrain feeds. The salmonella crisis of 1988 has ensured that no animal protein has been incorporated into feed since that time.) Enriched eggs are not connected to the newer enriched cages.

### *Egg size*

New size categories for eggs, which replaced the old system of grading from 0 to 7, are:

- very large – 73gm and over, replaces sizes 0 and 1;
- large – 63gm to 73gm, replaces sizes 1 to 3;
- medium – 53gm to 63gm, replaces sizes 3 to 5;
- small – under 53gm, replaces sizes 5 to 7.

EU quality regulations use the following classifications:

- Class A – the only eggs allowed to be sold to consumers as shell eggs. They must be clean, fresh, with intact shell and air-sac not exceeding 6mm in depth. The yolk must not move away from the centre of the egg upon rotation.
- Class B&C – these are soon to be combined, and are used by food and other manufacturers.
- Industrial eggs – are reserved for non-food use, such as soap manufacturing.

Eggs which conform to RSPCA standards for farm animal welfare can be boxed with the 'Freedom Food RSPCA Monitored' logo. This ensures that the hens enjoy freedom from fear, stress, pain, injury, disease, hunger, thirst and other discomfort. They must also be free to express normal behaviour. A full, independent audit is carried out at each production site before RSPCA Freedom Food accreditation can be given.

Value figures throughout this report are at retail selling prices unless otherwise stated. Market sizes at constant 1999 prices have been calculated using Mintel's food deflator.

*Health scares associated with eggs* appear to be a thing of the past, with eggs regaining significant popularity among consumers. Restored confidence in egg safety, is largely due to the Lion Mark egg scheme introduced in 1998, which guarantees that laying hens have been vaccinated against salmonella. Recent medical findings have also contradicted those damaging health warnings issued in the 1990s with regard to the cholesterol levels associated with consumption. The Government now states that eggs actually offer considerable health benefits, because of the high levels of Omega 3 fatty acids that they contain, together with essential vitamins and minerals, and now recommends once a day consumption.

### 2.2.2 BROILER CHICKEN\*

UK sales of poultry have grown by more than 25% since 1999 to reach £2.76 billion in 2003 (see Table 2.10). With its destination food category status, retailers have been keen to be seen as offering value for money in their poultry ranges. This has been balanced and offset by the introduction of more differentiated products exploiting various differing consumer needs. However, it has been the more convenient further-processed products which have been the source for growing sales, supported by retailers and suppliers who are eager to gain from these ranges' higher margins.

While sales of primary chicken have levelled, processed options are growing. The longest-established products, such as grills, escallops and boneless snacks, are continually revived with new flavours and recipes. More recently, suppliers have begun to offer greater numbers of simpler recipes (for example, raw meats in sauce). This capitalises on the middle ground between primary and processed, and is appealing to consumers who may be suspicious of more disguised options.

The poultry market as a whole is *dominated by retailer own-label products*, due in particular to their strength in the primary market. Manufacturer brands are more significant in the further-processed sector, particularly for frozen products, with names including Birds Eye, Bernard Matthews and Grampian. Retailers have also had considerable success following on from their successful sub-branding of the own-label market to target different parts of their customer base. Appealing on the basis of premium quality, regional recipes, healthy eating or children's foods has added a differential aspect to the poultry range.

Within the UK, there is a decided preference for fresh poultry over frozen, although a proportion of consumers buy across both options. The fresh format offers a much wider range of options, and can be easily combined with other ingredients. Frozen food is regarded with some suspicion, with only a minority agreeing that it is as good as fresh. While this does not necessarily act as a deterrent to buyers, it may limit sales. Lack of choice may also be an issue, as the market for primary frozen products in particular is limited to whole birds and only a handful of cuts.

Families are the major buyers in all poultry segments. Having to cater to the needs of various ages and eating occasions encourages buying across a range of products. Fresh poultry has the most upmarket buyer profile; it is most likely to be purchased by better-off households who may be more concerned about quality and more likely to cook from scratch. These consumers also tend to follow a healthier diet, and may eschew more processed foods due to concerns about fat, salt and additive levels. Frozen poultry is more likely to be bought by those on middle and lower incomes, although higher-paid groups are buyers too, indicating potential to target higher-spending consumers. Further-processed foods appeal most to younger consumers who may not have the time or the skill to cook from raw ingredients. Analysis of attitudes towards poultry indicates that health is a more important factor than value for money. This attitude is led by

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\* From Mintel 2004d.

women, who are more exposed to healthy eating messages from magazines and media. High-income groups are also concerned about such factors.

TABLE 2.10 UK retail sales of chicken, by type, by value, 2001 and 2003

	2001			2003			% change*
	£m	€m	%	£m	€m	%	2001-03
Whole birds	523	842	24.1	518	751	22.6	-1.0
Portions/cuts	1,135	1,827	52.3	1,156	1,676	50.4	+1.9
Further processed	512	824	23.6	619	898	27.0	+20.9
Total	2,170	3,494		2,294	3,326		+5.7

Notes: \* Sterling; data may not equal totals due to rounding.

Source: Mintel.

### *Quality marketing areas*

The retailers and poultry suppliers have been challenging consumers to spend more on poultry, particularly in the primary market. However, rather than attempting to lift prices across the market, specific areas have been targeted, including: Organics; Welfare; Origin; Taste.

Organics has been one of the pioneering areas of differentiation in recent poultry market development. The higher cost of rearing poultry organically is evident in prices charged, however, consumers are willing to meet this for organic foods. Under new EU legislation to be enforced by the end of 2004, organic poultry farmers will have to move to 100% organic chick stocking, which will increase costs. By August 2005, they must have increased the amount of organically produced feed to 100%, which will also increase costs.

Welfare is an issue across many meat markets, as consumers have become more concerned about where their food is coming from. The egg market is one of the major examples with the success of free-range products as proof. The free-range poultry market has been slower to develop, with the selection of free-range meat taking a relatively small share. The RSPCA has been campaigning to promote higher welfare poultry for some time. According to a MORI poll commissioned by the RSPCA, in 2004 nearly half of consumers believed that chickens reared for meat were kept in battery systems, whereas according to the animal charity, they are kept in even more cramped conditions in huge sheds. The RSPCA has taken a leading role with the development of its Freedom Foods scheme. Under this, poultry (and other meat) are more humanely reared. This is reflected in a premium price charged in-store.

Origin is becoming a more important issue, as suppliers have attempted to secure better prices for their poultry. The British Poultry Council (BPC) has been working on a campaign to convince retailers that British poultry is a superior product, and this should be reflected in higher prices charged for the meat. UK meat is more expensive to rear due to more stringent food hygiene and animal health rules which are imposed. Consumers are being encouraged to identify and buy British foods through schemes



such as the Quality Assured Mark and Little Red Tractor. Currently, considerable scope remains to lead consumers towards more domestically reared meats in the primary market, while the further-processed sector lags even further behind. The outbreak of avian flu overseas in 2003/04 did lend some focus to the issue temporarily.

Taste has been another factor driving up values in the primary poultry market. The further-processed market has focused on taste through the addition of premium ingredients and recipes. However, the primary market is now beginning to take on the taste issue for raw poultry meat. Organic birds were an initial focus, with a general belief that organic and free-range birds have better flavour than standard varieties. More recently, retailers and suppliers have been working together to develop and breed poultry offering better eating quality and taste. For example, in 2003 Marks & Spencer introduced the slower-growing Oakham White breed. In addition, Sainsbury's, together with Lloyd Maunder and selected farmers, launched a new breed of chicken at the end of 2003. The breed, Devonshire, is a 100% West Country free-range chicken with the claim that it 'tastes like chicken used to taste'. A range of eight products were introduced into the retailer for the meat counter as well as prepack.

Sales of further-processed poultry tend to be almost exclusively through the multiples as these have the space and facilities to stock an extensive range of chilled and frozen products (See Table 2.11 and 2.12). Convenience stores have been developing their offers in recent years, but for the most part they tend to deal with impulse and top-up demand.

TABLE 2.11: UK retail sales of primary chicken, by type of outlet, by value, 2001 and 2003

	2001			2003			% change** 2001-03
	£m	€m	%	£m	€m	%	
Multiple grocers and freezer centres	1376	2215	83	1407	2,040	84	2.2
Butchers	116	187	7	117	1,70	7	1.0
Co-ops and independents (includes symbol groups)	133	214	8	117	1,70	7	-11.6
Others*	33	53	2	34	49	2	1.0
<b>Total</b>	<b>1,658</b>	<b>2,669</b>	<b>100</b>	<b>1,675</b>	<b>2,429</b>	<b>100</b>	<b>1.0</b>

Notes: \* Includes market stalls, farm shops and the Internet; \*\* Sterling.

Source: Mintel.

TABLE 2.12 UK retail sales of further-processed poultry, by type of outlet, by value, 2001 and 2003

	2001			2003			% change**
	£m	€m	%	£m	€m	%	2001-03
Multiple grocers and freezer centres	566	911	90	666	966	90	+17.7
Co-ops and independents (includes symbol groups)	50	81	8	59	86	8	+18.0
Others*	13	21	2	15	22	2	+15.4
Total	629	1,013	100	740	1,073	100	+17.6

Notes: \* Includes butchers; \*\* Sterling.

Source: Mintel 2004d.

### 2.2.3 MILK\*

Across the period 1999-2003, there has been a 9% reduction in the volume of liquid milk ('white') sold through retail. Mintel estimates the market in 2003 to amount to 4,501 million litres, representing 97.4% of all milk volume. While consumption in the UK continues to fall, white milk still dominates as a household staple. As average consumption declines, so too does the white milk market in both volume and value terms, continuing the trend seen over the last decade. Table 2.14 shows value and volume data for the UK retail market of white milk from 1998 to 2003.

TABLE 2.13 UK retail sales of 'white' milk, 1998-2003

	m litres	Index	£m	Index	£m at 1998 prices	Index	€m	Index
1998	5,109	100	2,703	100	2,703	100	4,027	100
1999	5,055	99	2,622	97	2,614	97	3,985	99
2000	4,972	97	2,492	92	2,492	92	4,087	101
2001	4,867	95	2,557	95	2,475	92	4,117	102
2002	4,714	92	2,376	88	2,267	84	3,730	93
2003 (est)	4,620	91	2,353	87	2,211	82	3,671	91

Source: Mintel 2004b.

\* From Mintel 2004b.

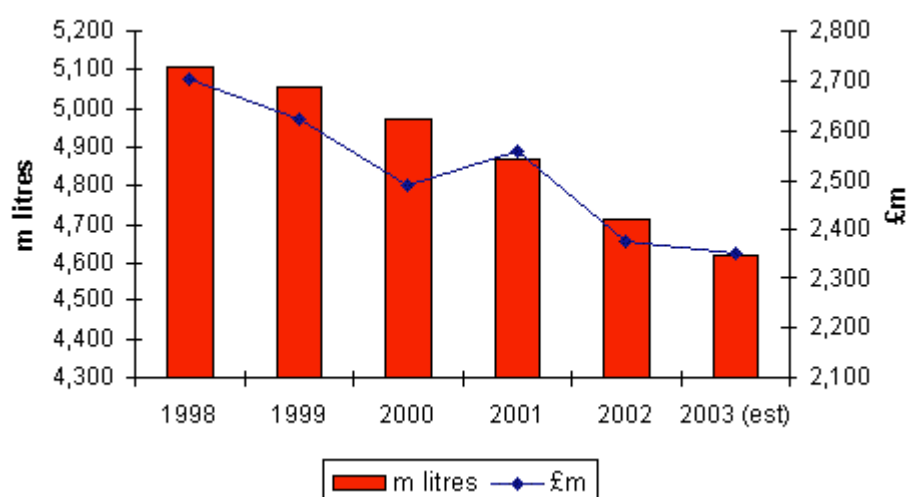


FIGURE 2.2 UK retail sales of 'white' milk, volume and value trends, 1998–2003  
Source: Mintel.

Using industry sources, Mintel estimates the white milk market to be 4,620 million litres in 2003, representing a decline of nearly 10% in volume over the period since 1998 (see Tables 2.15 and 2.16). This steady decrease has mirrored the reduced consumption rates seen among UK consumers.

TABLE 2.14 UK retail sales of milk, by sector, by volume, 1999–2003

	1999		2001		2003 (est)		% change 1999-2003
	m litres	%	m litres	%	m litres	%	
Liquid	4,924	97.4	4,750	97.6	4,501	97.4	-8.6
Flavoured	95	1.9	95	2.0	101	2.2	+6.3
Canned	26	0.5	16	0.3	10	0.2	-61.5
Dried/Instant	10	0.2	6	0.1	8	0.2	-20.0
Total	5,055	100.0	4,867	100.0	4,620	100.0	-8.6

Source: Mintel 2004b.

Skimmed milk saw a 20% increase in volume across the period 1999-2003, at an estimated 749 million litres in 2003, accounting for 16.6% of all white milk sold (see Table 2.17). Health-conscious consumers have turned away from higher fat content milk, and the movements between the sub-segments illustrate this. Even with increased uptake of skimmed milk, semi-skimmed milk continues to dominate the market, accounting for 56.1% (an estimated 2,526 million litres). However, this was a slight decline of 2% across the period 1999-2003, mainly following the market trend for overall reduction in consumption of milk. Whole milk, accounting for just over a quarter of volume (26.4%), showed the most serious decline, as consumers traded to lower fat content milks. Health concerns over saturated dairy fat may have influenced this, as well as the reduction in birth-rates. Whole milk is recommended to all children under the age of 5 as it contains fat-soluble vitamins. 'Others' includes goat's milk and

higher-fat milks such as those from Channel Island herds. The sector fell by 5% in volume terms across the period 1999-2003 to account for an estimated 37 million litres (0.8% of the category). Certain brands are performing well within this sector, there is little own-label and mixed levels of distribution.

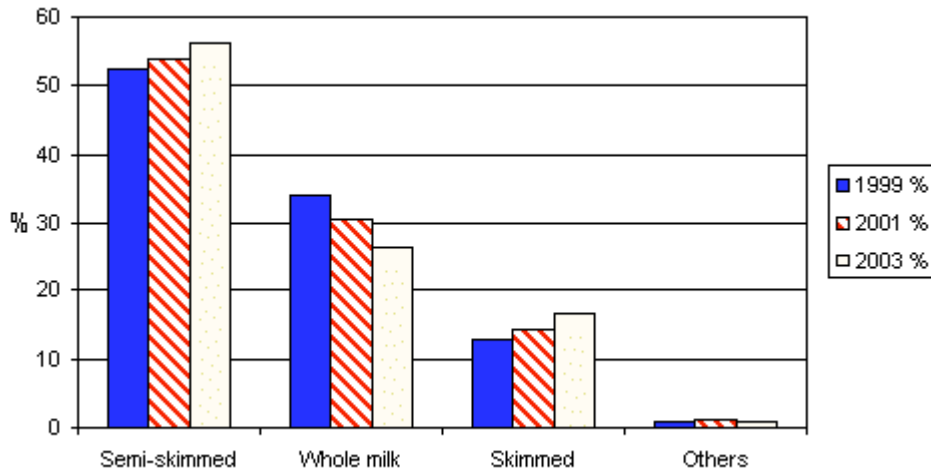


FIGURE 2.3 UK retail shares of liquid milk, by fat content, 1999-2003  
Source: Mintel 2004b.

