

ADDING VALUE TO RED MEAT

REPORT FOR MEAT SOUTH WEST

PREPARED BY MLC CENTRE FOR MEAT

MARKETING

MAY 2006

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1 INTRODUCTION

In November 2005 MLC Centre for Meat Marketing developed responses to 2 briefs from Meat SW targeting regional branding and added value opportunities.

Following further discussion it was agreed that the two would be combined under the heading "Adding Value to Red Meat". This has been addressed through a scoping exercise using desk-based research, MLC in house knowledge and experience and a range of sources/contacts.

The objective has been to provide commentary on a wide range of relevant issues that Meat SW and their members can utilise as background information and direction for individual marketing plans and initiatives.

2 BACKGROUND

Post World War 2 successive governments and eventually the EU encouraged a significant increase in agricultural production in an effort to improve self-sufficiency. As a result of this many sectors continue to enjoy subsidies and other payments over and above those directly related to their production.

In recent years the meat industry has been under attack from a wide range of issues and competitors. These include:

- health
- vegetarianism
- food crises and scares
- poultry
- lifestyle changes
- animal diseases
- growth of supermarkets
- globalisation
- changes in EU regime
- increasing regulation

The combination of these has meant that profitability in the meat chain has fallen. As a result increasing numbers of producers and processors are looking for new and more profitable ways of producing and marketing a differentiated product.

This report aims to provide an outline of the current market before moving on to investigate product opportunities and innovative potential channels to market.

3 EXECUTIVE SUMMARY

- 1 Despite a wide range of social and cultural issues the fresh and frozen meat and meat products markets both in GB and the SW are in a healthy state and currently demonstrating growth. In total in GB the markets are worth over £6bn for in-home consumption and in the SW over £200m.
- 2 The market is dominated by the major multiple retailers who continue to grow both their sales and their share of the market. The growth is focussed on the premium, value and organic tiers.
- 3 Strategically there are only three major options. Of these only the premium sector is of real interest to Meat SW.
- 4 Whilst multiple retailers dominate, the opportunities for added value lie in the channels of foodservice, independent butchers, processors/abattoirs, direct sales and local supply chains.
- 5 Reducing costs is an on-going task but if added value opportunities are to be developed then more demand must be created from consumers.
- 6 The UK premium sector is a buoyant market and provides a setting for a wide range of potential opportunities. This is partly a reflection of increased affluence and consumer adherence to a policy of “if it costs more it must be better for me”.

- 7 Whilst having high barriers to entry for many the organic market is showing significant growth.
- 8 Premium products have a natural consumer expectation of higher quality particularly based on ingredients, consistency of offering and flavour/texture. Frequently this is based on an emotional commitment.
- 9 Local and regional foods are becoming increasingly important in the market with 70% of consumers claiming to be buyers. Red meat is a major player in this.
- 10 Localness in itself is never enough to build a brand/product and a wide range of consumer product benefits are expected on a continual basis.
- 11 Excellent case studies are already in place of major organisations supporting and developing the local concept.
- 12 Butchery and product development can be extremely useful in adding value and creating differentiated products and ranges.

4 THE GB MARKET

4.1 Total fresh and frozen meat

In the year ending 23rd April 2006 the value of the total fresh and frozen meat market purchased for in home consumption was £2.8bn. An increase of 1% on the previous year.

National Summary Total GB – 52 w/e

Total Fresh & Frozen Meat £2.8 billion YrYr +1			
4 w/e 23 Apr 06	Beef	Lamb	Pork
Expenditure	£1494 million YrYr +2	£553 million YrYr +0	£675 million YrYr +1
Volume (Tonnes)	299643 YrYr +2	95082 YrYr +4	163077 YrYr +5
Average Price (£/Kg)	£5 YrYr -1	£5.83 YrYr -3	£4.14 YrYr -3
Average 4 weekly Penetration %	57.4 YrYr +0	24.5 YrYr 0	38 YrYr +1
Average 4 weekly AWP (Kg)	1.6 kg YrYr +2	1.2 kg YrYr +4	1.3 kg YrYr +4



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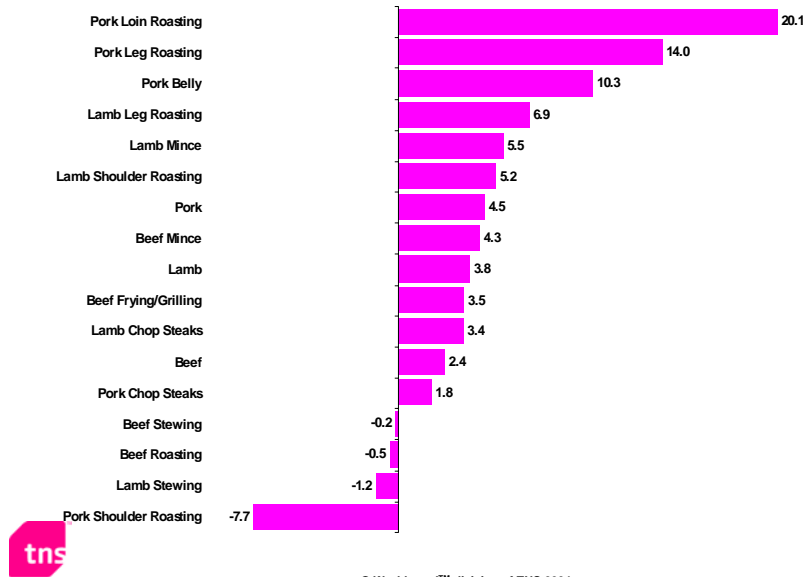


This growth was driven by beef with a 2% increase across the year. Lamb has been performing well in recent years after many years of decline.

In terms of individual cuts then pork and lamb led the way with the 6 largest increases.

Total Market

52 w/e Performance by Cuts - Volume (Tonnes)



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4.2 Meat products

In addition to fresh and frozen meat this sector is worth an additional £3.155 bn and is dominated by sliced cooked meats.

National Summary Total GB – 52 w/e

4 w/e 23 Apr 06	Bacon	Sausages	Sliced Cooked Meats
Expenditure	£998 million YrYr -2	£510 million YrYr +4	£1647 million YrYr +4
Volume (Tonnes)	197665 YrYr -2	179515 YrYr 0	223484 YrYr +4
Average Price (£/Kg)	£5.06 YrYr -1	£2.84 YrYr +4	£7.37 YrYr +0
Average 4 weekly Penetration %	60.3 YrYr -2	48.3 YrYr -1	77.3 YrYr +1
Average 4 weekly AWP (Kg)	1 kg YrYr +0	1.2 kg YrYr +1	0.9 kg YrYr +3



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Bacon has declined after many years of growth built on its convenience largely due to the background noise on fat, salt and obesity.

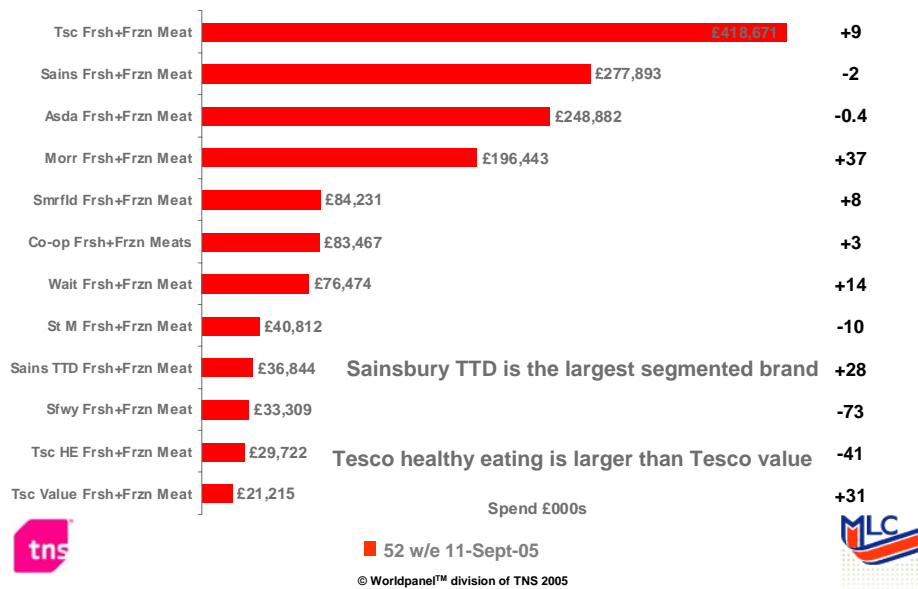
Sausages are static in volume terms but the increase in value of the sector is a direct result of the decline in the economy sector, matched by a growth in the premium sector.

4.3 Brand performance

There are few real “brands” in the red meat market as it is driven by retailer branding. However an investigation of these brands in the year to 11 September 2005 shows a rank order of Tesco, Sainsbury, Asda and Morrisons on fresh and frozen meat. Within this the greatest growth of +28% was achieved by Sainsbury’s Taste the Difference, the largest segmented brand.

Total Fresh Meat Brands – Spend £000s

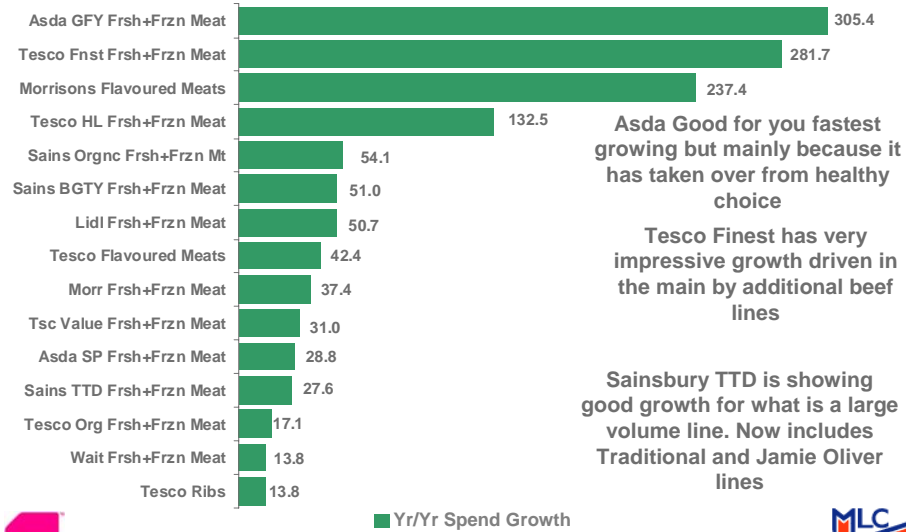
Total Fresh Meat
Yr/Yr +2.2%



In looking specifically at the fastest growing fresh meat brands significant increases have been achieved by Asda Good for You, Tesco Finest and Morrisons Flavoured Meats.

Fastest Growers from Top 30 Total Fresh Meat Brands

Asda GFY, Tesco Finest, Morrisons Flavoured Meat and Tesco Healthy Living showing Strongest value growth



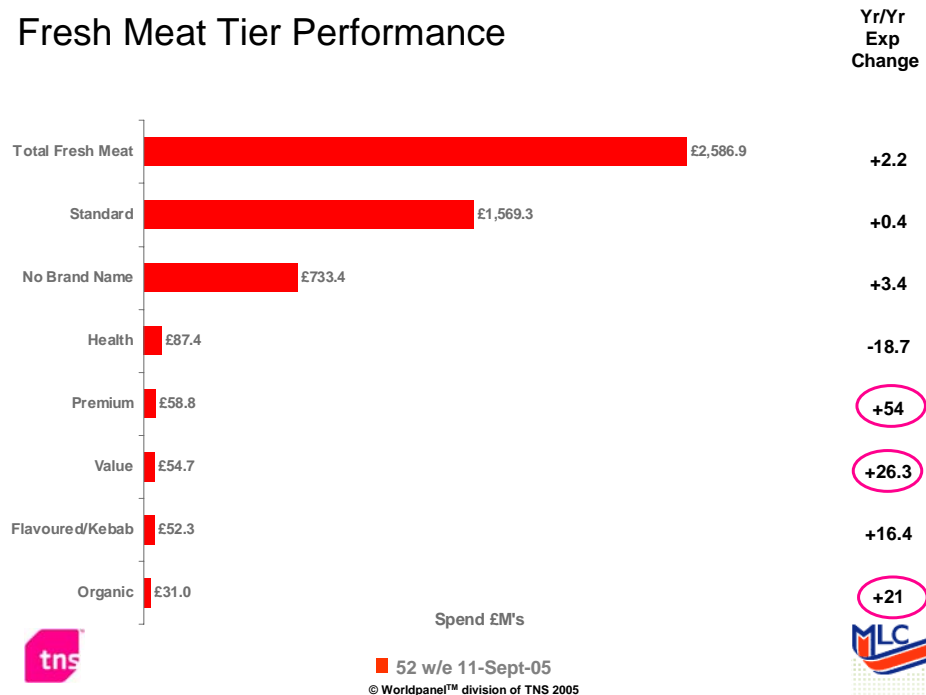
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4.4 Meat Tiers

The market is dominated by standard and “no brand name” (tertiary brands). However the largest growth is being recorded in the premium, value and organic tiers.

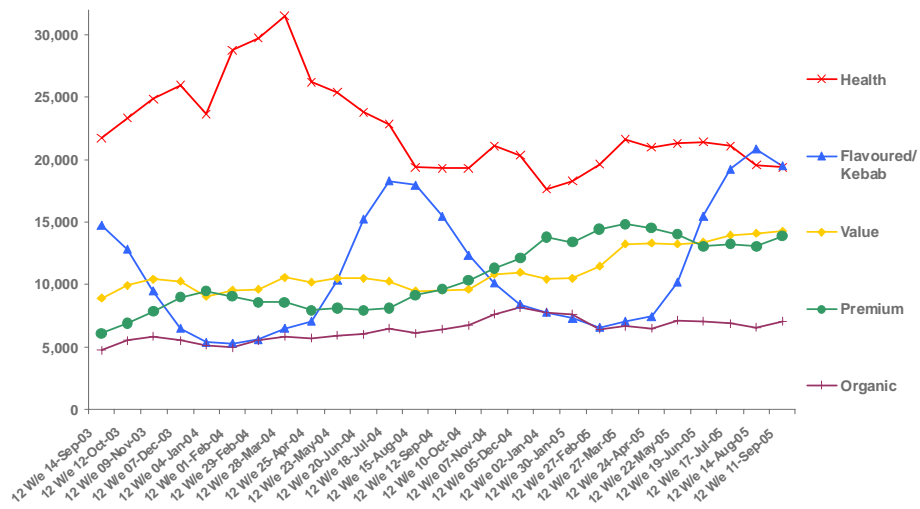
Fresh Meat Tier Performance



Health ranges have declined in the past year. The flavoured/kebab sector reflects summer seasonality and barbecue usage. Consistent growth can be seen in the premium and value sectors.

Total Fresh Meat – Brand Tier Performance 12 w/e Rolling Spend

52 w/e Spend YoY	
Health	-19%
Flav/Kebab	+16%
Value	+26%
Premium	+54%
Organic	+21%

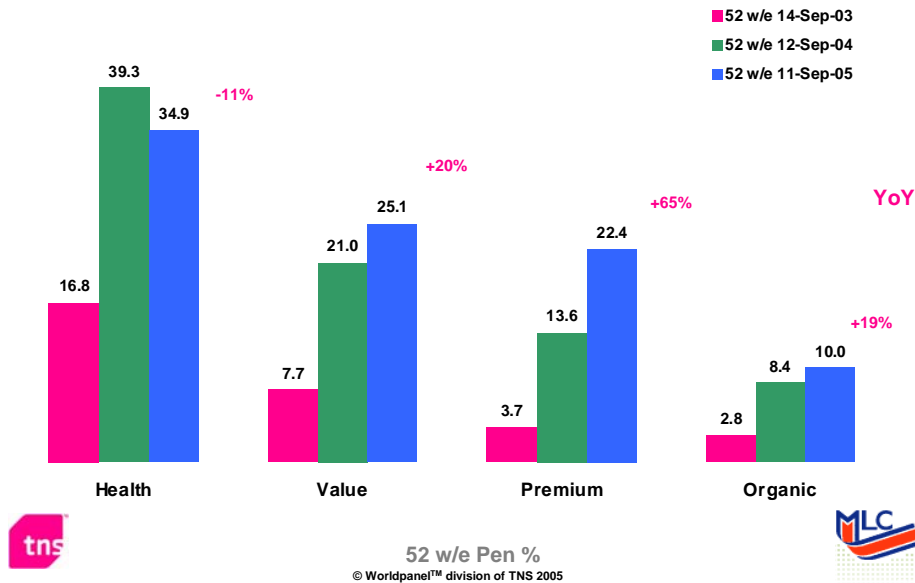


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Whilst being relatively small in volume and market share the premium and organic sectors show relatively high levels of consumer penetration as they are frequently bought for special occasions, in addition to regular purchases.