TABLE 2.15 UK retail value sales of liquid milk, by sector, 2002 and 2003

	2002		2003 (est)		% change 2002-03
	£m	%	£m	%	
Fresh conventional	1,862	89.8	1,979	91.9	+6.2
Ambient	159	7.6	107	5.0	-32.7
Fresh organic	36	1.8	43	2.0	+19.4
Fresh specialty	17	0.8	24	1.1	+41.2
<b>Total</b>	<b>2,073</b>	<b>100.0</b>	<b>2,154</b>	<b>100.0</b>	<b>+3.9</b>

Source: Mintel 2004b.

The distribution of the milk and cream market is fragmented (see Tables 2.15 and 2.16). Flavoured milk has a unique profile. Dominated by grocery, it has a strong presence in the impulse sector and features in foodservice. Milk modifiers and cream appear almost solely within the multiple grocer channel, while ‘white’ milk has a unique distribution channel in doorstep delivery.

Health and whole food stores offer a wide range of dairy-free milk products, but their position is consistently under threat from the increased availability of organic and ‘free-from’ products available in the multiple grocers.

Welfare friendly milk does not feature in the market, only under the organic label.

TABLE 2.16 Value distribution of milk, by distribution channel, 2002 and 2003

	2002		2003		% point change 2002-03
	£m	%	£m	%	
Multiple grocer fascias	1426	60.0	1506	64.0	+5.6
Independents	142.5	6.0	153	6.5	+7.4
Others	142.5	6.0	141	6.0	-1.1
Doorstep delivery	665	28.0	553	23.5	-17
Total	2,376	100.0	2,353	100.0	-1.0

Source: Mintel 2004b.

#### 2.2.4 CHEESE\*

Cheese represents about 25% of the dairy sector and is highly significant for generating in-store traffic. The total category has experienced both volume and value growth, with value growth outstripping volume. The significant sector of Cheddar accounts for 53% of value sales and is in decline as retailers' trade with heavy price promotion. While the deli is in decline and pick 'n' Mix has been delisted across the trade, all other sectors are in growth. The fixture is complex to shop, with over 300 SKUs in the average store and little progress has been made in category management to simplify the shopping experience. Consumers' repertoires are shrinking and they are less well informed than in 2001, when Mintel last conducted an analysis of this market.

TABLE 2.17 UK retail sales of cheese, by volume and value, 1998-2003

	000 tonnes	Index	£m	Index	£m at 1998 prices	Index	€m	Index
1998	316	100	1,577	100	1,577	100	2,350	100
1999	316	100	1,584	100	1,579	100	2,408	104
2000	322	102	1,582	100	1,582	100	2,594	112
2001	325	103	1,597	101	1,546	98	2,571	111
2002	331	105	1,600	101	1,527	97	2,512	108
2003 (est)	341	108	1,671	106	1,571	100	2,607	112

Source: Mintel 2003a.

Own-label accounts for 70% of category value sales, but growth is coming from brands. This is particularly evident in the snack sectors where brands lead the value growth, by meeting the demands of younger consumers. Dairy Crest is the leading cheese manufacturer in the UK, and a major suppliers to own-label, as well as the Cathedral City Cheddar brand. Glanbia, Arla and Kerrygold are also major suppliers, with a branded presence in all categories. McLelland's seriously strong is also present in the cheddar segment, as is North Downs Dairy, which in addition to Pilgrims Choice, also is an own-label supplier. Brands within the processed sector are largely focused on

\* From Mintel Cheese -UK- September 2003.

children's snacking, such as Babybel from fromageries Bel and Golden Vale's Cheesestrings, as well as Dairylea, with a large product range. However, own-label sales are estimated to account for 70% of the category.

At constant 1998 prices, the market held its value over the review period, following a dip in 2001, as the foot-and-mouth outbreak hit the industry (See figure 20). This, together with struggling milk prices at £0.17 per litre and bulk Cheddar prices hitting a ten-year low in August 2002 at £1,600 per tonne, has held back growth in the market. However, although volume growth outstripped value growth in the period under review, the situation was reversed in 2002, when increments in volume sales outstripped value gains. This is indicative of the deep promotional activity undertaken by the major multiples, despite branded activity across the market trying to stabilise prices through adding value to lift the cheese market. In order to analyse the market in greater detail, Mintel has broken down the market into its principal sub-sectors. Data are presented in Table 2.5.

TABLE 2.18 UK retail value sales of cheese, by type, 2000 and 2002

	2000		2002		% change 2000-02
	£m	%	£m	%	
Cheddar	854	54	853	53	-0.1
Territorial	206	13	220	14	+6.7
Natural soft*	188	12	170	11	-9.6
Processed	168	11	190	12	+13.1
Continental	158	10	166	10	+5.1
Pick 'n' Mix	8	**	1	**	-87.5
Total	1,582	100	1,600	100	+1.1

Notes: \* Including cottage cheese; \*\* less than 0.5%.

Source: Mintel 2003a.

Cheddar is still the most popular cheese, accounting for around 53% of value sales in 2002 (see Table 2.18). Processed cheese accounted for 12% of the total cheese market in 2002, and saw the most significant growth at 13% between 2000 and 2002. This sector contains the children-targeted snack brands, and receives considerable promotion both above and below the line. Territorial cheese is the second-largest segment of the market behind Cheddar, accounting for 14% of the total market, and it saw growth of 6.7% between 2000 and 2002, well above the market average. Continental cheese showed growth of 5.1% in the period under review, against a backdrop of declining consumer awareness. The natural soft cheese segment accounted for 11% of the total market in 2002, a 10% decline since 2000 as a result of the waning popularity of cottage cheese. Pick 'n' Mix was delisted across most of the multiple grocers, explaining the severe drop in value between 2000 and 2002.

Premium priced, this sector represents a major opportunity, but education is essential. On-pack labelling and clear signage at fixtures will help, but part of the problem is the number of stock keeping units (SKUs). Retailers must rationalise and apply category management principles to drive growth in this area. The PDO (Protection of

Designation Origin) status is awarded to cheese made within a defined geographical area. No English cheese except Blue Stilton has PDO status - they have drifted into generic production across the country now. Whilst these industry standards protect authenticity, it is questionable whether consumers value them. It is unlikely that purchase decisions are made on the basis of a product having PDO status. The industry has major issues to tackle in consumer awareness, and authenticity may not be one of them.

### 2.2.5 YOGURT\*

The UK market for yogurt and yogurt drinks is valued at £989 million in 2003 and estimates for 2004 see the market break through the £1 billion hurdle to reach nearly £1.1 billion. Yogurt drinks account for just 11% of value, at £109 million, but are responsible for significant growth and Mintel expects £121 million of sales in 2004. Estimates for yogurt in 2004 are placed at £950 million.

Within yogurt, the virtually fat-free sector is the largest, at 31% valued at £271 million. It grew by 45% across the period 1999-2003. All sectors are in growth, but children's is in trouble. Between 2001 and 2003, the market declined by 12%, while showing a 22% growth when measured across the period 1999-2003. The children's sector accounts for 5% of the market at £45 million, with hand-held children's yogurt being the only sector in growth, valued at £12 million. With impending legislation on advertising to children, and restrictions on the use of added sugar to manufactured food, this sector may face challenges in future. Functional yogurt is the fastest-growing sector, up 221% since 1999. Valued at £61 million in 2003, it accounts for around 7% of the category. Growth in the functional sector is driven through probiotic products, accounting for 87% of values, with dairy-free making up the remainder. Similar success exists in the yogurt drink sector, where probiotic accounts for 87% of the sector.

There are few food markets that have shown such strong growth for such a sustained period. Yogurt is a truly exceptional market, with no end in sight for projected increases. Table 2.19 shows the evolution of the market volume and value for yogurt and yogurt drinks between 1999 and 2004.

The total yogurt market is estimated at £1.07 billion in 2004. Consistent year-on-year growth has been demonstrated. In 2003 the market leapt forward, increasing by nearly 19% on 2002, and by an estimated 67% between 1999 and 2004. When measured in real terms, at 1999 prices, the market has grown by an estimated 58%.

Organic yogurt, including child-targeted products, grew by 153% between 1999 and 2003. Valued at £48 million, the sector accounted for 5% of the category in 2003. Yeo Valley is the dominant brand which has focused effort into attracting 'foody consumers' into the sector, through messages of superior taste and minimal processing, believing

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\* From MINTEL Yoghurts -UK- July 2004e.

that the number of ‘organic purists’ within the market has peaked. Trade contacts report that loyalty to child-targeted organic products is high, particularly amongst first-time mothers and affluent adults. Mintel believes that organic will continue to grow, but that rates of growth will slow. The price difference between organic and non-organic products is likely to be a barrier to many shoppers.

TABLE 2.19 UK retail sales of all yogurt (drinks and yogurt pots/tubes), by volume and value, 1999-2004

	m units	Index	£m	Index	£m at 1999 prices	Index	€m	Index
1999	2,169	100	643	100	643	100	977	100
2000	2,449	113	735	114	737	115	1,205	123
2001	2,663	123	789	123	766	119	1,270	130
2002	2,860	132	832	129	802	125	1,323	135
2003	3,270	151	989	154	941	146	1,434	147
2004 (est)	3,442	159	1,071	167	1,013	158	1,596	163

Source: Mintel 2004e.

Sales of natural yogurt are steadily rising, from £24 million in 1999 to £49 million in 2003, to account for 6% of the category, despite many of the products within this sector being resegmented into the organic and functional sectors. The natural yogurt sector, characterised by its ‘acidic’ taste, also includes Greek-style yogurt, which has a creamier, more indulgent taste. Increased use of yogurt in cooking, both savoury (Indian food, dips) and sweet recipes (desserts, ice cream), may help to explain the 104% increase in volume over the review period. Once seen as a rather dull sector, natural yogurt is vibrant and strong.

Retail distribution of yoghurt. Dominated by multiple grocers, the shape of the UK distribution market is changing as the impulse channel is infiltrated by the multiple grocers. Table 2.20 explores the changing distribution pattern in the UK market.

The *multiple grocer channel* is evolving as the leading multiples continue their strategy towards developing smaller high street and forecourt stores, in an attempt to optimise their presence in the convenience channel. The boundaries between channels are starting to merge. Mintel has collected data for the leading multiple grocers according to their store group rather than try to split their sales according to store size. As such supermarket, forecourt and convenience sales are aggregated under the heading ‘multiple grocers’.

With the number of new stores proliferating within the multiple grocer sector, Mintel estimates share to have been around 83% in 2003, a value increase of 56% over the period 1999-2003. This growth is likely to be driven through the main supermarket store, with multipacks facilitating a faster selection in both yogurt and drinks. The convenience store format, with distress purchasing and top-up shopping driving growth, is likely to support single pots and indulgent products more favourably as consumers seek impulse indulgence. Yogurt drinks are increasingly being merchandised in the



chiller cabinet alongside carbonated beverages and within the sandwich cabinet, helping to maximise on impulse sales. For similar reasons, sales within the *convenience sector* are also in growth, at an estimated 44% across the period 1999-2003 at 8% value share (£79 million) in 2003. Dominated by single-portion packs and pots, higher price points are achieved as consumers are less price-sensitive when 'distress purchasing'. Muller has been particularly effective in securing distribution in this channel, in part due to the relevance of its packaging format.

TABLE 2.20 UK retail sales of yogurts and yogurt drinks, by outlet type and value, 1999-2003

	1999		2001		2003		% change
	£m	%	£m	%	£m	%	1999-2003
Multiple grocers	525	82	652	83	821	83	+56.4
Convenience and Co-ops	55	9	65	8	79	8	+43.6
Marks & Spencer	38	6	43	5	45	5	+18.4
Other*	25	4	29	4	44	4	+76.0
Total	643	100	789	100	989	100	+53.8

Note: \* including Boots, sandwich shops, CTNs, garage forecourts, delicatessens.

Source: Mintel 2004e.

## 2.2.6 BEEF\*

Sales of beef (and veal) have enjoyed the largest rise of any red meat, in terms of both volume and value. Assurance schemes, promotions, a return of consumer confidence in beef and the availability of reduced fat and convenience cuts have all been important factors. Beef is the bestselling meat, with more space given over in-store as a result. The range of cuts is much more diverse than for other meats, which has been an effective driver of sales.

The *multiplies* have taken a bigger role in the meat sector since the mid-1990s. In many cases they are involved in all aspects of the supply chain. However, their biggest contribution to the meat sector has been through the widescale introduction of branding. Sub-branding to indicate premium quality, healthy eating, organics and greater convenience have effectively boosted many meats from their commodity status to offer a real differential in the eye of consumers and added value to the market as a result.

Research commissioned exclusively for the Mintel 'red meat' (2002) report found that minced beef is the most popular red meat. Overall men tend to favour more easily prepared cuts such as steaks and roasts, while women are more likely to buy meat which requires more active preparation. Convenient cuts also hold greater appeal for younger consumers. Lamb and pork both show a strong bias in sales towards older consumers,

\* From Mintel 2002b.

suggesting that suppliers need to take a proactive approach to build their future market.

The red meat sector will continue to evolve. Volume sales will lag behind values as more convenient products dominate new product development. However, ongoing innovation will play an important role in drawing and retaining consumers in the market and ensuring the longer-term viability of sales.

There are a number of *quality marks* which can be found on red meat in the UK retail market. They were initially set up in the aftermath of the BSE crisis in a bid to assure consumers about the integrity of the meat they were purchasing and have subsequently been expanded.

The National Farmers Union, together with the MLC among others, introduced the *Little Red Tractor* mark for British-produced products in June 2000, to assure and build consumer confidence in food production. The mark means that meat has been produced to standards set out under the farm assurance schemes for beef, sheep and pork. For beef and lamb, the inspected schemes are Farm Assured British Beef and Lamb (FABBL), Farm Assured Welsh Lamb (FAWL) and Northern Ireland Farm Quality Assurance Scheme (NIFQAS). The MLC also has its own Quality Standard Mark for some meats. The *Minced Beef Quality Mark* was introduced in 1996 during the BSE crisis to reassure consumers about this meat. The mark assures that minced beef is made only from regular cuts of prime beef from cattle under 30 months old and is offal-free. *Quality Meat Scotland* (QMS) narrowed the criteria for its quality mark in 2002. Following the move, cattle and lambs born outside Scotland were disqualified. This raised some concerns on the part of suppliers who had traditionally imported young stock from breeders elsewhere in the UK for finishing, with the view that this meat could no longer command the premium price paid for Scotch-labelled product. However, QMS defended the move, stating that consumers felt strongly that the meat should be 100% born, raised and slaughtered in Scotland to justify the label.

In volume terms, beef and veal have made substantial gains since 1996 (see Tables 2.21, 2.22 and 2.23). However, that particular year marked a low point in the beef market due to the headline issue of BSE. Since then, however, beef has managed to re-establish itself in terms of consumer confidence, leading to increasing consumption and spending. Trends in mutton, lamb and pork are in many ways more indicative of longer-term behaviour in the red meat market, with a gradual decline, particularly in carcass meat sales.