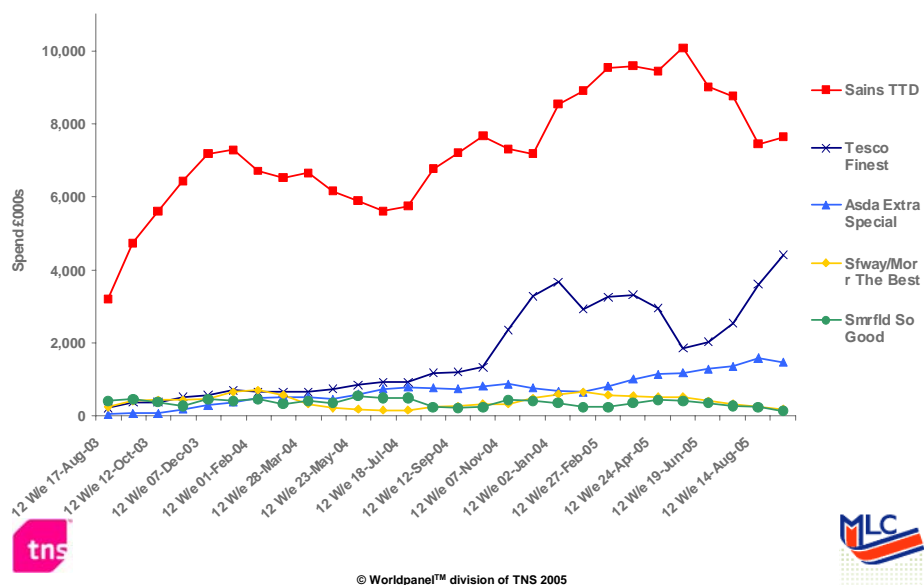
Penetration by Sector



The premium market is dominated by Sainsbury Taste the Difference but Tesco Finest is showing significant recent growth.

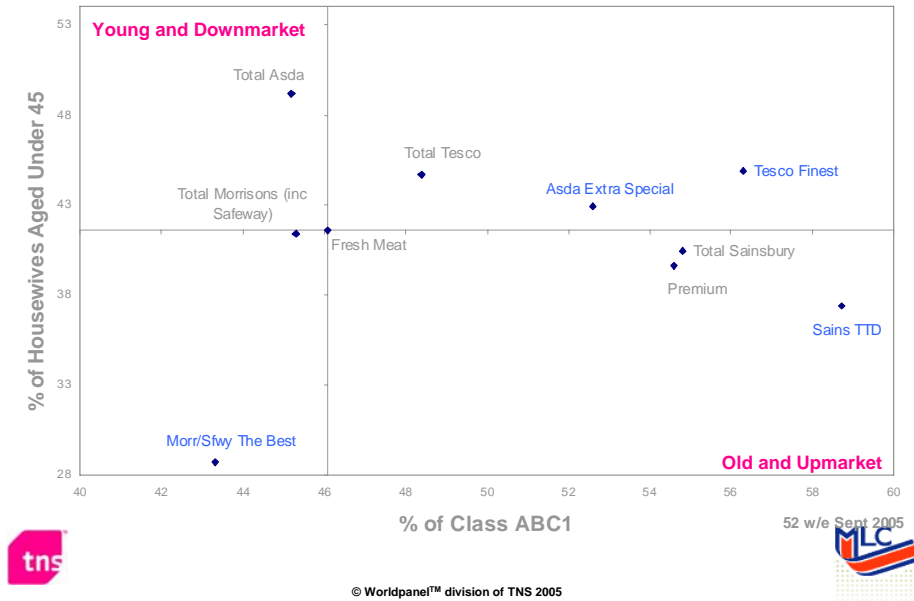
Premium Fresh Meat – Brand Tier Performance

12 w/e Rolling Spend



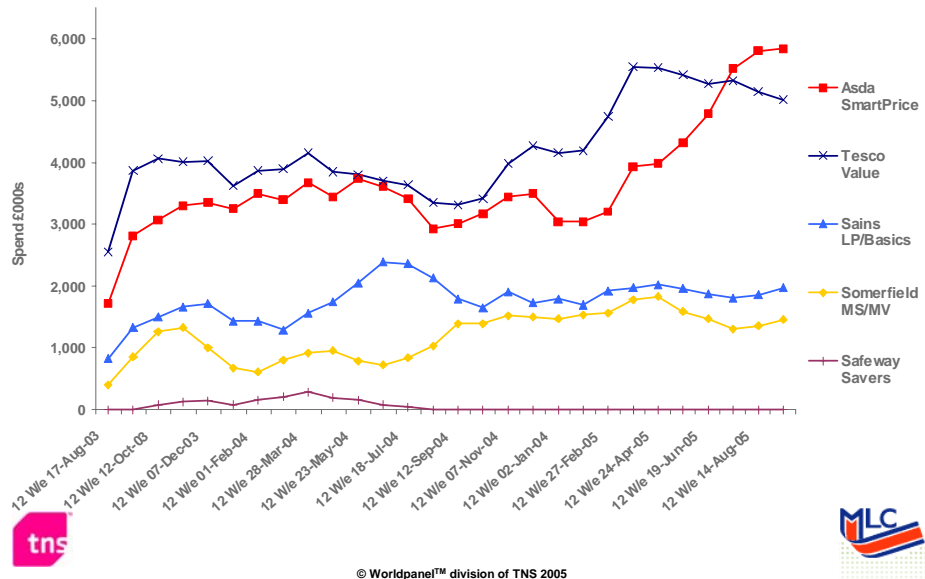
In consumer demographics the premium brands are driven by older and upmarket consumers.

Fresh Meat - Demographic Map - Buyer Profile %



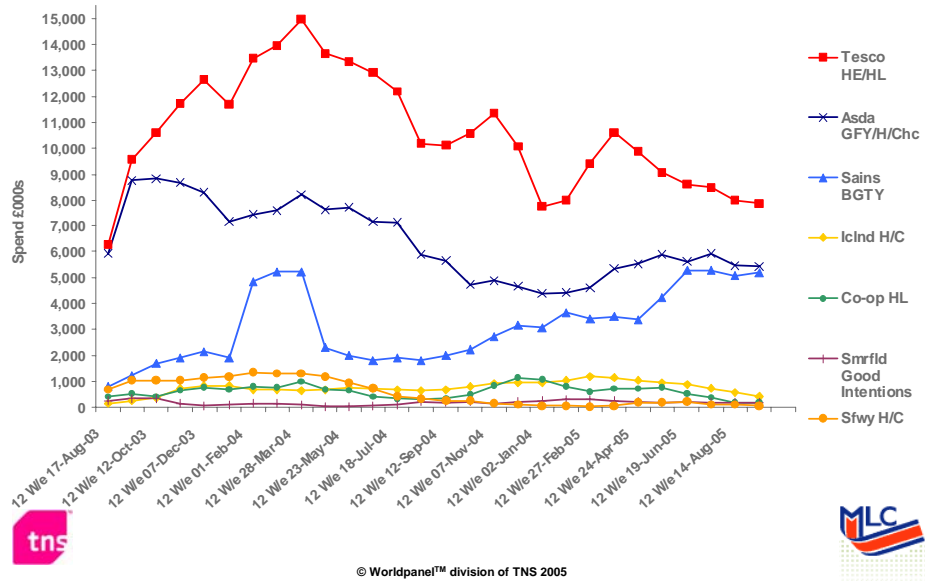
The value/economy tier is dominated by Asda Smart Price and Tesco Value.

Value Fresh Meat – Brand Tier Performance 12 w/e Rolling Spend



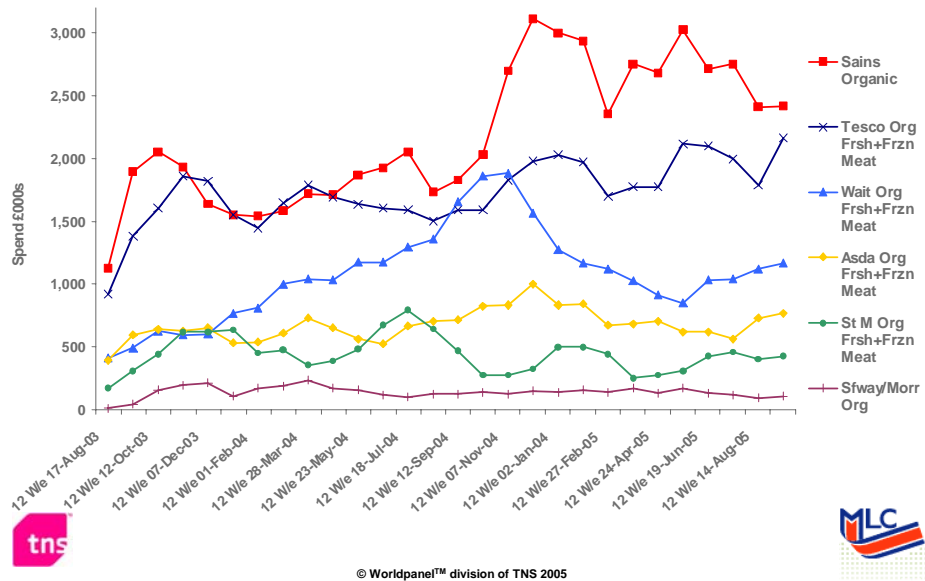
The healthy ranges, except Sainsbury Be Good to Yourself, are showing significant declines as consumers switch to premium brands.

Healthy Fresh Meat – Brand Tier Performance 12 w/e Rolling Spend



The organic tier is led by Sainsbury and Tesco who are both showing consistent growth.

Organic Fresh Meat – Brand Tier Performance 12 w/e Rolling Spend



5 THE SOUTH WEST

5.1 Total Meat

The market for fresh and frozen meat has shown growth in excess of GB for the past year (+5%). This has been driven by lamb (+9%) and beef (+7%).

Encouragingly both average 4 weekly penetration and average weight of purchase have both increased demonstrating that not only are more households buying but that they are also buying more each trip.

National Summary South West

National Summary Total Market

	Total Fresh & Frozen Meat £89 million YrYr +5		
<u>Data to 23/04/2006</u>	Beef	Lamb	Pork
Expenditure	£47 million YrYr +7	£17 million YrYr +9	£24 million YrYr +2
Volume (Tonnes)	9960 YrYr +8	3061 YrYr +13	6000 YrYr +5
Average Price (£/Kg)	4.7 YrYr 0	5.5 YrYr -4	4 YrYr -3
Average 4 weekly Penetration %	63.1 YrYr +1	34.5 YrYr +2	45.8 YrYr +3
Average 4 weekly AWP (Kg)	1.7kg YrYr +8	1.3kg YrYr +6	1.5kg YrYr +10

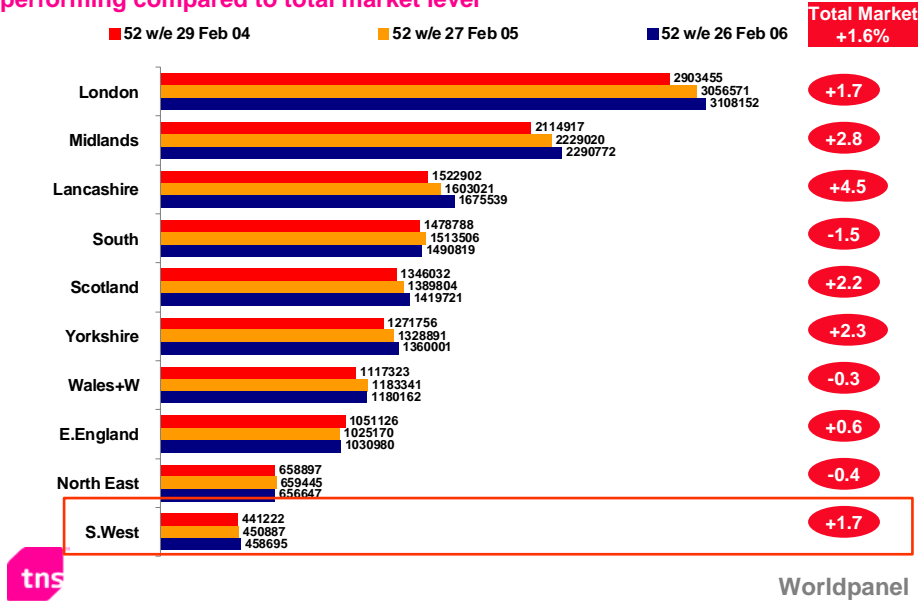


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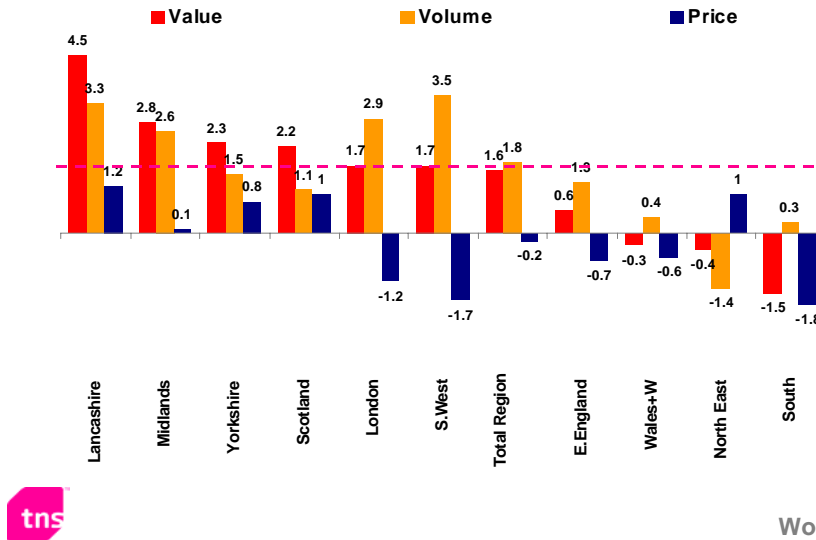
The market for meat in the South West has shown growth slightly ahead of the market in the last year.

Total Meat Spend (£000's)-Lancashire & the Midlands are over performing compared to total market level



However this has been partly driven by a price decline.

Total Meat YoY % Change by Region- The South-West is slightly over-performing in value terms, and in the latest year had the strongest performance in volume



5.2 Meat Products

As with GB it is sliced cooked meats that dominate the sector. Similarly bacon has declined but significant growth is seen in sausages as more consumers buy and purchase more of the premium lines.

National Summary South West

<u>Data to 23 April 2006</u>	Bacon	Sausages	Sliced Cooked Meats
Expenditure	£31 million YrYr -2	£17 million YrYr +7	£52 million YrYr +1
Volume (Tonnes)	6395 YrYr -1	6308 YrYr -1	7515 YrYr -2
Average Price (£/Kg)	4.8 YrYr -1	2.8 YrYr +8	7 YrYr +3
Average 4 weekly Penetration %	61 YrYr -2	56.7 YrYr +10	80.4 YrYr +6
Average 4 weekly AWP (Kg)	1.0 kg YrYr -14	1.2 kg YrYr -9	1.0kg YrYr -8



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6 STRATEGIC OPTIONS

6.1 Market Segmentation

Put simplistically there are only three major strategic options

- premium
- mass/standard
- value/economy

These can of course be further sub-divided and this is frequently done by the major supermarkets in their largest product categories.

In terms of working partnerships and developing distribution channels there are five major options:

- multiple retailers/supermarkets
- foodservice
- independent butchers
- processors/abattoirs
- direct sales

This document makes the assumption that significant relationships exist in the supply chains from farmers to abattoirs, processors and major retailers. To improve existing marketing and profitability it is new options that are required together with assessments of how they could benefit Meat South West.

Against the background of the three strategic options, the value/economy sector is likely to be of little interest. British farmers cannot compete in price with world commodity prices. If a quality product is being produced a better return is needed.

The mass/standard sector also has its problems. This is the one dominated by the supermarkets where little control lies at the start of the supply chain.

By contrast the premium sector, in its widest sense, holds a variety of attractions. In itself this market is highly fragmented thereby presenting a variety of options to those wishing to present a differentiated product.

This document will focus on the structure of the premium sector and the wide range of opportunities available for individual supply chains to differentiate their product offering and to have the opportunity of achieving additional returns.

A particular area of potential relevance to Meat SW is the local/regional opportunity. The SW has for many years been a core area of meat production and enjoys an excellent food reputation both amongst those who live there and the millions of visitors received each year. An examination of this sector should reveal potential growth opportunities.

A further consideration is the role of fresh and frozen meat and that of added value products. Depending on the business either or both may be deemed to be an opportunity.