The introduction of quality marks and assurance schemes including traceability went some way to boosting confidence in the market and led to a restoration in sales. By 2002, consumer volumes had reached an estimated 372,000 tonnes, while the value of sales had grown to £1,861 million, up by 14% on 1997. In real terms, growth remained at 7%. While volumes have declined slightly since 2000, values have actually remained stagnant, suggesting that consumers are eating less beef but paying more for convenient and added-value cuts.

TABLE 2.21 Consumption and expenditure on selected meat in the UK, per person per week, 1996-2000

	1996	1998	2000	% change 1998-2000
<i>Consumption (grams)</i>				
Beef and veal	101	109	124	+13.8
Mutton and lamb	66	59	55	-6.8
Pork	73	76	68	-10.5
Poultry, uncooked	233	218	201	-7.8
Poultry cooked, not canned*	-	33	35	+6.1
<i>Expenditure (pence)</i>				
Beef and veal	49.0	53.6	59.3	+10.6
Mutton and lamb	28.7	25.6	25.6	-
Pork	30.4	24.0	25.8	+7.5
Poultry, uncooked	68.7	62.7	67.6	+7.8
Poultry cooked, not canned*	-	17.5	18.1	+3.4

Note: \* includes sliced and cooked poultry.

Source: National Food Survey, 1996, 1998, 2000/Mintel.

TABLE 2.22 Retail sales of beef and veal, 1997-2002

	000 tonnes	Index	£m	Index	£m at 1997 prices	Index
1997	339	100	1,639	100	1,639	100
1998	336	99	1,591	97	1,571	96
1999	339	100	1,670	102	1,644	100
2000	385	114	1,854	113	1,830	112
2001 (est)	376	111	1,850	113	1,766	108
2002 (est)	372	110	1,861	114	1,749	107

Source: MLC/Mintel 2002b.

In the mid-1990s volume rises outstripped value growth due to factors including discounting of popular ranges such as minced beef, which was sold on promotions including BOGOFs and reduced price for multiple purchases. A reversal in this trend is now taking place as more added-value cuts are brought to the market including marinated and prepared joints and steaks. Products in sauces have also become more widely available. This has led to the creation of a new category in-store as previously consumers were more likely to find this type of product in ready meal format to be reheated rather than as raw meat, which has to be cooked as such, and is listed with primary meat in-store, rather than as a convenience product.

The retail distribution of red meat is dominated by the major grocery multiples (see Table 2.24). Research published in *The Grocer* in August 2002 found that nearly half of all grocery shoppers visited supermarkets weekly, up from a third five years earlier. This was viewed as supporting the evidence of a trend towards top-up shopping, further shown by the move of the multiples into the convenience market.

TABLE 2.23 Retail sales of beef and veal, by type, 1999 and 2001

	1999		2001		% change
	000 tonnes	%	000 tonnes	%	1999-2001
Mince	136	40	147	39	+8.1
Steaks	73	22	83	22	+13.7
Roasts	75	22	80	21	+6.7
Others	55	16	65	17	+18.2
Total	339	100	376	100	+10.9
	£m	%	£m	%	
Mince	466	28	509	28	+9.2
Steak	554	33	575	31	+3.8
Roasts	342	21	416	23	+21.6
Others	307	18	350	19	+14.0
Total	1,670	100	1,850	100	+10.8

Note: Data may not equal totals due to rounding.

Source: Mintel 2002b.

TABLE 2.24 Retail sales of red meat, by type of outlet, 1999 and 2001

	1999		2001		% change
	£m	%	£m	%	1999-2001
Multiple grocers	2,349	72	2,535	73	+7.9
Butchers	652	20	660	19	+1.2
Co-ops	130	4	139	4	+6.9
Others*	130	4	139	4	+6.9
Total	3,262	100	3,472	100	+6.4

Notes: \* Includes market stalls, farm shops, the Internet; data may not equal totals due to rounding.

Source: Mintel 2002b.

Due to storage constraints, *meat retailing is a specialist activity* and few general convenience stores or local retailers list fresh meat. An active interest is taken by the multiples in the supply line and bringing new products to the market. Added value has been an important part of the strategy used. The superstores and larger supermarkets have sufficient shelf space to stock sub-brands as well as standard lines. There are also tie-in promotions with other products such as sauces. Now that the origin of meat is receiving greater attention, the multiples are also in a strong position to offer assured sourcing as well as regional and organic meats.

The position of *butchers* is beginning to show greater stability. In the early to mid-1990s, there was some rationalisation in the retail meat trade, although this has now levelled out, with the number of businesses becoming more stable. The MLC and other trade bodies offer strong support to smaller meat retailers through POS and other information, including information leaflets. Suppliers also tailor products specifically for sale through butchers.

Other retailers include market stalls and convenience retailers. The latter may carry a small range of frozen meat. For the most part, the offer tends to be primary meat in a

narrow range of cuts.

The major grocery multiples have been coming under increasing political pressure to use *home producers to source meat*, rather than import overseas product. One of the arguments put forward to encourage consumption of domestic products has been that of ‘food miles’ which relate to the distance over which food travels to reach consumers, and its implications for the environment and similar green issues. However, a decline in UK production followed foot-and-mouth disease, leading to a gap in supply, which was addressed by imports. UK production in 2002 is up on 2001, but is still lower than in 2000 due to cheaper imports and suppliers leaving the sector. Some of the multiples have attempted to work in harmony with domestic producers to secure home grown supply. At the beginning of 2002, Sainsbury’s announced that it aimed to stock 100% British-sourced meat, organic meat and dairy products by January 2004. The company planned to develop partnerships with UK farmers and suppliers as well as R&D organisations to increase the amount of British-grown organic food. *Regional branding* of meat has been a further innovation: in May 2002, Somerfield gained retail distribution rights for the new Celtic Pride Welsh Lamb Brand. The brand is a joint venture between the Welsh Meat Company (600 producers) and Oriel Jones, a processor.

#### 2.2.7 PORK\*

Sales of pork declined in both volume and value between 1997 and 2002. More traditional cuts, such as chops, have seen the biggest decrease, while roasts and other cuts have performed better. Value sales of the former have grown due to the introduction of added-value products, such as pre-basted and pre-stuffed formats, offering convenient meal centres. British-produced pork has also made considerable progress in improving its welfare image, with many retailers now offering outdoor reared meat, for example. Pork shows a strong bias in sales towards older consumers, suggesting that suppliers need to take a proactive approach to build their future market.

The pork market in the UK was estimated at £781 million in 2002, a decline of 10% on 1997. Volumes in the market fell by 12% over the same period, as can be seen in Table 2.25.

To some extent, the decrease witnessed over the review period was due to the rising market share taken up by beef in its post-BSE recovery. *Foot-and-mouth disease* in 2001 also affected sales of pigmeat products and contributed to the decline in production capacity in the UK. However, the main reason for the downturn is the marked contraction in the domestic herd over the last few years. For example, the national pig kill in May 2002 was around 200,000 weekly, compared to 330,000 five years previously. In the year 2003, the availability of domestic pigs for production is

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\* From Mintel 2002b.

expected to be at a 30-year low. This has led – and will continue to lead – to unused capacity in the sector and plant rationalisations.

TABLE 2.25 Retail sales of pork, 1997-2002

	000 tonnes	Index	£m	Index	£m at 1997 prices	Index
1997	229	100	863	100	863	100
1998	233	102	813	94	803	93
1999	215	94	751	87	739	86
2000	211	92	803	93	793	92
2001 (est)	205	90	784	91	749	87
2002 (est)	202	88	781	90	734	85

Source: MLC/Mintel.

As with other meats, the decline in volumes has been stemmed by the growth in *added-value products*. While at the end of the 1990s this meant quicker-cooking cuts and less fatty meat, the market has now moved on to include coated and ready-to-cook products which form an instant meal centre. Pork has also become a popular barbecue meat due to its leanness and firmness, which has encouraged the development of ranges including kebabs and marinated steaks. Ribs have also gained a higher profile for outdoor eating as well as other casual meals.

### 2.2.8 HALAL\*

Table 2.26 shows Mintel's estimates of the proportion of meat expenditure allocated to each type of meat for the population as a whole and for the Muslim population. As shown in the Market Size section. Mintel estimates UK retail sales of halal meat at £400 million in 2001.

TABLE 2.26 UK Muslim and general population estimated consumption of meat by type, % of total, 2001

	Total population	Muslim population
Poultry meat	29	43
Beef/veal	22	11
Bacon/ham/deli	28	–
Pork	10	–
Mutton/lamb	11	39
Offal	1	8
Total	100	100

Source: Mintel.

\* From Mintel 2002a.

In 2001, Mintel estimates that halal meat accounted for around 12% of volume and 11% of value sales of all meat. Halal sales account for a slightly lower proportion of value sales because over 40% of halal meat sold is poultry, which is of lower unit value than meats such as beef or lamb. Nevertheless, the ability of a 3.2% segment of the population to account for 11-12% of total meat sales is hugely significant to the food industry. Mintel has further estimated the proportion of consumption and spend accounted for by the various meat types among the Muslim population.

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## 2.3 CONCLUSION

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This report has positioned animal-based food products—eggs, chicken, beef, pork, halal, milk, cheese and yoghurt- within current retailing and consumption trends. It has paid particular attention to how products with higher production standards within these categories, for example free range eggs, organic (across all categories), special premium breed chickens/pigs/cattle are positioned within the marketplace. From this discussion it is possible to draw out broad characteristics about each category and a sense of the potential for increased segmentation along the lines of higher welfare and/or higher meat quality. One also begins to appreciate the orientation of the category within the retailing sector, in terms of whether the category is predominantly developed by the multiples (own-branding), as in the case of red meat, or whether it is large food manufacturing companies that are developing product ranges (branding), for example chicken, yoghurts, cheese, milk. The growth of the convenience sector is an important development across all categories. Yoghurts are the fastest growing of the animal-based food products discussed here; this is a result of the success of the yoghurt within the growing market for convenience goods. Any development of new product ranges with higher welfare or higher meat quality standards would need to reflect this growth sector in the food marketplace.





# 3

## THE MARKET AUDIT

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### *Aim*

To identify and study the labels of all the welfare friendly food products available in UK retailers.

### *Methodology*

The rationale for the methodology was:

“if you were a UK consumer who wanted to buy welfare-friendly food products, what would you find in UK supermarkets, independent health food/organic stores, and farmers’ markets?”

Eleven retailers were visited in all. These retailers represent the range of food retail outlets typically available to UK consumers. The survey was carried out in Bristol and Cardiff, two characteristically different cities in South West Britain. It was felt that food retail outlets in the two cities would be stocked to support consumer tastes for an average population base. Within each store products were searched for that explicitly and implicitly marketed a welfare-friendly component within its production.

TABLE 3.1 Retailers visited

Retailer	Date and city
Fresh ‘n’ Wild	13.10.04 (Bristol)
Tesco	13.10.04 (Bristol), 21.10.04 (Cardiff)
Marks and Spencers	18.10.04 (Cardiff)
Coop	19.10.04 (Cardiff), 20.10.04 (Bristol)
Waitrose	20.10.04 (Bristol)
Asda	20.10.04 (Bristol)
Independent	25.10.04 (Bristol)
Morrisons	27.10.04 (Bristol)
Farmers Market	27.10.04 (Bristol)
Organic Supermarket	27.10.04 (Bristol)
Sainsbury’s	26.10.04 (Cardiff)

We used a spreadsheet as a record of the findings of this process. All the welfare-friendly food products that were found are itemised in the spreadsheet.\* Each product is listed with descriptive detail given within these categories:

- Supermarket (where it was bought)
- Product title
- Animal Product (what animal is it derived from)
- Brand
- Manufacturer
- Size
- Free-range egg/poultry/pork
- Organic
- Production Standard Body
- Outdoor reared
- Quality and welfare (Is food quality tied in with welfare on the packaging?)
- Written on package
- Farm assurance scheme
- Pictures of animals outside (animals on packaging)

The products are sorted firstly by retailer, secondly by free-range and thirdly by organic.

### 3.1 BRIEF ETHNOGRAPHIES OF RETAILER VISITS

#### *Asda*

On entering the store my eye was immediately caught by the local food chiller. There were cheeses from Somerset etc. but nothing welfare friendly. There was also a big banner saying there were 70 local food products in store. I began my search for welfare friendly food products. Large fresh fish counter, ready-roasted chicken. Nothing. Then turned into the main meat chillers.. beef –nothing, pork –nothing, chicken- I find a Corn fed free range chicken. There were no chicken breasts, fillets etc. of the same type of chicken as I found in other stores. On the end of one aisle I found some pork slices that were made of outdoor reared pigs. I found no more welfare-friendly meat products. It was very hard to locate these two meat products I mentioned. In the dairy aisles there were organic products. However on the packaging there was no mention of animal welfare. However it was possible to buy organic Asda butter, Asda milk and Yeo valley yoghurts. To represent this sector I selected some butter. The egg section had free-range eggs that were RSPCA Freedom Food, BIG British free range eggs and barn eggs. I feel that the reflection of welfare friendly products that were on offer here at Asda represented the best-selling lines nationwide in welfare friendly food products – free range chicken for roasting, free range eggs and outdoor reared bacon.

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\* The spreadsheets are not published within this volume.

### *Somerfield*

I had to search for welfare friendly food products, but I found the advertised new range of Freedom Food Chicken. You could buy a whole bird, or chicken pieces. I bought chicken pieces. I looked through the bacon and found some welfare friendly bacon. I didn't find any beef products that were welfare friendly. These welfare friendly meat products were part of Somerfield's So Good range. I found organic milk and organic free-range eggs, and free-range Freedom Food eggs. They had a large range of Organic cheeses with photos of cattle grazing in fields so I bought some of those. Somerfield gave the impression of thinking more than other retailers about providing welfare-friendly food products, but in fact again it was only the three popular lines of chicken, bacon and eggs that were found. I think the discovery of RSPCA freedom food products led to this feeling, The organic range of products was impressive and communicated to me an interest in supplying quality products. The cheeses and the large range of eggs that had welfare friendly components strengthened this impression.

### *Coop*

I looked around the whole store and found nothing except Freedom Food WensleyDale Cheese in the Bristol store I visited. In the Cardiff store we found freedom food gammon slices and organic milk and yoghurt. Coop therefore didn't stock the most popular welfare friendly lines of free range chicken and outdoor reared bacon.

### *Morrisons*

The first welfare friendly food products I came across were the Hipp Organic baby food range. There was no sign of welfare friendly meat in their readymeal or delicatessen or cooked meat counters. The egg section had an impressive range of RSPCA freedom food eggs. Three boxes had the RSPCA production standard label. In addition there were organic eggs. In the fridges of fresh meat it was hard to find any welfare friendly meat products. Although I did find outdoor reared bacon and a free range chicken for roasting. As in the Asda case, there were not any other chicken options. The dairy section had own-brand organic milk and yoghurt plus Yeo Valley organic products. In the drinks section I found Clipper organic hot chocolate powder which advertised its high welfare standards although this wasn't explicit about whether it was humans or animals that were in receipt of these.

### *Tesco*

The impression of Tesco's is immediately that it caters for a large range of purchasing habits. If you want value products you can find those, if you want quality products you can find those all the differentiation is by Tesco's itself in how it segments its own brand into Tesco Value, Tesco and Tesco Finest\*. For example, it was the only supermarket where it was possible to buy free range egg fresh pasta as part of their Finest\* readymeal range. This is a convenience meal option that is an example of

providing quality with an animal-welfare component (Marks and Spencers was the only other retailer with a similar product).

More generally it was possible to find chicken and pork products with a welfare component. There was only one beef product that commented on the grass-fed diet of the animal. When I enquired at the fresh meat counter about welfare-friendly meat in particular the RSPCA Freedom Food range they said that they stopped selling meat under that label because demand was greater than supply so they stopped selling it altogether. The dairy section had some welfare-friendly products. There were some free range eggs. I left with the impression that it was possible to find welfare-friendly products in most sectors of the market. However, the range was limited.

### *Marks and Spencers*

All Marks and Spencers products are own-label. Although we knew that apparently free-range eggs are used in all Marks and Spencers products, this wasn't advertised anywhere.

There was a significant quantity of organic labelled meat (mince, steak, chops etc), which made no explicit reference to animal welfare. This was fresh meat in cellophane. It appeared that animal welfare was only mentioned in the readymeals range as an indicator of quality as much as welfare. There was an unevenness in this sector as to what had a welfare component and what didn't. By paying closer attention to the packaging on the meat products, they revealed that some of the products stated that they came from M&S assured farms, whereas others just came from UK or EU chickens. This was another factor that had an unevenness to it. It appeared that within one product range the quality of the meat on sale would vary if one paid close attention to the provenance of the meat. Free range eggs featured in a number of their readymeals, ready-to-eat product range. Strangely, only Flavoured milk had any mention of animal welfare on its packet. There was nothing about animal welfare on normal or organic milk.

M&S seem to have a conflict going on within their labelling practices about whether they are trying to sell a product on the grounds of the quality of how it was cooked, or on the quality of the raw materials that have gone into the cooking process.

### *Independent*

The independent health/organic store I visited had free range eggs in all their fresh ready-to-eat products. It was hard to find products that weren't organic or with free-range egg. However the range of products was very small and there was a significant amount of vegan alternatives to typically animal-based products, for example mayonnaise.

### *Fresh 'n' Wild*

First we looked in the chillers that stored the 'food to go' aimed at lunchtime buyers, sandwiches etc. There was nothing that obviously used animal welfare as a marketing tool. However on closer inspection of a slice of Spanish tortilla, the ingredients list stated it was made of free-range eggs. The product was made by 'Rachel's Ideas'.

We then moved across to the chiller that stored cheeses. On first looking there appeared nothing. There were lots of local cheeses on sale. However, one type of cheese had a pamphlet accompanying it with the title 'Gloucester Cattle'. In simple, plain packaging there were pieces of single and double Gloucester cheese. On the whole cheese rounds there were green stickers with the head of the cow. The marketing was directed towards drawing attention to the breed of the cows. Alex the cheese man came up and started making conversation with us. We introduced our animal welfare interests and he started to tell us about the particular farm that this cheese came from. The man (whose name and phone number I now have) has 40 cattle. He looks after the herd, and twice a week a lady comes in to make the cheese, because of course he as the farmer cannot make the cheese or milk because of the regulations on dairy production. It is a very small enterprise, in fact when he needs new supplies, often the farmer says his mother is coming into Bristol at the end of the week and could drop some in. Each Fresh 'n' Wild store seeks out local producers, then the company's head office checks the status of the company to ensure food production complies with the food health checks/laws. The Gloucester cheese has PDO status because it can only be made from Cattle from Gloucester. On inspection of the pamphlet there was specific information about the cattle and how they lived and how the farmer's husbandry of them works to make their life better. However the term 'animal welfare' was not used anywhere on the pamphlet.

We then walked around the corner of the cheese cabinet and found all the fresh, chilled meats. There were a vast number of different meat products that had animal welfare components to their marketing strategy. For beef, poultry and pork there were different brands offering products within each category where animal welfare was prized. In some cases it was organic, it was never quality without organic. See photos of the display, and specific products. Apart from the Organic production standard being used for some of these products, there was no animal welfare production standard in use on packaging.

Next we went to the dairy product counter. There were organic milks, organic yoghurts, puddings and organic eggs. No products except for some of the egg ranges were explicitly welfare-friendly with exception to the dairy products that stressed the quality of the grass the cows ate.

### *Organic supermarket*

This retail outlet gave the impression of providing a lot of information about their products. When I asked about welfare-friendly products I was immediately told that the Soil Association Organic standard represented higher animal welfare standards. In fact although everything in the store was organic, a limited number of these products were

explicit about animal welfare standards. This made this shopping experience rather more ambiguous than in other retail outlets, since it then appeared legitimate, based on the information given by the shop assistants, to buy products labelled organic. None of the fresh organic meat made any reference to animal welfare. The labelling was very basic. I was also told that it cost money to buy the labelling standard and so small, local producers often couldn't afford to buy and use them.

I think it is fair to say that a trip to an Organic Supermarket doesn't mean that it could just as well be a trip into an Animal Welfare friendly zone, because most of the organic products do not play out their animal-welfare friendliness in the products marketing strategy.

#### *Farmers' market*

I approached the Frocester Fayre stall that sold locally produced fresh meat and meat pies. I enquired whether their meat had high animal welfare standards. The response I got was that they didn't farm their animals intensively, so it wasn't intensive farming but due to the nature of the farmland, the pigs were kept inside in barns or old railway carriages with plenty of straw to burrow in. They said that in the summer they had a board with pictures of the livestock on them, but as it was wintry weather now they didn't put the board up these days. They were a member of the assured British pig scheme and also were getting grants for helping to maintain valuable environmental habitats.

I then visited Marshfield organic stall that sold fresh meat products. I discussed with the farmer who was behind the counter about whether the meat was welfare-friendly. He said that they don't shout at the cows but are nice to them. He said they weren't in a farm assurance scheme, but then added that they were with the Soil Association. I picked up their pamphlet and it referred directly to higher animal welfare standards. He added that they can stab the cows, but only twice otherwise they get taken out of organic production for a year.

#### *Sainsbury's*

The Market, Pimlico. It was grey inside, loftier ceiling, a number of different counters. However the 'normal' supermarket fare were in aisle's towards the back of the store. There were fresh meat counters but there was no mention of animal welfare in any of the product descriptions. There were products from the South West (chicken and beef). They had Sainsbury's Taste the Difference joints for cutting. On the meat shelves there were the same range of meat products as I have seen in supermarkets in the southwest. They had RSPCA freedom food southwest chicken. The Southwest regional brand was in use on a number of beef and chicken products. There appeared to be no meat products coming from anywhere else, with exception to Aberdeen Angus. In the Sausage section there were Helen Browning sausages. A large number of meat and dairy products advertised that welfare standards were being met. These are some examples.

‘Fully traceable to approved farms that comply with our comprehensive animal welfare and safety requirements.’

‘Our cattle roam outdoors throughout the summer and graze on rich grassland. During the winter we house them in large straw bedded barns and feed them conserved grass grown on our land. We have worked in partnership with Sainsbury’s for many years to produce the best quality beef we can both be proud of’. The Little red Tractor is your assurance that this produce meets the British Farm Standard for food safety, environmental issues and animal welfare. <<http://www.littleredtractor.org.uk>>.’

I found no unusual or leading welfare-friendly food products. All the welfare-friendly products had been found previously in other retail outlets e.g. Floyd Maunder Organic chicken had been found in Waitrose.

Overall the entrance had a similar feel to Fresh n Wild, but the products did not directly advertise welfare-friendliness.

### *Waitrose*

On entering Waitrose one immediately comes across the fresh meat counter, behind which is a large banner (3 metres) advertising their free-range pork range. This counter had a large range of free-range pork products.

- Free range Hampshire Breed English
- Pork Spare ribs £5.49 /kg
- Pork diced leg £8.99 /kg
- Pork fillet £11.99/kg
- Stuffed shoulder £6.59 /kg
- Loin steaks £10.99/kg
- Easy carve leg £7.99/kg
- Pork belly roast £4.59/kg

There were also ‘free-range’ sausages available to buy in a quantity to suit the customer. I spoke to the butcher about my interest in welfare-friendly food products. He showed me a large file with information about how the animals that enter meat production for Waitrose have been raised, transported and slaughtered. He said it was possible to trace any meat back to the farm. However nobody had ever wanted to. There was a huge range of welfare-friendly sausages and bacon – Waitrose own brand, independent brands. There were a range of different types of welfare friendly chicken. For example for roasting there was: Waitrose Fresh British corn fed free range chicken; Pullet d’Or traditional free range British chicken; Fresh British Free range chicken; Organic British Chicken.

The beef section had a label displayed on the shelves about its animal welfare standards. It read:

“... from prime quality stock raised by a select group of farmers with whom we have worked for years. Our common aim is to improve all aspects of animal production, care and welfare continuously, resulting in the best quality and tastiest British beef for you, the Waitrose customer, so you can have every confidence in the quality and traceability of our British beef.”

In comparison to chicken and pork there isn't a recognised animal-welfare standard associated with beef cattle. It is always 'free range', and so is never mentioned on packaging. The welfare standards advertised for the beef meat on sale, perhaps were connected to the Little Red Tractor farm assurance scheme.

I found free range egg scotch eggs. I found no free range egg pasta. I found free range egg mayonnaise in the sandwiches, as well as free range egg. There was no welfare friendly cheese that I could see. No special pamphlets. The milk refrigerator was very impressive for the range of welfare friendly milks, creams, butters etc. I found some products that had free range egg in them, but not that many. There was a good range of eggs available – not all free range, barn eggs and fresh eggs were there too.

I left with the impression that it was a supermarket that put a lot of effort into offering information to their customers so they could make considered choices about what to buy. Welfare friendly products were explicitly marketed in this way, not as organic or quality as is more often the case in other retail outlets.

### 3.2 INTERESTING FACTS FROM SPREADSHEET\*

*Numbers of welfare-friendly products for each retailer:*

- 36 Waitrose
- 16 Organic Supermarket
- 15 Sainsbury
- 15 Tesco
- 12 Marks and Spencers
- 11 Morrisons
- 9 Fresh 'n' Wild
- 8 Independent
- 6 Somerfield
- 4 Asda
- 4 Coop
- 2 Farmers' Market

*Products by animal:*

- 20 egg
- 18 cows
- 18 pork

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\* The spreadsheets are not published within this volume.



- 12 chicken
- 7 beef
- 2 beef/pork
- 2 egg/pork

*Supermarket own brand:*

- 12 Marks and Spencer
  - 16 Waitrose
  - 10 Sainsbury
  - 9 Tesco
  - 8 Morrisons
  - 4 Somerfield
  - 3 Asda
  - 3 Coop
- Total 53 out of 139.

Other significant manufacturers:

- 4 Yeo Valley Organics
- 4 Denhay Farms Limited

*Production standards:*

- 60 had no recognised animal welfare standard
- 8 RSPCA
- 63 organic (45 Soil Association)
- 13 little red tractor

*Free-range egg/poultry/pork:*

- 28 Eggs
  - 11 Pork
  - 10 Chicken
  - 1 Egg/beef
  - 1 Egg/pork
  - 14 out of 53 organic
  - 31 of these had no production standard
- Total 53 out of 139

*9 outdoor reared pork*

*36 out of 139 of the package descriptions adopted a combined marketing strategy of welfare as a component of quality.*

*20 out of 139 used a photo or drawing of an animal in the outdoors on the packet.*

## 3.3 DISCUSSION

The basic facts drawn from the spreadsheet\* illustrate the complexity and messiness that awaits the consumer seeking animal-welfare friendly food products in the UK. There are two different shopping scenarios within the UK, one where it is difficult to find hardly any welfare-friendly products (Asda, Coop, Morrisons, Somerfield) or the antithesis where there seems to be a large range of welfare friendly products (Sainsbury, Tesco, Marks and Spencers, Waitrose) where the question becomes by what standards are the products produced to? The RSPCA Freedom food standard, the sole animal welfare based marker was scarcely present in the audit. Organic production standards, most predominantly those from the Soil Association are interpreted with positive animal welfare components in some cases on the packaging. The Little Red Tractor or the British Farm Standard was on some products, but with exception to the product description on some (not all) of the Sainsbury products it was not clear exactly how this could be interpreted as inclusive of higher animal welfare standards. The audit demonstrates that half of the products had no production standard at all.

The findings broadly complement Compassion in World Farming's 2004 report on supermarkets and farm animal welfare, and their placement of the major food supermarkets in the league of welfare-friendly supermarkets. The retailers vary in the degree to which animal welfare is marketed as a component of their own-brand products, the presence of private brand welfare-friendly products or the number of products that implicitly convey animal welfare e.g. organic food. Broadly, I think there are four categories (see Table 3.2).

TABLE 3.2 Four categories of welfare marketing

Welfare focused	Organic, less explicit welfare	Quality and welfare	Rare to find welfare
Marks and Spencers, Waitrose, Sainsbury, Fresh 'n' Wild	Organic Supermarket, Independents	Tesco, Somerfield, Morrisons	Coop, Asda, Farmer's market

The type of welfare-friendly food products one finds most frequently available in nearly all of the large food supermarkets are free-range eggs, free-range or outdoor reared bacon/sausages and free-range whole chickens. Additionally organic dairy and meat products are often found, although few of these make any explicit reference to any animal welfare component. It is harder to find welfare-friendly beef, in contrast to the availability of chicken or pork. The descriptive term 'free-range' is successfully used as a marketing term for chicken, egg and also pig production. Free range is associated with better conditions for animals, however in the case of beef people expect the animal to be free-ranging.

\* The spreadsheets are not published within this volume.

## *Beef*

As a consequence of how inappropriate it would be to use the term ‘free-range’ to convey a different higher welfare production system in the case of beef, the marketing of welfare-friendly beef adopts a different tack often along the lines of diet, living space, and good husbandry.

“Animal welfare conditions are ensured by providing adequate living space and bedding, with access to open pasture (pamphlet).”

“our beef is carefully reared and matured.”

“They are fed an organic diet without the routine use of antibiotics.”

“Our cattle roam outdoors throughout the summer and graze on rich grassland. During the winter we house them in large straw bedded barns and feed them conserved grass grown on our land.”

“predominantly grass-based diet to give a fuller flavour”

## *Dairy*

In the case of dairy cattle, the quality of the pasture is often used to convey a better quality of life for the cow. Cows, as described on many welfare-friendly packet descriptions, are constructed as receiving extra care and attention in a welfare-friendlier production system. There is an absence of welfare-friendly cheese in almost the entire retail field.

“We make it with milk from cows that graze on clover-rich, organic grass.”

“take well to hand milking and make ideal house cows. They have flat lactation curve giving an even production for up to 300 days. This is kind to their udders and helps longevity for which they are renowned, often breeding for 12-15 years”

“Cows that are well cared for and well fed produce outstandingly good milk”.

“all our cows must eat healthily, exercise regularly, no late night movies and no petting behind the barn”

“The cows, who enjoy more space to graze and benefit from natural and homeopathic remedies rather than routine use of antibiotics.”