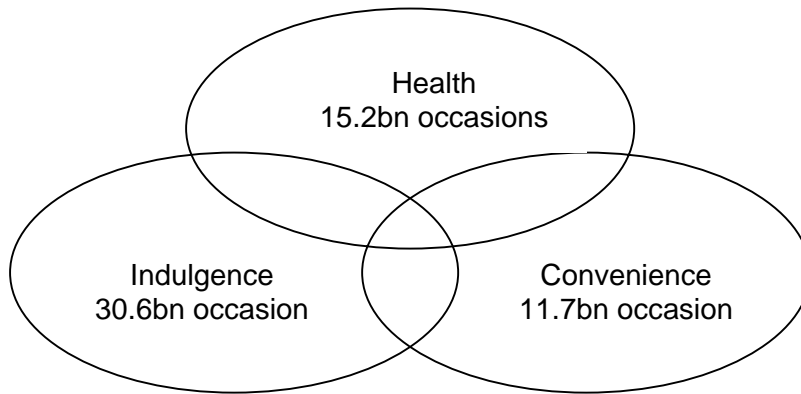
6.2 Creating Value

Dunnhumby state that there are only 3 ways to create value:

- | | |
|--|-------------------------------|
| Reduce costs | - done to death |
| Buy profitable (or sell unprofitable) business | - limited opportunities |
| Create more demand from consumers | - the only sustainable future |

7 THE UK PREMIUM SECTOR

The British consumer is changing. TNS Family Food Panel have identified three main drivers of consumption:



Today, enjoyment dominates the market with 30.6bn serving occasions, 53% of the total. In 1995 it was convenience that dominated with 56% of occasions.

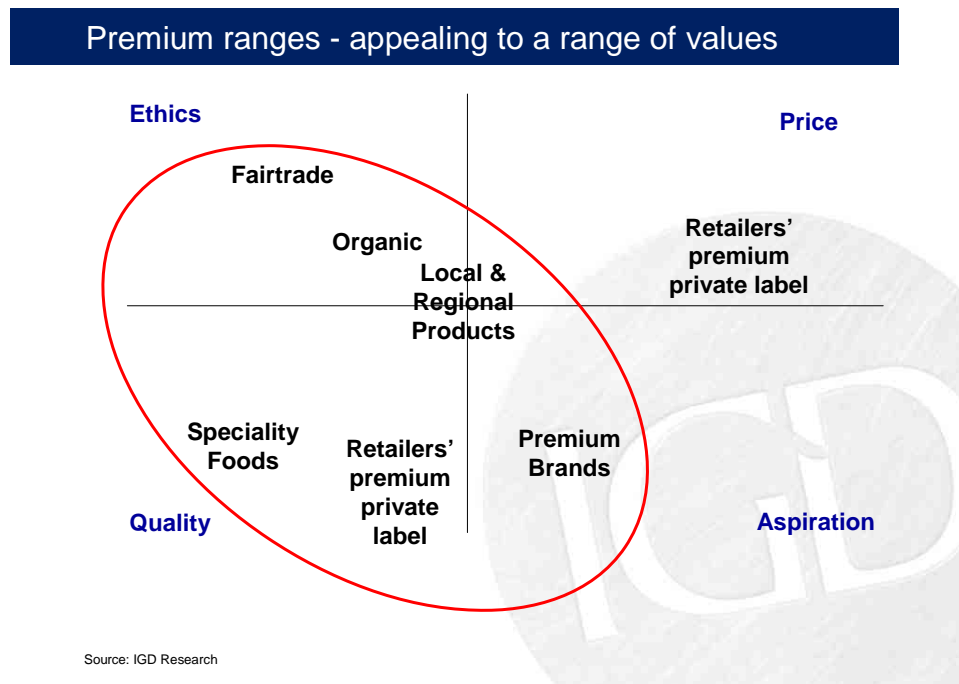
This change has been brought about by a range of cultural issues but the key point is that if consumers want to enjoy their food then they are also willing to look for new products and to pay premium prices for what they want.

Taking into account a wide range of sectors the IGD estimate a market value of £9.8bn-£11.6bn for the premium food sector. This encompasses the following segments:

- organic
- fair-trade
- local and regional sourcing
- specialist and fine foods
- retailers premium private labels

- premium branded products

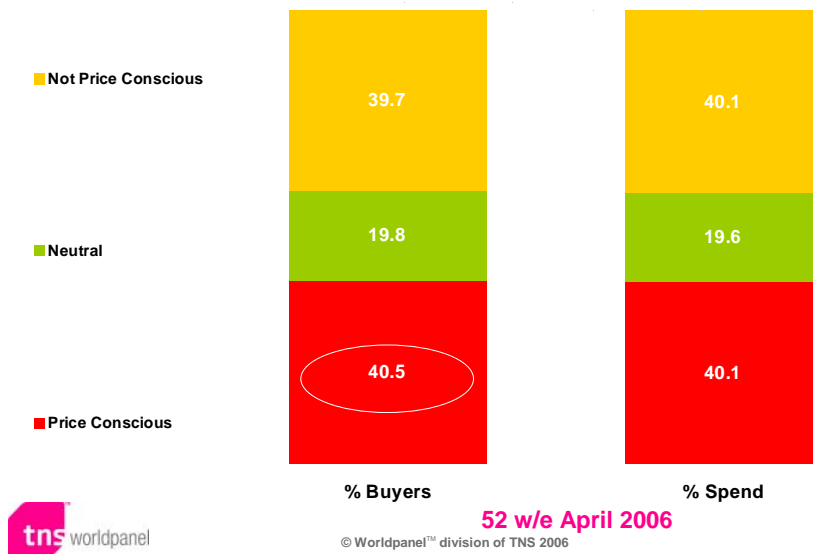
The different segments will appeal to different consumers for different reasons.



A key element for all of them is the role of quality. In general most consumers are prepared to pay more for a better product. Perhaps not for everyday but certainly for particular “events” combining these with their regular purchases.

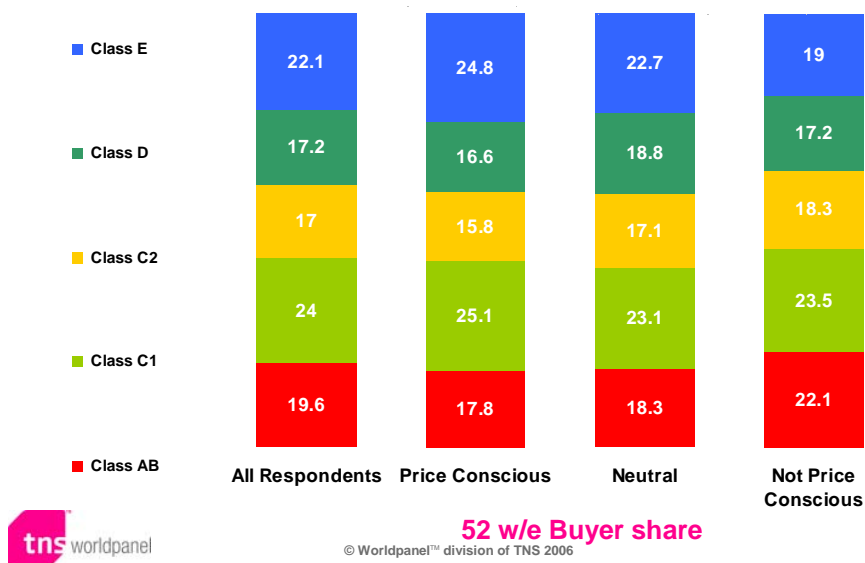
Non price conscious consumers dominate the market with a 59% share.

Price Conscious consumers represent 41% of all respondents



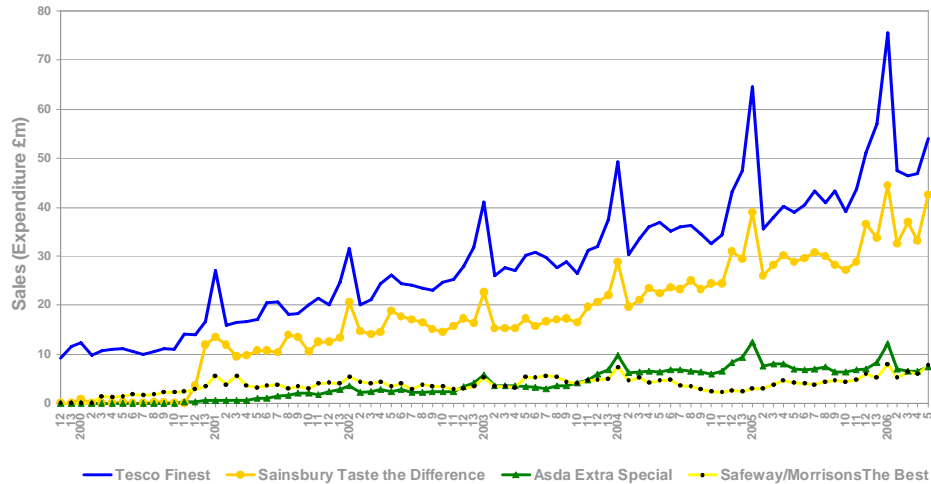
As would be expected it is the higher socio economic groups who are not price conscious and the lower groups who are.