## *Pork*

Pork is marketed as either free-range or outdoor reared. It is clear on some packages that outdoor reared actually means that they are outdoors when they are young but are

put inside as they get older. The increasing visibility of pigs in fields is arguably helping the publicity of this production system within the UK.

#### Free Range Pigs

“spend their lives outside in family groups and have warm shelters and straw bedding to provide shelter in the winter and shade in the summer”.

“always had continual access to shelters to protect them from adverse weather”.

“Because the pigs are born and reared naturally outdoors to the highest standards you can expect the very best quality meat”

#### Outdoor Reared Pigs

“made from organic pigs reared outdoors as part of the traditional cycle of mixed farming, helping to build and sustain the natural fertility of the soil.”

“Premium quality outdoor reared.”

“We have selected number of Yorkshire farms where our pigs are reared outdoors with access to open fields and shelter. As they grow, the pigs live in large barns with deep straw bedding”.

Pigs are constructed as family-focused and vulnerable to harsh weather and are thus in need of plenty of bedding and shelter as well as an outdoor, free-ranging lifestyle.

When one compares the three animal species it is interesting to consider how their package descriptions capitalise on particular socio-cultural constructions of nature and farming. We can see this in the success of the descriptive term ‘free-range’. It is a handy, to-the-point, marketing term which encapsulates a strong image that satisfies an appetite for traditional, rural, wild idyllic scenes, successfully used for some time on egg boxes. Perhaps beef is currently disadvantaged (only 7 products found) in marketing it as welfare-friendly because this term cannot be applied. In addition to the term ‘free-range’, egg boxes often supply additional description about the hen’s lifestyle.

#### *Hens*

‘Supporting rare breeds in Natural environment. Laid by hens fed on a natural vegetarian, cereal diet. Special, not only for their superior flavour and quality, but because of the poulterer's attention to the health and welfare of his hens, which are free to range and forage on green pasture from dawn to dusk, leading a natural and happy life. Our birds enjoy the finest quality cereal based non-GM vegetarian diet, the privacy of warm secluded nest boxes, trees and shrubs for cover, dustbathe -in fact, everything that a normal healthy hen requires for the freedom of expression and fullness of life, to bring you a truly Free Range Fresh Farm Egg’.

“These eggs come from hens reared on farms approved by the RSPCA Freedom Food scheme. The hens must have the ability to perch, preen, nest, forage and have access to the outdoors during daylight hours”.

“Purpose built houses are used, with sun and wind harnessed as a natural energy source whenever possible. These units are moved around the paddock to rotate the pasture in their vicinity. Inside the house natural bedding and scratching materials encourage preening and dust bathing. The hens forage during daylight hours in open organic pastures. The flocks are fed on a natural organic diet containing no artificial yolk colourants”.

### *Chickens*

“Specially selected slow growing breed is reared to 81 days in small flocks on selected farms in Southern England. The birds have unlimited daytime access to pastures free from artificial fertilisers and pesticides, and are fed on a cereal based corn rich diet made from non genetically modified ingredients and free from antibiotic growth promoters”.

“The Devonshire Red TM is a slow growing chicken that has been specially selected for our West Country Free Range Chicken. They are reared using traditional farming methods on small West Country, family run farms. They have access to tree-planted fields, which encourages them to roam and show natural foraging behavior such as scratching, preening and dust bathing. This allows the chicken to live a fuller, more active and enriched life. The combination of the traditional breed, West Country Free Range farming methods and their natural diet produces tasty, succulent meat rich in flavour”.

“This slow growing breed of bird has been specially selected for our Devonshire Gold TM Organic Chicken. The birds are grown for a longer period than standard poultry in a free-range environment on West Country farms. The birds have all year round daylight access to pasture and exhibit normal characteristics such as scratching, preening and dust bathing”.

Egg boxes often carry a lot of information about how the free-range system is better for hens. The same is only true for some of the free-range chickens. The chickens for sale in Morrisons and Asda carried no description apart from the label stating free-range.

### *Packaging*

The welfare-friendly food market in the UK appears messy and confusing with lots of different approaches taken by the retailers/manufacturers/producers. To a large extent the variations in how products are marketed, directly reflects the marketing strategy adopted by the retailers in promoting their own-brand product ranges. Private-brand welfare-friendly products tend to be more consistent about providing information (Figure 3.1). The exception to this is the Organic Supermarket and Independent retail

sector where local producers often source the products and have not invested hugely in packaging or buying the license to use the recognised production standards. The packaging is often basic and does not directly communicate any animal welfare component (Figure 3.2). Compare Figure 3.2 with Figure 3.3. The latter is of Waitrose free range bacon. Figure 3.4 illustrates how the marketing strategy varies between retailers. Morrison’s own-brand free-range chicken carries no additional information.



FIGURE 3.1 Bacon by Duchy Originals (Sainsbury, Waitrose)



FIGURE 3.2 Back Bacon in original packaging from Organic Supermarket

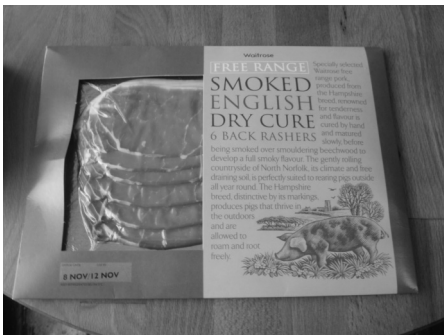


FIGURE 3.3 Waitrose Free-range Bacon



FIGURE 3.4 Morrisons' Free range chicken

These four products are packaged and marketed very differently. This draws us to consider the increasingly competitive marketing and packaging strategies that the major retailers are involved in. The independent organic supermarket has no influence upon the products that supply its stores. Whereas Waitrose, Morrisons and the other major supermarkets increasingly own significant parts of the vertical meat supply structure and therefore influence how the product is packaged. The number of retailer own-brand meat and dairy products that feature in this market audit is high, over a third. This allows the major retailers to be involved in using their own Brand characteristics to shape the marketing of the product. Duchy Originals are an independent brand that specialises in welfare-friendly meat and dairy products thus it is in their interest to have informative packaging. The independent producers/manufacturers such as Duchy Originals or Yeo Valley Organic often carry a considerable amount of information that is only available to the customer once they have made the purchase, i.e. it is found on the underside of the cardboard label. This is a particular marketing strategy that seeks to communicate to the consumer in a more intimate, specialised channel after the product has been bought.

#### *Retailer Own-brand Market Segmentation*

The ultimate own-brand retailer is Marks and Spencer's. The UK based supermarket food retailer pioneered own-label food. Following in the success of the St Michael brand, other large supermarket chains have created their own brands although never succeeding to hold the same high level quality position that Marks and Spencers enjoys.

‘Supermarkets love the idea of building up default loyalty to their brand, a kneejerk responses that doesn't enquire too much about where the product comes from and how it was produced: a ‘take our word for it’ concept of quality’ (Blythman 262-3: 2004)

In the last couple of years some of the major retailers (Tesco, Asda, Morrisons, Sainsbury's) have moved away from a sole focus on price-fighting own-brand ranges. Instead “‘product-tiering’ its whole own-label offering into high-quality, standard and price-fighting ranges, ‘taking quality out at all levels’. This process is otherwise known as ‘value engineering’, an industry term for looking at ways to use cheaper ingredients

(Blythman 2004). The products found in our study that were branded ‘own label’ were found within a range of different quality categories.

For example:

- Asda Organic
- Coop Organic
- Coop Premium
- M&S cook!<sup>TM</sup>
- Marks and Spencers Continental
- M&S ready to roast
- Morrisons Organic
- Tesco Organic
- Tesco Finest\*
- Sainsbury's Taste the Difference
- Sainsbury's Organic
- Waitrose
- Waitrose Select farm
- Waitrose Organic

The retailers tailor their marketing and packaging strategies for the own-label products to suit their own brand. ‘The brand emerges as the organisation of a set of relations between products or services’ (Lury 2004:26). The brand organises the exchange between producers, retailers and consumers. Some supermarket and independent brands choose to make the political and ethical intervention to provide detailed information about what a better life for animals consists of, or to just mention it as a concern in the production of their food. The reasons for variations in this strategy are variations in the consistency of different retailer brands, some want to reflect an openness and acknowledgement that their consumers want to be informed, whereas others respect/create consumers that do not want to know. Those retailers that just use ‘free-range’ as a marketing label and do not provide any further details do that because it is part of their brand strategy; these brands create a low information identity, attractive to some consumers, unattractive to others.

The widespread use of the term animal welfare on a large number of Sainsbury's own-brand dairy and meat products can be understood as an important component of the Sainsbury brand. The brand communicates directly about the provenance of the food they sell. Whereas many of the other supermarkets e.g. Tesco, Somerfield, Asda, and Morrisons choose to communicate ‘you can trust us’ to the consumers by the strength of the brand without a lengthy blurb about the production values associated with the Little Red Tractor label. Understanding how the brand structures relations and thus practical behaviour and discourse around products leads Celia Lury to understand brands as performative (2004). Brands are active agents in the relations that are made and remade between consumers and producers, and increasingly the relations between consumers and retailers as the own-brand movement displaces the visibility of the independent producer, contracted to a retailer, in the food network. Thus the huge variation and complexity in how welfare is communicated to consumers is a reflection on the number



of different brands, independent and retailer-brand, operating within the welfare-friendly market.

Drawing a connection between the farm assurance scheme, the production standard and the description on the packet of many of these products is difficult. Since only half have a recognised production standard mark, the other half could be accused of being opportunistic rather than wholly honest. Which leads to the thought that while some are being opportunistic another significant proportion that may well meet the same production standard choose not to market the welfare-friendliness of the product, choosing to focus on something else. Or another explanation is that the paucity of products that carried a recognised high animal welfare production standard (RSPCA freedom food, organic) reflects that the use of the term animal welfare, free-range or outdoor reared are applied to a range of actual levels of animal welfare. It is not clear to the consumer how some of these products that advertise a welfare-friendly component map onto recognised welfare standards.

A large number of meat products do not feature in this audit because on the packaging the quality of the cooking or the eating experience is used as a marketing tool as opposed to the life of the animal from which the meat came. Within some product lines there seemed a random pattern between meat products that carried writing on the package which mentioned welfare and those that did not. Are retailers divided, confused, unsure as to whether animal welfare is a viable marketing tool? It certainly is apparent that for the overwhelming majority of meat products if there is a product description, it is more often quality rather than animal welfare that comes first. Although of course there are exceptions, most notably Waitrose.

### 3.5 CONCLUSION

The market audit for welfare-friendly food products has revealed a complex, disaggregated market. Own-brand free-range eggs, chicken and bacon are almost standard fare across the major supermarket food retailers. There are a small number of independent brands that have coverage across more than one retailer. Understanding the aims of the retailer own-brand marketing strategies would appear to provide answers for how the own-brand sector markets their products so differently within retailer brands and between retailers, and thus communicate different levels of information about animal-welfare or the mere inclusion of welfare-friendly products. The other major finding of the audit has been the number of products that make a welfare claim but which carry no recognised production standard. Overall the market for welfare-friendly food products in the market is a confusion of unclear welfare standards communicated through package description rather than recognised standards. For example, the successful use of the familiar marketing terms like 'free-range' to differentiate products with higher standards for chicken and pork, but not beef or dairy. The blurring of quality, organic and welfare is difficult to disentangle. A few products explicitly call on all three quality, organic and welfare to market products. Some organic products talk about quality but do not mention welfare. Whereas non-organic products in some cases

draw on the language of quality and welfare but many products that are marketed as a quality product make no mention of welfare (these do not feature in the audit). What was included and what was not included in the study carries a level of ambiguity but this is significant as it illustrates the major impression that the audit left with those involved. If one looked for welfare-friendly food products in the UK food retail market one certainly found some, but these represented the minority in a vast market of meat and dairy products that carried competing marketing agendas primarily on the lines of value or quality and not animal welfare.

# 4

## NON-RETAILER LED LABELING SCHEMES THAT MAKE WELFARE- FRIENDLY CLAIMS

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### 4.1 IDENTIFICATION OF SCHEMES IN THE MARKET SURVEY

Little Red Tractor (Assured Food Standards)	– 13 products identified in survey – approx 80,000 assured farms
Soil Association	– 45 products identified in survey – approx 2500 certified farms
Organic Farmers and Growers	– 4 products identified in survey – approx 1000 certified farms
Organic Food Federation	– 2 products identified in survey – n/a (<1000)
RSPCA Freedom Food	– 8 products identified in survey – 1809 assured farms

### 4.2 BRIEF DESCRIPTION OF THE SURVEY

The retail audit of welfare-friendly food products (1.2.2.1) reveals that there are 5 non-retailer led assurances schemes that carry logos identifiable on food packaging. These 6 schemes were selected for further study. However, it was decided to drop the interview with the Organic Food Federation because it is a small organization and two organic food certifiers had already been interviewed and there is little variation in standards thus it was felt that research resources could more usefully be allocated elsewhere. This resource was re-allocated to interview someone from the Organic Livestock Marketing Cooperative. This interview provided details about the market structure for organic meat between farmer and retailer/caterer. The interviews were carried out between February 2005 and May 2005.

#### 4.3 SURVEY RESULTS ORGANIZED UNDER THE FOLLOWING POINTS/QUESTIONS WERE USED AS AN INTERVIEW GUIDE

- What claim does the label make? What does it mean?
- How is the scheme administered, set-up?
- What are the costs of setting up the label?
- What were the motivations for setting-up the label? ethically driven? market driven?
- What are the conditions farmers must comply with (we don't need to go too far with this as it will be picked up in WP3)?
- How is the product given space in the market? what are the relations with supermarket buyers/other retail outlet buyers? how is shelfspace achieved?
- How has the regulatory environment, helped or made difficult the development of the labelling scheme?
- Who are the consumers? what is known about those that buy the products?
- Is there any support (financial, marketing) from any other agencies e.g. Regional Development Agencies?
- How was the label designed? How was the brand devised? what are the important components to the brand e.g. traceability information?

A common set of questions was prepared that built upon the initial interview.

#### 4.4 THE CASE STUDIES

##### *Case Study 1: Little Red Tractor logo or Assured Farm Standard (AFS)*



Assured Food Standard is a standard owner. This means that they own, set up and manage this assurance standard in the UK. They are owned by a number of different sectors of the food supply chain from farmers at one end to the British Retail Consortium at the other with some food processing trade associations in the middle such as Dairy UK.

*What claim does the label make? What does it mean?*

They are 6 commodity sectors: beef and sheep (ruminants are dealt as a single sector); a pig scheme; a poultry scheme; a dairy scheme; fruit and vegetable; and a sector covering combinable crops. The only sector not covered by the AFS is shell eggs which are covered instead by the Lion Egg Scheme.

In terms of animal products the AFS have not only a feed standard, but also a crop growing standard that feeds into the animal feed standard that feeds into the farm standard. They are standards for livestock transport, standards for the treatment of animals awaiting slaughter, standards for slaughter and meat hygiene in the factory, standards for dairies and creameries. Bolted into that structure is the certification of engineers who maintain crop spraying equipment and the certification of farm inspectors.

The standards set out to reflect the legislative base and any codes of practice that prevail. However increasingly they are writing new codes of practice instead of just compiling codes of practices from MAFF or DEFRA. The scheme embraces within the standards the legislation, the codes of practice and the expertise shared by stakeholders as to what is good agricultural practice. The standards are a compilation of all these inputs. These standards are communicated to producers with the expectation that they must meet them. An annual inspection is used as a mechanism to encourage compliance to these standards.

*How is the scheme administered, set-up? What are the costs of setting up the label? What were the motivations for setting up the label? Ethically driven? Market driven?*

The assurance schemes became established in the UK on a sector by sector basis. Over the period from the late 1980s to about 1999 each of the commodity sectors began to think to themselves that they ought to have an assurance scheme. The pig sector was the first following a MAFF pig welfare initiative, a code of practice which eventually became an assurance scheme. This scheme was a precursor to the scheme currently running. The beef sector was stimulated by the BSE crisis back in the early 1990s. The assurance scheme was set up even before the link was made to a human disease in 1996. A major stimulus of the assurance scheme development was the food safety act in 1990. The food safety act put responsibility on the industry to produce safe food and there are still lots of debates on this today. Allegedly in Southern Europe there is a mood for legislators to make sure that producers comply with the legislation. However AFS argue that the legislation says quite specifically that it is the responsibility of the regulatory authority to ensure that the producer is fulfilling his responsibility. The UK food safety act is quite unique because it places the responsibility of everyone in the chain to sell safe food. For example, the recent Sudan I crisis made it clear that things way back down the supply chain, can affect the food sold by Sainsbury's and Tesco's and the retailer takes responsibility for it and takes the financial loss and the loss to their reputation. The Food Safety Act said a retailer could not hide behind a warranty from a supplier. In the late 1980s and into the 1990s there were a lot of inspections by retailers of their suppliers. These assurance schemes helped to get us the industry out of the situation, where the processing industry had to meet the demands of every retailer each of which had their own standards and had their own inspection teams; consequently people were being audited to death. In 1991, 1992, and 1993 it was very complex with inspectors chasing around every food factory in Britain and using different standards. Therefore one reason for developing an assurance scheme was because producers recognized that if there was not a national assurance scheme then each buyer from the supermarket would start to do their own inspections and there would then be a continued profusion of duplicate inspections and subtly different standards too. Some

sectors were later at getting involved with assurance schemes because there were significant costs that had to be made to meet some of the issues in the industry, for example salmonella in the chicken meat industry. An assurance scheme also provides a mechanism for the whole industry to move as one. Individual players in the industry may realize that they need to raise a standard but the cost implications may deter them, whereas if everybody moves their standards at once then everyone has to take on board the cost together.

The primary focus in the livestock sector of AFS is food safety. Once an assurance scheme is set up it is easier to add on other things that buyers and customers worry about for example like animal welfare.

The livestock sectors are inspected more frequently. Pigs are inspected at least annually and a quarterly report has to be submitted by the farmer's vet. The farmer's vet report is a quasi-independent report (there is a lot of discussion about the independence of the vet who is contracted by the farmer). However, AFS do not consider the quarterly vet report as an independent report; it is a very important source of information delivered to us on a quarterly basis. On top of this is a fully independent inspection every 12 months on top of that. So pigs effectively have five reports a year. In the grazing livestock sector there is a 15 month inspection cycle regime. There is a routine 15 month inspection cycle that is filled in with a series of spot checks, which are semi-randomised but give an opportunity to focus on those farms for which there are concerns. So the overall inspection of livestock is about once every 15 months. This is also advantageous in a non-enclosed livestock situation because it allows inspections within different seasons. In comparison to a chicken house where it doesn't make much difference whether you inspect in February or August there are significant differences in an outdoor livestock situation about how the animals are kept through different seasons.

Organic certifiers and Freedom Food (FF) are now working together so there isn't duplication in inspections. FF and AFS have worked together so that a farmer can only be FF (additional welfare criteria) if they have also got the base Assured Farm Standards. It is similar with organics because although it is not so important with chickens and other small animals, with big animals the carcass gets cut up and marketed in different ways. The prime cuts sold as organic receive a premium for them but the whole carcass doesn't get an organic premium. There isn't a market for organic mincemeat and if it isn't assured as well it wouldn't be able to go into the general retail commodity stream because the specification is that it meets assurance standards and this is quite rigidly policed and observed. LEAF (an environmental scheme) is another scheme that is an add-on to AFS like Freedom Food.

*How is the product given space in the market? What are the relations with supermarket buyers/other retail outlet buyers? How is shelfspace achieved?*

The little red tractor logo is not used on a large number of products that meet its requirements. For example McDonalds use the AFS systems because they want to demonstrate a responsibility to their customers and more fundamentally a responsibility to the credibility to their own brand. Membership of the scheme demonstrates that they buy their produce from reliable producers who look after the safety of their products

and to some extent the welfare of their animals. However although the standards are similar they are not identical to AFS but they use these standards in the UK context. McDonalds are keenly working with Eurepgap in the hope that Eurepgap will start to help them deliver their requirements in other territories. The alternative is for McDonalds to start hiring their own team of inspectors which no one wants; for farmers it will just be duplication and just meeting the needs of one buyer.

AFS have control over the literature that accompanies the little red tractor logo and the content of their own website; they endeavor to have control over any claims anyone makes about the red tractor logo. A food producer could make general claims not specifically associated with the logo, of which the assurance company have no control over.

On Sainsbury packaging they make five points about the little red tractor logo. AFS were partly involved in this wording. AFS are cautious about the claims they make and claim they have only once been reported to the ASA (Advertising Standards Association). The most popular criticism they receive with regard to claims they make about animal welfare is that the mention of the term 'animal welfare' means that they must be using outdoor reared or free-range systems.

*How has the regulatory environment, helped or made difficult the development of the labelling scheme?*

Eurepgap standards were published in March 2005. It is a new standard which arguably has not found a level in the market place. Eurepgap standards are not as high as AFS because they are trying to accommodate the whole of Europe which is coming from a lower base than the UK. Whereas AFS has only a UK focus so the standards can be fine-tuned to UK requirements. Eurepgap is only a farm standard whereas in the UK there is a substantially integrated infrastructure of standards. AFS think that there is not much scope for Eurepgap for UK supplies but it may get used for supplies coming into the country.

Legislation sets a floor below which you can not go theoretically. For producers to go above that is going to have cost implications. Within the pig industry in the UK the higher legislative on pig welfare has made them anti-competitive, arguably. Although the current exchange rate between pounds and euros is also to their disadvantage therefore the question is: is it the higher welfare requirements or simply the currency exchange rates that is the problem? Recently, BPEX (British Pork Executive) funded aggressive advertising to make people more aware about the different welfare levels between the UK and other European countries. The Danish pork coming in to the UK is not assured to UK standards but to their own farm assurance standards. There are specific standards that apply to pork coming into the UK but it still doesn't meet the same UK requirements. It appears that despite the UK pig industry having higher standards and higher costs consumers are not registering that difference or if they are registering it, they don't care sufficiently about it to support the British product. Surprisingly the AFS is not involved in the BPEX pig welfare advertising, The reasons are that the BPEX logo was launched back in 1999 before LRT and they have hung on to it. BPEX is focused on promotion more than food assurance. BPEX are funded by the

statutory levy which is a big pot of money that has been in existence for a long time. For every animal that is killed at slaughter there is a levy that has to be paid into a central fund for 'promotion' of beef, pork or lamb. So there is a fairly substantial pot of levy funds in the UK for promotion of beef, pork or lamb. AFS don't see any of this money at the moment.

*Who are the consumers? What is known about those that buy the products?(taking consumers to also mean those farmers/licensees that sign up to the scheme)*

- c. 80,000 farm members in UK
- Pigs 80% > 90% pigs
- Cattle – England + Wales
- c. 45% producers
- c. 70% production
- Chicken – all major companies
- Dairy – all major companies

The figures show that it is not easy for there to be growth in some sectors. They probably have the majority of large farmers, most of the middle ones and some of the small ones. Cattle is one of the smallest sectors with only 2/3rds coverage this is because most of the medium sized and small sized abattoirs do not become assured. Instead the meat is sent to independent local butchers and the food service industry. The Food service industry is an area where the scheme could and is working on expanding into. This would facilitate greater expansion into the beef sector. The dairy sector is already very well covered by the scheme. In some areas they depend on demand to pull things through whereas in other sectors they are driving through improvements anyway.

Where there is a substantial market in non-assured animals then there is a more visible price premium, for example sheep. However if 95% of a product is assured then the assured price is the price of the commodity.

Food service operators say their customers are not interested in any of these things and they will just buy the cheapest and not bother with any of the standards.

Meat in retailers that do not use the Little Red Tractor is probably still meeting the standards. It is part of the retailers marketing strategy that they have products packaged differently to segment the category.

*Is there any support (financial, marketing) from any other agencies? E.g. Regional Development Agencies? How was the label designed? How was the brand devised? What are the important components to the brand e.g. traceability information?*

The introduction of logos and labels on consumer packaging was a secondary consideration when assurance schemes were introduced. They find it frustrating when people think assurance schemes are only about logos on a packet.

The logo came about in the late 1990s. There were lots of food buyers/food sellers who were in support of assurance and increasingly the word 'assurance' was being used on



food packaging. However there was very little transparency about what this actually meant. Several reports were published by the Food Standards Agency, Which? Magazine, Farm Animal Welfare Council all saying that all the retail companies claimed to have assurance schemes but it was difficult to find out exactly what these standards were. Therefore it was felt that for those that had been through the food assurance system deserved some recognition for it and therefore the logo was born. Some validation can be demanded to support the use of the logo. The logo has been a powerful tool to ensure that only those with licenses can use the logo. There is a regular program to challenge those licensed to ensure they are using the logo properly.

The logo tends to be only used on primary products such as pieces of meat, fruit, vegetables and milk because it is much more difficult to control the use of the logo on composite foods like meat pies etc as they tend to be a compilation of ingredients from all over the world about which it is difficult to determine its assurance status. The penetration of the assurance scheme is measured at the farm level and separately the penetration of the logo at retail level. By and large they believe that there is a surplus of assured product that is not marketed as assured products, for example McDonald's. At some point in the future perhaps McDonalds will be approached about using the logo but it is not an urgent issue.

Following some consumer research Little Red Tractor has a similar role to the BSI kite mark. The kite mark is trusted because it has met certain standards, although most people will have no idea what the crash test criteria is for a motor cycle helmet. The kite mark is enough to assure that the helmet with the kite mark is better than one that does not. Continuing the analogy the universal kite mark can appear on any brand. It tells you that brand has used certain standards for that product but the product brand brings other attributes and qualities of trustworthiness e.g. Tesco or Sainsbury's. The little red tractor is a supplement to the brand and is careful therefore about not moving into the territory of the retailer or product brand. The realm of standard setting is quite broad up until the point where you start to get into quality criteria that is the basis of commercial differentiation such as tenderness. Essentially the BFA covers the basic, pre-competitive common food safety kite mark type criteria or animal welfare criteria. The competitive differentiation is left to others.

They are receiving more pressure from politicians and pressure groups to develop the schemes towards environmental criteria than to animal welfare. Apart from some dedicated lobbyists there is not as much interest or concern or pressure towards animal welfare from external sources.

*Case Study 2: RSPCA Freedom Food (FF)*

*What claim does the label make? What does it mean?*

The FF logo means that a product has been produced to RSPCA species-specific standards. Those standards are based on the best science, best practice, and are regularly reviewed and monitored by the RSPCA. FF don't claim to be organic nor not only free-range. FF believes that a well-run indoor-managed unit of pigs will produce much better welfare than a poorly run outdoor unit. All FF is interested in is welfare.

*How is the scheme administered, set-up?*

It was dreamt up by a former employee of the RSPCA in the early 1990s who recognized there was a huge number of animals bred for food production. Freedom Food is now a separate limited company with a charitable status. The board consists of representatives from the farming, commercial, veterinary and animal expert fields. Because the RSPCA are a campaigning organization it would be difficult if the RSPCA tried to go out and promote a set of standards and inspect against them. At that time farmer's wouldn't want to be associated with the RSPCA so Freedom Food was created to be at arms' length. They set up a development group that involved stakeholders in the industry including Bowes of Norfolk, and the poultry producers Two Sisters. Standards were developed through consultation with a group of stakeholders. "The standards were always based on the best science available – it was critical they were developed in partnership with the industry." Initially the standards were for laying hens and pigs.

There's an annual assessment followed by a monitoring assessment. The annual assessment is carried out by Freedom Food staff and then at least 30%, which is rising to 50%, are visited unannounced by an RSPCA farm liason officer and their job is to not only check on the initial assessment but to also check that the farmer is sticking to the standard.

“... food assurance is only necessary to be compliant on the day of the inspection. Recognising that, recognizing that we are not just about putting a label on the product it's actually about bringing about improvement.”

Freedom Food is heavily subsidized by the RSPCA but in itself it is not a money-making organization. A logo was chosen which bought into the RSPCA brand as that immediately conveyed to the consumer an interest in the animals. As a consequence of the relationship with the RSPCA it was felt that they needed to be the best at what they do.

So they sought accreditation with the United Kingdom Assurance Service (UKAS). UKAS come in and looked at the schemes for the different animal species. Freedom Food is not a certifier. Freedom Food staff do the assessment, the RSPCA then check

the job and a third party then comes along to do the certification. Freedom Food regularly suspends membership when people are not complying with the standards.

The standards are revised every 6 months.

As an accredited scheme FF producers only have to be good enough on one day to be issued with an accreditation. However it can't be guaranteed to meet those standards on every day but if a problem is discovered they will take swift action to deal with it.

*What are the costs of setting up the label?*

There are no set figures for premiums that producers receive for producing a FF animal. FF argue that higher welfare does not cost any more money in fact perhaps it costs less. Supermarkets may pay a little more for premiums but arguably the supermarkets are often put off by the producers asking for exaggerated premiums. The scheme costs the RSPCA about £1m a year, of a total budget of £80m. The cost per animal is less than 7 pence. In comparison it costs £80 to re-home a dog so then the question is: what is the relative importance of a chicken in comparison to a horse or a dog? An RSPCA working party looked at FF and decided that FF is the most effective method today for delivering improvements in farm animal welfare. The farmer pays £95 for an assessment which includes the monitoring visit. Other costs would be for those involved in implementing the standards such as improving bedding, veterinary health plans and they expect these costs to return back to the farmer through becoming part of the scheme. For £150 they are assessed for FF and Little Red Tractor. They don't want to create cost as a barrier for people to join.

*What were the motivations for setting-up the label? Ethically driven? Market driven?*

150,000 million animals have gone through the scheme. Currently there are 20,639,000 animals on the scheme and by the end of 2005 we're expecting that number to increase to 41 million. This is mainly due to increases in salmon.

They have 1809 farms to audit and 7 auditors.

FF imagine their role within the raising of AW standards in food assurance schemes as something for other assurance schemes to attain. Over the years the FF standards have increased and so have the standards in the lower AW schemes. In this way the raising of AW standards can be seen as an escalator. FF aim to be the top 20% of the market.

FF is working towards worldwide accreditation. Christmas 2004 accreditation was given to French turkeys.

*What are the conditions farmers must comply with? How is the product given space in the market? What are the relations with supermarket buyers/other retail outlet buyers? How is shelfspace achieved?*

In the early days of the standard they achieved phenomenal growth with Tesco.