Social Class Comparison – Buyer Profile %
Price Conscious Hhs are more likely to be class E



To demonstrate consumers increasing demand for quality and premium products the growth of the retailers premium offerings can be viewed, particularly Tesco and Sainsbury's.

Premium Private Label Sales Trends



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7.1 Segment values

- organic

The total value of the organic market is estimated by IGD to be £1.2bn in 2005, an increase of 11% on the previous year.

Growth in the market is being driven by consumers demand on health, environmental and food safety issues. Within this the market for organic meat is estimated by MLC as:

- beef £17m
- pork £4.5m
- lamb £8.9m
- total meat £30.4m

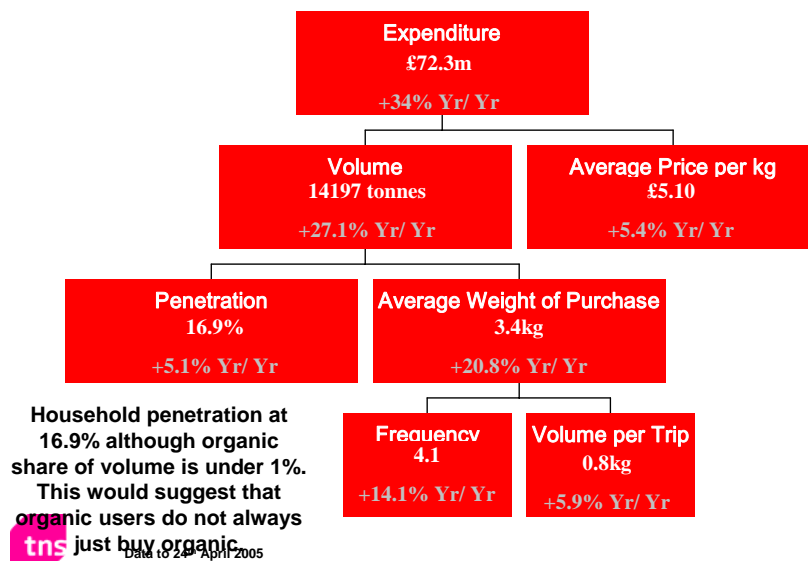
Increasingly the supermarkets are increasing their organic offering on a range of products. However the proportion of sales through box schemes, farm shops, farmers markets, direct selling and independent stores continues to grow.

Whilst the barriers to entry for organic remain high the market is showing a high level of growth. Despite political pressure a lot of the volume is still being imported and the question of comparable standards is regularly raised.

If organic meat is looked at, not only in its own right, but also as an indicator of the health of the premium market then it shows a buoyant position.

Organic Meat 52 w/e National Summary

6



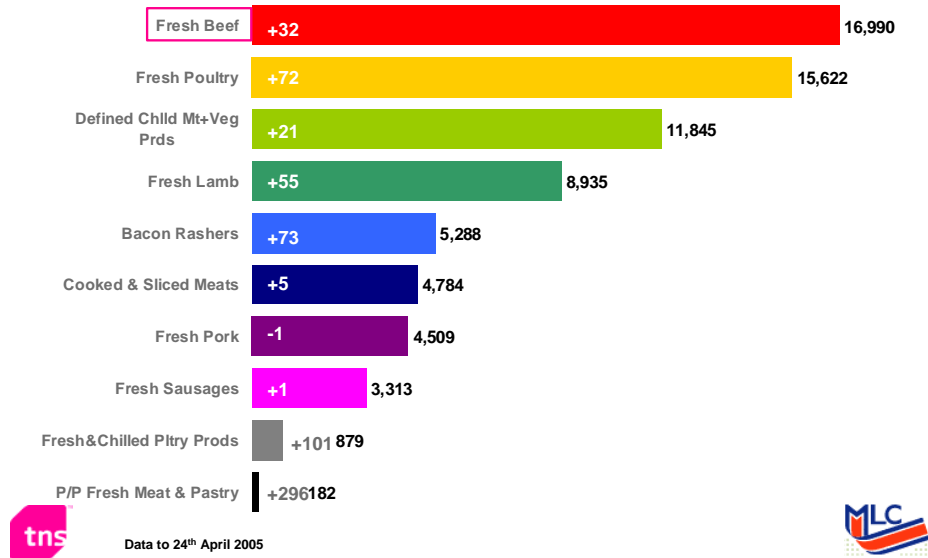
All measures are increasing but particularly the frequency of buying and average weight of purchase. The lower level of penetration would

indicate a number of loyal users and a range of people buying for special occasions.

Sectors within Organic Meat

Spend (£000s) – 52 w/e

8

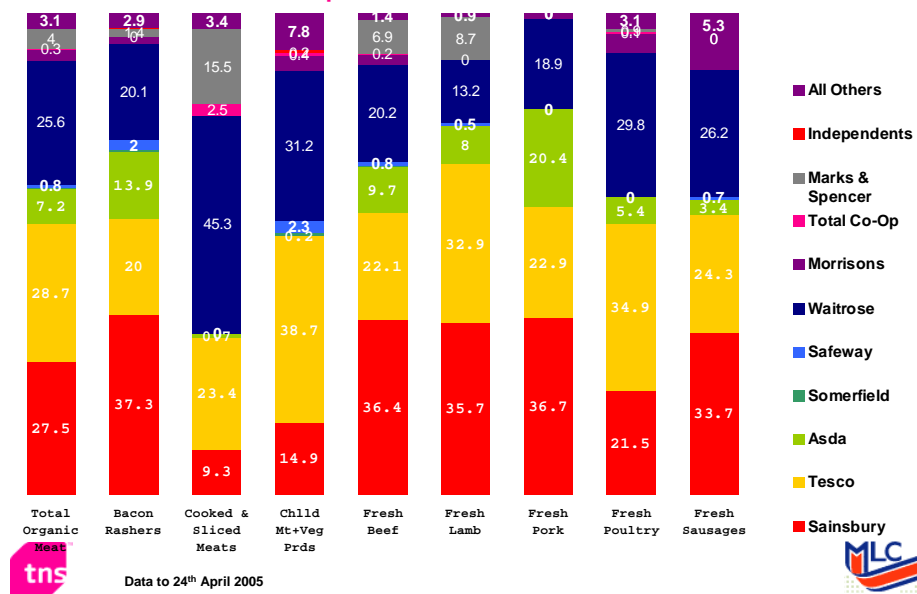


Fresh beef and poultry products are the largest sectors and together account for 40% of the market.

Organic Meat Sectors

Retailer Share of Spend – 52 w/e

12



Not surprisingly Sainsbury and Tesco dominate most market sectors.

Demographic Profile of Organic Meat

52 w/e Buyer %

Organic Meat is very AB centred enjoying a similar or higher profile than Waitrose



Data to 24th April 2005

Map is centred on GB population.



The buyers of organic meat are more upmarket, particularly AB. However it could be expected that they would also be older, but this is not the case. Because of food scares and family concerns it is frequently younger housewives with families that are the dominant purchasers.

To maintain the “authenticity” of the segment suppliers have to meet demanding technical and certification standards which can prove to be a barrier to entry.

- fair-trade

In 2004 sales were estimated at £140m. However this will show substantial growth in 2005 with stores such as M&S moving their coffee policies in this direction.

At present the market is more about providing fair returns for third world farmers rather than domestic producers

- **local and regional products**

A more detailed analysis will follow but in summary the market was worth £3.7bn in 2003.

Local is frequently defined as within the county or 30 miles. Regional is more about a specific areas of the country.

Supermarkets are recognising this trend and expanding their ranges as a key point of difference.

- **specialist and fine food**

Independent delicatessens alone achieved £204m sales in 2004 with products largely based on high quality products and ingredients. Consumers involved in this sector frequently have high levels of product knowledge to justify the price premiums being paid.

- **retailer premium private label**

This sector is worth over £1bn and here retailers aim to match or exceed the brand leader in each category. Increasingly these products are being differentiated with retailer ranges becoming “brands” in their own right e.g. Tesco Finest.

- **premium branded products**

In a market valued at £1.8bn most products begin life as specialist/niche. However as they develop they can expand and become significant markets in themselves e.g. Innocent and Smoothies.