At that time Tesco was number two in the grocery world. Number one was occupied by Sainsbury's. Sainsbury's weren't interested in talking at that stage to FF, whereas Tesco couldn't get enough FF and really wanted exclusivity, which FF refused. On hindsight Tesco offered a far too high premium to producers. Tesco introduced fresh meat into a number of stores – on the basis that everything on that counter would be FF accredited. The premium to the producers was more than 50p a kilo which was too high. The outbreak of foot and mouth disease effectively killed the project in Tesco stores because there was no way that they could be assured to get hold of sufficient British product let alone it being tied to Freedom Food so they decided to drop it.

At this stage there was a plethora of different logos on other products e.g. Soil Association, West Country, Little Red Tractor. The increasing complexity in the area of placing logos on packaging led to Tesco deciding to drop logos altogether on their products. Tesco argued that this wasn't to do with cost. This is the current situation and explains in part what the retail audit (1.2.2.1) uncovered which is that there are relatively few FF labeled food products.

Is FF about getting logo on the product? Or is it about delivering improvements to farming and welfare?

The aim is the latter and as a consequence not too much emphasis should be placed on getting a logo on the packet. There is suggestion that supermarket own-brand quality ranges might adopt FF standards to differentiate quality. According to FF,

“Tesco's have openly said that some of their finest range has to be Freedom Food accredited but they won't put the logo on the pack. All of their free-range eggs are FF accredited. McDonald's who spend a premium of 4 million pounds a year on their eggs because they choose to use free-range eggs. If you want to supply McDonald's free range eggs you must be Freedom Food accredited”.

FF have reached an agreement with Co-op that every animal product they sell in their stores that carries the Co-op name will move to FF. They will be both promoted and labeled as such.

There is a problem if a logo is not used on products as then it doesn't explain why there is a price difference. FF did charge 0.3% of the wholesale value for the use of the logo. They are in the process of reversing this and charging people 0.3% to use the logo and 0.5% to not use the logo. This is to encourage people to use the logo as this is publicity for the scheme.

FF wonders whether the rigor with which they apply their standards deters some supermarkets from involvement because non-compliance could lead to RSPCA membership being cut which would interrupt the supply chain.

Currently FF work much more closely with producers rather than courting the attention of supermarkets. Jointly FF and a producer make a presentation to the supermarket. They have been successful in this practice with the slow-growing chicken now on sale in Sainsbury's and Somerfield.

*How has the regulatory environment, helped or made difficult the development of the labelling scheme? Who are the consumers? What is known about those that buy the products?*

People phone us up saying “We want to buy Freedom Food, where can we buy it?”

Eggs are the most popular FF product. Following the salmonella crisis the egg industry FF became a way to reinvent itself. Today 98% of the totality of produced eggs are FF accredited. FF work with a ‘Problem Solution Model’. So the RSPCA campaign for change to create a problem and raise the issue with consumers and the solution is sought by FF.

*Is there any support (financial, marketing) from any other agencies? E.g. Regional Development Agencies?*

RSPCA give a lot of financial support. FF work with DEFRA currently to help with their inspecting and validating.

*How was the label designed? How was the brand devised? What are the important components to the brand e.g. traceability information?*

The M&S and Waitrose brands are both associated with good animal welfare which has led them to become involved further with FF. It seems that retailers and food service providers like McDonalds work with FF if they want to use animal welfare in their brand. They wouldn’t expect to see FF in Waitrose and M&S because it is already part of their retail branding, whereas it works in the Co-op.

The RSPCA has high brand recognition in the UK but not abroad, thus attempts to expand the scheme out of the UK are limited by the connection to the RSPCA. Charities similar to the RSPCA in other countries have used the FF model.

People criticize the RSPCA for having their own inspectors, for promoting their assurance scheme through RSPCA schemes. FF argue that in fact the more people interested in adopting FF standards actually results in a larger investment from the RSPCA as more producers join the scheme. Also the animal rights groups make shock exposes and they argue that what appears is not particularly appealing to the eye and does not necessarily equate with poor welfare.

*Case Study 3: Soil Association (SA)*



*What claim does the label make? What does it mean?*

“No system of farming has higher animal welfare standards than organic farms working to Soil Association standards” (Certification News No. 53 Spring/Summer 2005).

This statement is newly approved by the Committee on Advertising Practice. Therefore Soil Association certified organic products hold an important position in the UK market for welfare-friendly foodstuff, this was supported by the findings of sub-deliverable 1.2.2.1.

The Soil Association (SA) is the largest organic certification body and the largest organic charity body in the UK. With the dual status of the organization as both charity and not-for-profit certifying business it holds a strong position in the growing market for organic certified products in the UK food retail market. In effect organic farming in the UK is subsidized in part by charitable funds of the Soil Association most noticeably in the area of promoting consumer awareness and in supporting the efforts of those farming organically.

Organic certification UK5 and UK15 are both run by the Soil Association. UK5 is the certification for the Soil Association’s standards which are higher than the UK Governments’ organic standards published by the Department for Environment, Food and Rural Affairs (DEFRA) as the DEFRA Compendium on Organic Standards. UK15 is the Soil Association’s certification at the DEFRA organic standards, a necessary tier to the certification procedure to support farmers in conversion to the Soil Association standard. The UK5 organic standard is slightly higher than the DEFRA standard in the area of pig and poultry production.

*How is the scheme administered, set-up? What are the conditions farmers must comply with (we don’t need to go too far with this as it will be picked up in WP3)?*

The certification is administered by the not-for-profit part of the Soil Association. They guarantee an annual inspection every year, but farmers could receive a spot inspection at any time. For example, if a member of the public rings up and says: “These chickens are out in a really muddy field and they say they’re organic”, it’s highly likely they’d do a driveby inspection or a spot inspection. An inspector can only inspect the same farm three times in a row after which it has to be another inspector for at least one year to give a break.

Farmers who seek advice about how to farm organically contact Producer Services. Producer Services is part of the charity side of the Soil Association. They discuss with farmers what they need to do if they have a problem and liaise with the certification-side of the Soil Association to discuss if a concession should be made since all other options have been tried. For example if there is a problem with veterinary treatment, there are a range of things that farmers are permitted to do without informing the SA what they are doing. And a range of things that are restricted, so farmers can do something if they ask first.

The animal welfare standards have been based around ‘inputs’ – How much space have the animals been given? How much feed have they been given? How much bedding have they got? What’s the lying area?

With Bristol University the SA are developing a separate *Welfare Assessment*. It is an ‘outcomes’ based type of inspection. A farm is inspected to these standards if there are any concerns. It looks at how the animals are reacting on the farm, so for pigs it might be something like if the inspector’s got a concern, it’s a way for them to be able to mark or rate animal welfare. For example inspecting a group of 20 pigs – if they run away from you, how long does it take for them to come back? How many have got marks of flank biting on them? Or rear biting? Or tail biting? There is a whole list of ways to actually ‘score’ a group of pigs and get a welfare rating from these. The development to create a welfare assessment is because it’s been pointed out that in some cases people can meet the standards but that the overall welfare of the farm is not necessarily as good as what we think organic should be. The augmentation of a traditional certification process with a welfare assessment is a new introduction by the Soil Association and is a procedure to start to match the inspection process based on inputs with the actual outputs of adopting an organic farming system. Although it is suggested by the interviewee that because the inspection of an average farm takes 12 hours that the welfare assessment will be a tool to use with farms where there is a suspicion of a problem.

*How were the SA standards arrived at?*

There doesn’t appear to be a clear scientific basis to the construction of the organic standards at EU level. The interviewee suspects that some of the standards are literally one and a half times what the basic EU rate is. In comparison to other assurance schemes in some places it matches and agrees with ‘Freedom Food’ and in other places it is slightly different. So although they are all more than the basic EU or UK, there is little knowledge about whether there is a lot of scientific justification for why the figures are what they are. The suggestion is that a factor of “something point something” multiplied by whatever the EU one is was used to derive the standards. There is not a general multiplying factor either, it differs between cattle, pigs and sheep. There has been little regard for cost in the setting of the standards so a consequence is that producers are meeting the standards but are going out of business as a consequence. The SA standard organic farmers are competing with other organic farmers producing to different organic standards. Do the consumers know about the different organic standards? There is also an ambiguity in the wording of the EU standards. For example the EU standards say

ruminants should have access to pasturage, this does not include pigs and poultry. The interviewee states:

“it is very difficult for us to go back to the EU and get the EU to come up to what we think is right, like this issues on pigs on pasture. And there’s also other member states like Germany who have got incredibly good reasons for not wanting pigs outside, because they’ve got a wild boar population and a massive issue with swine fever, which is where some of these ‘derogations’ if you like from the organic ideal have come from. So it says, yes, animals should have access to pasturage, but in these certain circumstances you don’t have to. Then it’s up to individual member states to say well, actually we’re going to use this derogation or that derogation.”

*What are the costs of setting up the label? What were the motivations for setting-up the label? Ethically driven? Market driven?*

There are ethical motivations behind particular standards.

For example in the poultry sector the SA differs from the rest of the English organic standards and the rest of Europe by saying you have to use organic pullets or chicks. The EU standards states organic pullets or chicks must be used if they are available. The argument for the use of organic chicks is that this there are then 4 generations of parents bird that have had a better quality of life.

*How is the product given space in the market? what are the relations with supermarket buyers/other retail outlet buyers? How is shelfspace achieved?*

The SA encourages producers to not sell directly to the processor that deals with supermarket meat but to instead work with farmers who are part of a cooperative. There are now a number of organic livestock marketing groups and cooperatives that they can work with. Organic livestock marketing cooperative, Craig Farm, Organic Livestock and Farmers Devon, Cambrian Organics are the main cooperatives.

These groups work from other outlets - for example butchers, mail order. They are particularly good for the smaller organic producer who may only want to sell 5 cattle a year.

The supermarkets want exactly the same specifications for organic pigs as they do for non-organic pigs – 13ml back-fat, chop size so they’ll fit into the meat tray.

Whereas those that sell direct, that is those who do not have a contract with a supermarket, can start with a completely different breed. Supermarkets won’t carry anything with a black skin because people complain if the bacon rinds have got colored bits on it – they think there’s something wrong with it. There has to be communication directly with the customer for them to understand why their bacon looks a bit different.

Also the carcass grading system does not complement the diversity of breeds used in organic production. The major supermarkets do not rate meat quality in the same way.



They don't ask: how does it taste? Is this a named breed? How is it going to work in a traditional way? Rather the major consideration for the supermarket is does it fit in the box.

The multi-tiered farm standards has led to the need for most animals to be assured to Assured Food Standards so that any parts of the carcass for which no organic market is found can be downgraded to conventional level. Producers have to get farm assurance as well as organic assurance if they want to sell to supermarkets. For example, the back end of an animal maybe sold as organic and the front end is sold not as organic but as a premium meat product for pies and mince.

*How has the regulatory environment, helped or made difficult the development of the labelling scheme?*

The Danish system requires that the sow and litter has access to pasture for a minimum of 150days between April and November, and that's it, then she can go in. All weaned pigs and finishing pigs can be indoors with access to an outdoor run, which is a concrete run. A consumer may expect organic pork to be free-range but this isn't the case for imported organic pork. The cost of running a non free-range organic system is much lower. The huge problem in the UK is that the organic pork industry has production costs that are around 185-190 pence a kilo on average and the imports are coming into the supermarkets at a lower price -140 pence a kilo. The only way they can make a market is if consumers choose to buy British pork over imported pork.

International competition with organic certification schemes has created problems as there are a range of different standards which can be called organic. The case of pork: SA prohibit nose rings for sows; the Danes allow nose-ringing for sows because they have an issue of nitrate leaching if the green cover is removed from the top of the paddock when they are outside. As a result there is little SA pork in the UK supermarkets.

“Tesco tends to have a mix. I think Safeway and Asda - Asda, we did a supermarket survey last year and only 23% of pork was from the UK. Everything else was imported. But I think Asda and Safeway are pretty much about the same. Waitrose is about the only one that is doing 100% UK on all their meat products. They bring in a bit of New Zealand lamb, but that's about it. Tesco do a bit of Argentinian beef as well.”

There are clear differences in the pig standards whereas there is little difference in the imported beef standards. Traditionally beef and lamb have been more difficult to justify buying organic, since a well-run, free-range 'standard' beef or sheep farm offers the same welfare to its livestock as an organic one. The only differences are in terms of what it has been fed and what drugs it's been given rather than how it's been treated. The key issues are with pigs and poultry.

As a consequence of this current situation there is more UK organic pork than can find a market because although the supermarkets want to sell organic pork they get a better margin from getting imported organic pork.

*Who are the consumers? What is known about those that buy the products?*

The organic meat industry has an image of the consumer concerned still by price rather than animal welfare, ethics etc. This is holding up developments in organic standards for some certifying bodies. Animal welfare comes down the list on reasons why people buy organic products. For perhaps the most successful organic brands 'Helen Browning's' organic pork range and 'Yeo Valley' it is the taste that is leading people to buy organic.

There are two separate markets in the poultry sector:

1. There are those producers who are supplying the supermarkets that tend to be reasonable size operations. Many of those will be on contract so the processor will supply the chickens and the feed and you are literally being paid a 'pay-dirt' by a management rather than being paid per bird.
2. There is the direct sales market which meets the large demand for chicken that is grown, slaughtered and processed locally. There is a shortage of poultry abattoirs that are not linked up to a big processors and that can rear and slaughter poultry in the same place, thus meeting the organic standards.

The vertical integration of the meat production chain has led to abattoirs being tied to supermarkets that results in poultry having to travel a long distance to slaughter which works against the organic standards. There is a problem with the price of an organic chicken. The supermarkets argue that people won't pay more than £10 for a chicken. If you start doing a slow growing strain and an organic chick costs that bit more, you need more than £10 for a chicken. The direct sales people will sell a chicken for £5-£6 a kilo which is £12-£13 for a chicken. There's resistance to this, you end up with this block. There is a tension between the SA and the producers. The SA argues that organic chicken should have organic chicks but people who are contracted to the supermarkets argue that that is all very well but who is going to take the added cost on board. The SA want the producer to take it on board, but the processor at the other end does not want to pay any more for a chicken because it makes no odds and the customer they argue sees no point in doing it.

*Is there any support (financial, marketing) from any other agencies? E.g. Regional Development Agencies? How was the label designed? How was the brand devised? What are the important components to the brand e.g. traceability information?*

The Soil Association brand promotes a sustainable agricultural system, animal welfare forms a part of this. Animal welfare is therefore not the major component of the Soil Association organic brand. This provokes the question: does welfare have to be sold within a broader package of things or can you focus specific attention on it?

*Case Study 4: Organic Farmers and Growers (OF&G)*



*What claim does the label make? What does it mean?*

The Soil Association standards are argued to be not higher but just ‘different’ to OF&G. OF&G believe their welfare standards are good and the welfare standard is inherent in the UK organic regulation and the DEFRA compendium standards are pretty good. The SA for example has less birds per house for instance in the case of poultry and argues that therefore there is a higher welfare standard. OF&G argue it is important not to be overly naïve about these things as numbers don’t necessarily equal welfare. They think they are moving like the other organic certification bodies to a welfare assessment component to the scheme.