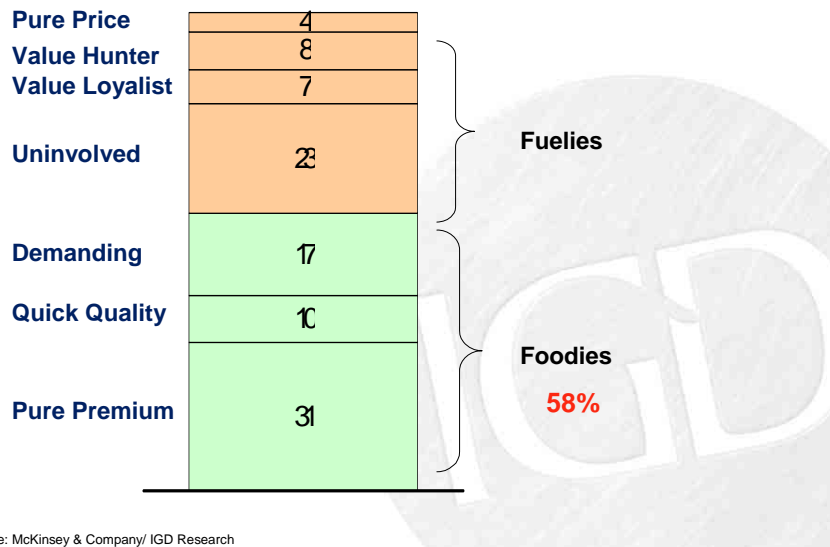
7.2 What makes a premium product?

By its very nature premium products are more expensive than the norm. To achieve and maintain that position they have to meet some or all of a range of characteristics.

- high quality ingredients
- consistent high quality
- appealing flavour/texture/appearance
- differentiated packaging
- strong branding
- emotional attachment with consumers

Datamonitor estimate that 63% of Europeans increasingly trade up to higher quality foods. IGD/McKinsey research identifies 58% of consumers as “foodies”. Whilst not making all their purchases in the premium category this still a very large target market.

58% of UK consumers are foodies



7.3 Premium Shoppers

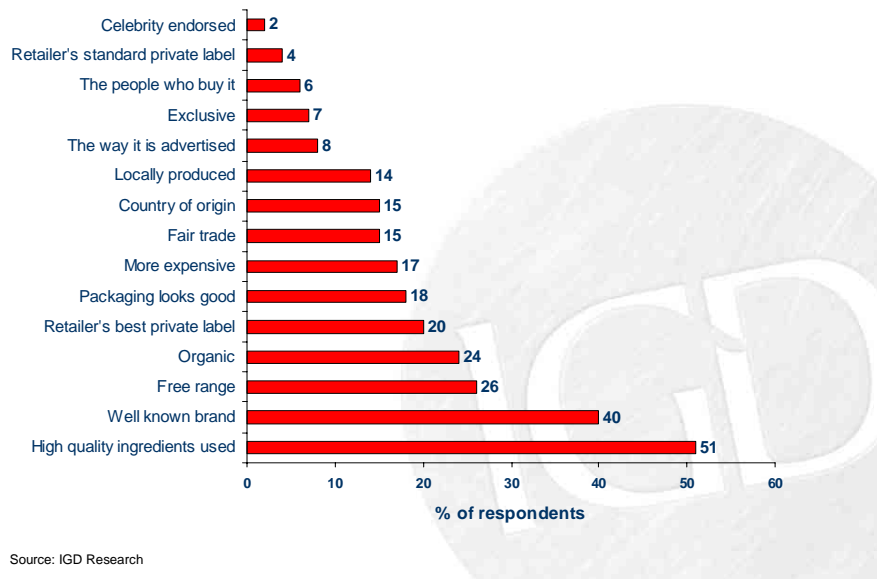
The categories with the highest levels of premium purchasing include:

- fresh meat
- fruit and veg
- bread and bakery
- breakfast cereals

It is estimated that 75% of premium food purchases are made through supermarkets.

The biggest reason for purchasing premium is the high quality of ingredients used.

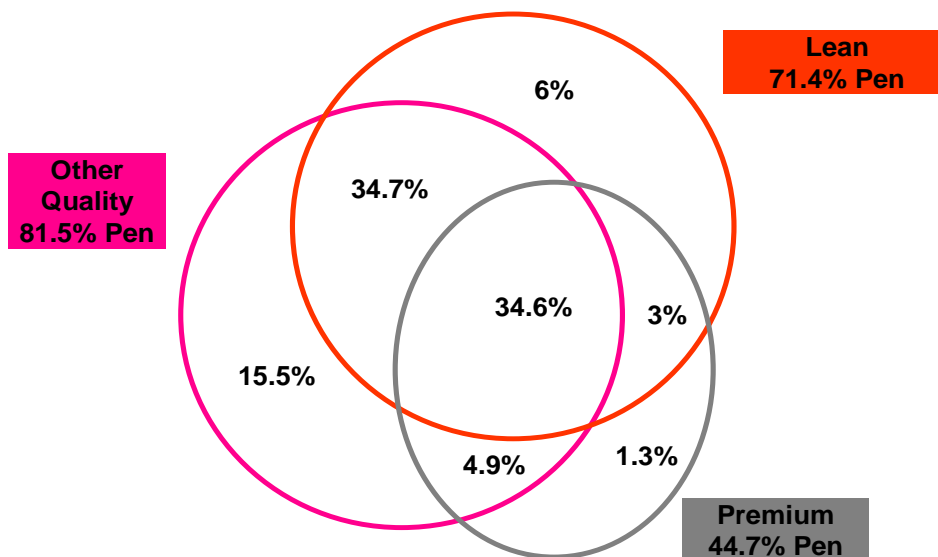
Reasons for purchasing premium



Analysis of beef purchasing in 2004 demonstrated significant overlap of beef burgers in the different segments with very few being solus purchasers of any single segment.

Fresh & Frozen Beef - Penetration Overlap

Nearly 40% of Fresh & Frozen Beef buyers buy both Premium & Other Quality Beef. Opportunities lie in the Premium sectors



Nearly 40% of fresh and frozen beef buyers purchase both premium and other quality beef whilst 1.3% buy only premium beef.

7.4 Costs and Benefits of Premium Sector

In deciding whether this sector is attractive the following criteria should be borne in mind:

Costs

- lower volume
- investment
- selling

Benefits

- higher margin
- less direct price comparison
- opportunities for smaller suppliers
- direct access to customers
- loyalty building

7.5 Strategic Options

If a supplier wants to consider moving to the premium sector there are a number of strategic options which could be considered:

- premium brand for mass market distribution
- premium private label for multiples
- premium product for specialist and independent retailers
- local/organic/regional products
- foodservice
- export

7.6 Datamonitor

The Datamonitor report “Developing Products with a Price Premium” identifies three trends supporting this:

- value of premium packaged goods is growing
- consumer affluence is rising
- premium seeking consumer groups are growing

Put simplistically, the market is strong and growing ensuring a good potential for growth.

Additionally Datamonitor provide seven insights to consumers:

- perceptions of luxury and premium are changing
- consumers embrace “high-low” consumption to facilitate trading up
- internal and external quality cues affect willingness to pay premiums
- consumers will pay more for conspicuous goods
- uniqueness is equated with quality and brand cachet
- hedonistic consumers will pay more for enhanced sensory benefits
- consumers regard products as part of their identity

Many markets are experiencing consumers “trading up” to premium sectors and products, perhaps not for all purchases but certainly for “special occasions/events”.

Finally they recommend five actions:

- modify portfolios to target value and premium consumption
- ensure quality is reflected by core product attributes
- target hedonism with sensory loaded goods and promotions
- leverage the conspicuousness of products
- target consumers' desire for uniqueness

To compete in a premium market any product must match the expectation. Quality is the key and must be part of any proposition, differentiation in itself is not enough.