*How is the scheme administered, set-up?*

OF&G is a non-for-profit company. They are a certification body. There is an annual inspection and there are a number of additional inspections for various reasons for example if they have set up a new enterprise. There is a % of unannounced inspections that are chosen randomly. Perhaps they have had a problem in the past or because there have been some complaints. They are 1000 farms and about 250 processors which work for 2500 farms. So they are less than half of the size of the Soil Association. Although OF&G believe they have a higher number of larger farms than SA as they have 40% of the organic licenses and 50% of the organic land. In total there are approximately 4500 organic farms in the UK, 1000 are with OF&G, 2500 are with SA and there is then another 1000 that is spread between the other certification bodies.

*What are the costs of setting up the label?*

UK agriculture has suffered as a result of regulation and legislation being treated more strictly in the UK and enforced quicker in the UK than in other countries across Europe. This means that although UK gets higher standards it also suffers by having higher costs e.g. UK organic pigs are significantly more expensive which leads to 50-60% of organic produce being imported which could have been growing here. It is important that the business context isn’t lost when standards are being made; you can not bring in higher welfare standards unilaterally. In this sense the WQ project is thought to be very interesting because of the aims of having a European wide welfare baseline.

The costs for getting certified vary. If you are a farm it is based on the area of the land, although they also do discounted rates for farms in less favoured area because traditionally they have lower incomes. They start at just under £400 and that rises to

about £8-9000 in some cases. For processors their costs are based on their turnover which starts at £500 and goes up to about £1300.

*What were the motivations for setting-up the label? Ethically driven? Market driven?*

OF&G started in 1972 and was originally a members' co-operative to assist members to grow products and to sell their produce. As the standards developed there became less need for that role and so they evolved into a certification body and stopped doing any marketing, therefore today they have no commercial activity other than on the certification side. They work to the standards called the DEFRA compendium which has replaced UKROFS. Essentially their standards are the DEFRA standards although they do have some additional standards which are in place to explain or clarify the DEFRA compendium. Therefore, their standards only evolve with the DEFRA compendium on organic standards. They are very keen not to create any additional standards that would disadvantage their licensees against other certification body licenses whether it be in the UK or Europe.

*What are the conditions farmers must comply with (we don't need to go too far with this as it will be picked up in WP3)?*

The majority of organic certifying bodies in the UK all work to interpret the organic standards in the same way.

In the majority of cases there is little difference between a Soil Association certified farm or an OF&G or an OFF farm. It is only if they have chickens that a difference is obvious. The SA standards state that there shouldn't be more than 2000 birds in a house. The EU regulation, which OF&G and OFF work to, doesn't allow more than 3000 birds in a house. However, the EU regulation also contains a derogation so anybody who converted to organic prior to the 24th August 1999 and who had chicken houses built at that time can get a derogation from that stocking density so you can stock higher than the level of 3000. The SA withdrew that derogation from their licensees last year. OF&G still have it in force and it will remain in force until 2010, so there are some flocks at 5 or 6000.

*How is the product given space in the market? What are the relations like with supermarket buyers/other retail outlet buyers? How is shelfspace achieved?*

The organic conversion information service (OCIS) gives up to a day and a half's free advice from an experienced organic farm advisor. This provides farmers with the opportunity to consider various issues before deciding whether or not to go ahead with conversion. The OCIS provide the farmer with a pack of information with the names and addresses of all the certification bodies of which there are currently 12 practicing in the UK.

OF&G certify abattoirs, bacon producers, butchers and sausage makers on the meat processing side. For example there are some teas that are labelled OF&G. This came about because a retailer wanted a successful non-organic tea to offer an organic line of the same brand. It is normally up to the producer to choose to go with OF&G, some

retailers are biased towards which certification body they will work with. Some retailers may show a bias towards the Soil Association which is mainly due to the fact that the SA have a bigger marketing machine, whereas some argue that people are less clear about who or what OF&G are. In the dairy sector there is very little difference between the organic standard bodies, it is in the area of pigs and poultry where there are differences.

Supermarkets make requirements on size and so smaller breeds of animals for example Welsh lambs don't find favour with the multiple retailers. To some extent this is to do with the economy of scale because it takes as long for a butcher to do a small lamb as it does a big one and when you are butchering hundreds of lambs that adds up. Welsh lamb is very good quality – sweet meat which is seriously expensive.

There are problems perhaps less with the MLC grading system and more with the buyers. For example in organic farming you are encouraged to use indigenous breeds wherever possible and there are a lot of organic farms with traditional breeds because they are better grass converters and don't need all the fussing that continental breeds need. However they don't grade as high on the Euro scale and so typically the farmer doesn't get paid as much but there is little problem with the quality of the meat. So OF&G consider that other factors should be taken into account when judging meat quality for example texture and taste. "It is pointless to poke one bit of meat with your finger and say that bit of meat is better than that bit of meat because that's an R-plus and that's an O-minus". Fat-scoring is an issue too because "if the meat is too lean it doesn't taste very good but if its too fat it doesn't cook very well but if its just right you get a perfect piece of meat". Thus the MLC grading system is useful but is very limited and other parameters need to be brought in like actually eating the meat.

*How has the regulatory environment, helped or made difficult the development of the labelling scheme?*

The regulations state that the organic certification must be used on packaging e.g. UK2 (OF&G) UK5 (Soil Association) or UK 15 (CISCO- the SA's EU regs standard). The use of a logo is optional. OF&G thinks that the organic certification process is working well in the UK. There are too many certification bodies, but that is a commercial issue already 2 have dropped out, there were 14. Different parts of Europe have different models. Some have a state certification body, whereas others have private bodies and in some there is a blend of both. By having many different certification bodies it ensure competitiveness and it feeds desire to be orientated towards the licensee's needs.

Some of the British Farm Assured standards have been incorporated into OF&G for example lighting in livestock buildings because it is good common sense and cattle won't break the glass. The hope was that more people in the industry would accept the organic standards in place of the Assured Farm Standard but in fact they haven't. As a result for example abattoirs are asking for organic animals to also be farm assured because any part that does not get sold into the organic food chain has to go into the non-organic food chain and the supermarkets in particular require the leg to be AFS. Farmers do get frustrated by this because they feel there is a bit of a repetition there because they have got high standards with the organic system and then they have to get

AFS on top of that. The Soil Association have got their own AFS as a bolt on to their existing standards. OF&G feel that is a brave move for them and they are now being accepted in abattoirs and retailers.

*Who are the consumers? What is known about those that buy the products?*

To meet the needs of the customers i.e. licensees they have introduced 'UK2 Partnership' certification as well as UK2. 'UK2 partnership' means that the product is brought up to Soil Association standard so that they can show it to a processor who is involved in producing a UK5 product. This is to smooth the standards process for those processors who need to match the UK5 certification process. There isn't a similar procedure for Soil Association certified produce being part of an OF&G product because SA isn't deemed to be higher than OF&G. Before these recent moves people were putting OF&G product into SA product and asking individual questions. However as the market grows this increasingly becomes a burden on resources.

They also certify to the US National Organic Program. This is mostly grains and cereal crops.

*Is there any support (financial, marketing) from any other agencies? E.g. Regional Development Agencies? How was the label designed? How was the brand devised? What are the important components to the brand e.g. traceability information?*

Their company ethos and company strap line is that they regard themselves as the practical organization for organic certification. For OF&G it is about keeping it simple and straightforward whilst maintaining rigorous standards which they think appeals to farmers. They provide a very high level of service in that phone lines are always available to offer advice; they actively encourage members to call and check if they have any uncertainties.

Farmers make their decision about which organic certification scheme to go with based on a number of different criteria. For instance somebody who is producing vegetables and selling them locally might want to go with SA because they perceive their logo as more recognizable. The SA logo gets more recognition than OF&G. Whereas for other farmers they are supplying into a chain, rather than supplying an end product, and so that logo is not so important to them so they may choose their scheme based on other criteria.

OF&G do not directly try to work on a brand image because they don't have resources for that, they just encourage operators to use their name and logo as much as possible. How many consumers are logo-aware generally? About 10% of people buy about 60% of all organic products. OF&G feel they are coming from a different angle, the bottom up and also want to work with common standards across the board rather than a two-tiered system.

#### 4.5. SUMMARY AND CONCLUSIONS

The four UK Assurance Schemes that are studied in this report have developed under different initiatives. Broadly, commercial, legislative and moral initiatives have led to the creation of the assurance schemes.

Both the Soil Association and Freedom Food schemes can be understood as having originally been motivated by moral and ethical concern. The obvious difference between these two schemes is that the aspirations of the Soil Association and other members of the organic movement led eventually to the development of a legal standard. However Freedom Food and others interested in higher animal welfare standards haven't got a legal framework for producers to work to and so operate more as an add-on to base-level assurance schemes rather than operating within a legislative framework. It appears that not all retailers choose to communicate what assurance schemes the product has been produced under. This has implications for the level of consumer knowledge and awareness of the scheme. All organic products by law must carry at least the organic certification code but crucially ONLY if they are to be sold as organic; the use of the logo is optional but often included with the code. It is clear that there is a significant percentage of organic produce that is not sold as organic – could some alternative marketing strategy be used for these products? However there is no requirement for Freedom Food or Little Red Tractor assured foodstuffs to be labelled as such; therefore the use of the logo is optional. In an increasingly brand-aware world this has implications on the level of publicity and promotion of certain schemes over others. This was expressed as an issue for Freedom Food who loses out in terms of publicity when their logo is not used.

Assured Food Standards or Little Red Tractor was developed for commercial reasons as is outlined in the report; this followed the need to protect the food retailers following the 1990 Food Safety Act. Use of the LRT logo on packaging is again optional and used more as a marketing tool for consumers. However membership of the scheme is increasingly the only way to gain access to certain parts of the food retail market, specifically sales to the large food retailers whose own private assurance schemes are broadly comparable to the AFS. The food catering service in the UK, with exception to some of the large multinational firms like McDonalds do not widely use assurance schemes. The membership statistics for AFS shows that in certain sectors of the UK livestock industry there is almost complete coverage, but the beef industry is very much lacking behind.

Although initiated by a moral concern the Organic Farmers and Growers assurance scheme supports the European organic legislative tier rather than developing a higher tier of organic legislation. It is a smaller organisation than the Soil Association operating as a not-for-profit limited company that carries no charitable wings to its operations. It is the second largest organic certifier in the UK. The major differences in the two-tiered organic certification are in the poultry and pig sectors. In the market for organic certification OF&G provide an alternative to the Soil Association by working to arguably lower animal welfare standards, thus reducing organic conversion costs for some livestock notably pigs and poultry. The latest guidance by the Advertising

Standards Agency about the use of claims about animal welfare support this argument. However as a smaller company OF&G loses out at times because their brand is not as well-known as the Soil Association logo.

It is necessary for the assurance schemes to have in place the mechanisms to work together. The base-line assurance scheme of AFS is complemented by other schemes, because it is difficult for a farmer to find a market for their produce if they are not also a part of AFS. For an organic farmer or a Freedom Food farmer, for example, membership of AFS guarantees entrance to a range of non-organic or non-Freedom Food markets where parts of the carcass may need to be sold because of the current limits to the market for organic or Freedom Food meat or dairy produce. There is obviously some frustration amongst farmers that they need to be doubly-assured particular for those meeting organic certification which is a complete set of standards. As a consequence the various assurance schemes are working closely together to simplify the certification and inspection process by offering the different certification through partnership schemes e.g. OF&G Organic UK2 Partnership scheme (certification at Soil Association standard), Soil Association now give AFS certification along with the UK5 organic certification.

The agricultural sector operates within a changing business context. This means that national assurance schemes can have a strong impact on the import/export market of agricultural goods as exchange rates change and higher standards advantage and disadvantage different parts of the industry. Robin Johnson has commented on this issue within the context of increasing quality standards within the meat industry: producers rather than consumers bear the cost of quality improvements (2004). He also comments upon how the benefits and costs are likely to be distributed unevenly between countries. The current problems that face the UK pig industry is an example of this where the additional costs to meet the higher welfare standards have effectively become a trade barrier. One of the differences between the two organic assurances schemes, OF&G and SA, is that OF&G arguably consider the business context more than the pursuit of higher standards, since OF&G position their standards at the EU organic standards level. There is a growing body of literature that discusses organic food standards (Guthman 2004, Campbell and Liepins 2001). Much of this literature focuses on how the standards have been developed and what has influenced their development. Emerging from this study are the inter-relationships between different organic assurance schemes and other assurance schemes and how this has developed a multi-tiered scale of competing welfare-friendly food product claims in the UK. It is interesting to consider what the longterm implications are of their various assurance scheme standards – do they lead towards the continuous rise of standards?

Previous research on standards within the food industry has pointed to the need to explore how the adoption of quality and safety standards is influencing the market. The findings of sub-task 1.2.2.2 addresses how assurance schemes shape market developments which then in turn affect consumer welfare and industry structure. Balsevich et al 2003 argued that ‘markets segmented by quality and price may serve the varied needs of consumers more effectively than a single minimum quality standard’ (2003: 1153). The findings from this study support that claim but also indicate that within the UK dairy and livestock market the retailer own-brand starts to embrace



quality and safety standards thus reducing the explicit marketing of assurance scheme standards. The relationship that assurance schemes have with consumers is becoming increasingly confused in the UK as retailers choose not to use logos, or where they are used they are part of a marketing strategy and do not give a clear picture to the consumer about what standards non-logoed products meet. Assurance schemes began as an industry initiative but logos were then developed to appeal to conscientious consumers. The recent move particularly by retailers to reduce the use of logos on their own-brand products, or to use them as a market segmentation strategy pushes the assurance schemes back towards a predominantly industry concern. Typically notions of trust and confidence in food are part of the assurance scheme package, but now it is the retailer brands themselves that are working to claim this territory in the UK. This development makes increasing sense as the meat supply chain from suppliers to major retailer is increasingly integrated. Traditionally the UK meat supply chain is complex (see Lindgreen and Hingley 2003), however following the increasing consumer concern around issues such as food scares and animal welfare some of the retailers have developed their meat supply structure. A study of Tesco demonstrates this:

‘Tesco now buys directly from suppliers using a centralised distribution system, and the meat products are first delivered to central warehouses before being distributed to individual retail stores (Fearne and Hughes, 1998). Overall, the supply chain is viewed as one supply chain (and not as a number of more independent supply chains....) in which all parties work together in order to deliver the product-quality that the consumers are asking for. This also means that the relationships between Tesco and the meat suppliers become long-term supply relationships, and that the supply chain must allow for transparency, communication, and trust’ (Lindgreen and Hingley 2003).

This leads to the aims of the next part of the project (1.2.3) to increase understanding about the role retailers and other market actors play in the market for welfare-friendly foodstuff.



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Project Office Welfare Quality  
Animal Sciences Group of Wageningen UR  
Edelhertweg 15  
P.O Box 65  
NL - 8200 AB Lelystad  
The Netherlands  
Phone +31 320 293503  
Fax +31 320 238050  
e-mail: [info@welfarequality.net](mailto:info@welfarequality.net)  
Internet: [www.welfarequality.net](http://www.welfarequality.net)

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