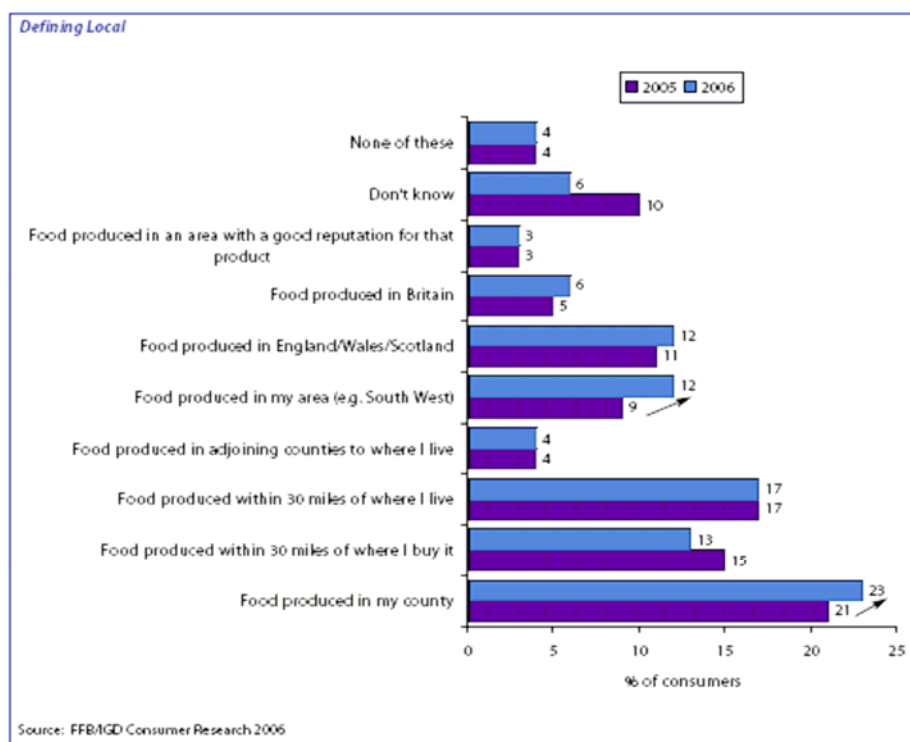
8 LOCAL AND REGIONAL FOODS

8.1 What are Local and Regional Foods?

The first way of describing these is:

Local = primarily about distance e.g. in my county or less than 30 miles from where I live

Regional = associated with a larger area



A second way is to define where they are sold:

Local = are sold locally

Regional = are sold in the region but often on a wider basis

The commonality lies in the provenance of the food. To this end clear labelling/branding is important to clearly convey this message.

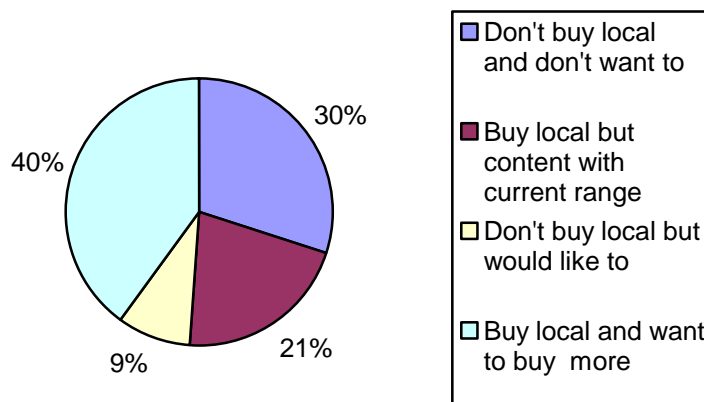
A key question for any supplier once an understanding is gained is not just about supplying a local or regional product but what market is to be supplied, local or larger.

Communication of the key product attributes and what differentiates it from competitors is a key element. The world is full of “me-too’s”, and communication must be targeted at the relevant consumers. Local/regional is never enough in itself, the consumers’ needs and the product quality must come first.

“The next big evolutionary step of “going global” now has to be “going local”. In other words we have to rediscover our own multi-local heritage”. This quote from Douglas Daft, CEO of Coca Cola in 2003 clearly demonstrates an overall move to local, even by mega brands.

8.2 Is there Demand for Local Food?

In recent IGD research 70% of consumers claimed to be buying local food. Encouragingly 40% of consumers wanted to buy more.



The 2003 Mintel Report clearly demonstrated an opportunity for British.

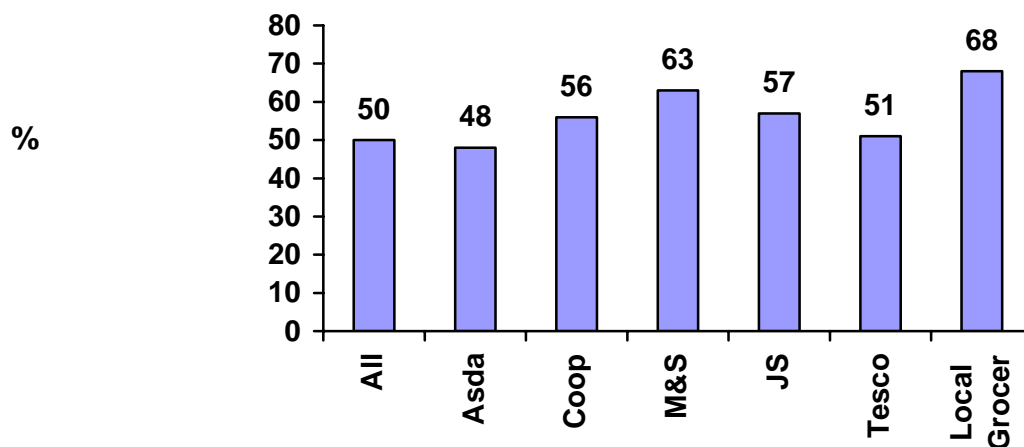
Preferences and attitudes towards buying British produce, October 2002

	%
Base: 993 adults aged 15+	
When shopping for fresh meat I try to buy British	50
When shopping for fresh fruit and vegetables I try to buy British	44
When shopping for fresh fish I try to buy British	31
I just buy what's available in the supermarket and don't usually notice where it comes from	39

Source: BMRB/Mintel

More consumers claimed to try to buy British meat (50%) than bought what was available (39%).

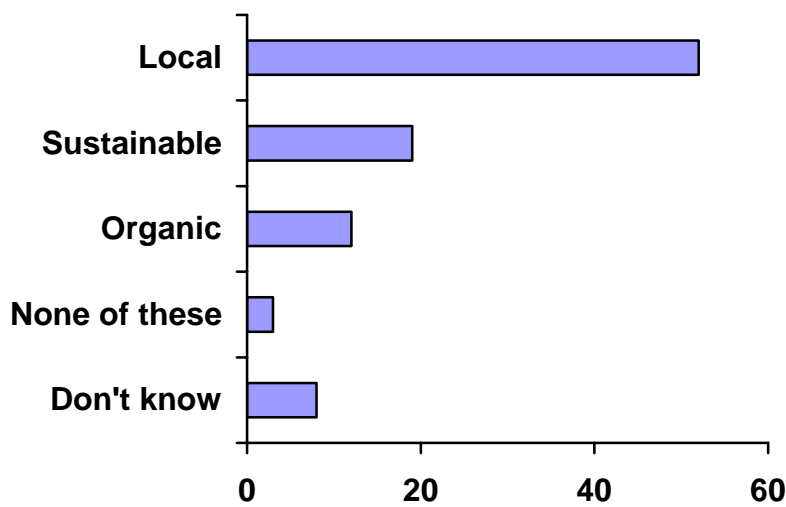
The level of agreement with "When shopping for fresh meat I try to buy British" varies by grocery store used.



Consumers are inundated with a range of communication on food. In interpreting all these messages it is frequently the simplest that gain

the highest level of understanding and buy in as most consumers have neither the time nor the interest to investigate and understand the detail. It is not surprising therefore that the concept of “local” scores very highly.

Q. If you had to choose between the following types of products, which one would you be most likely to buy?

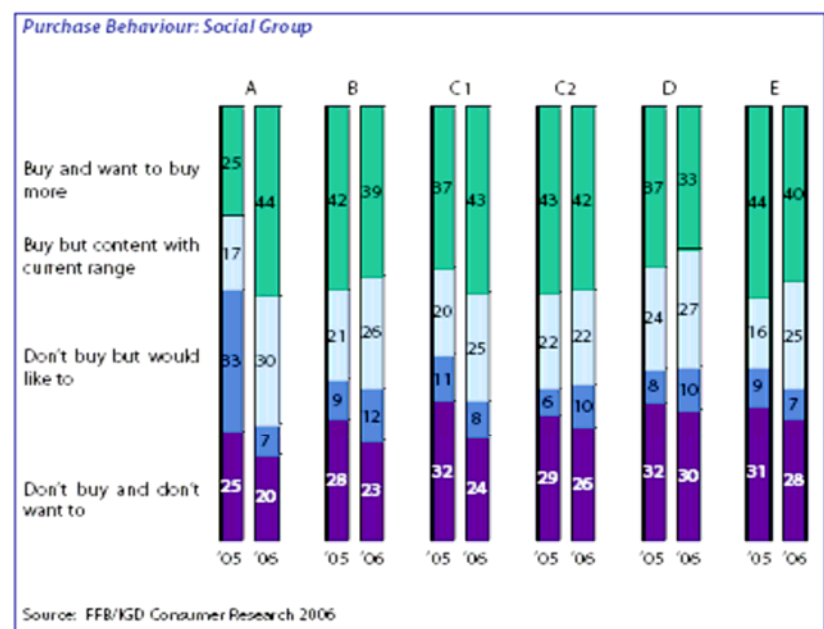
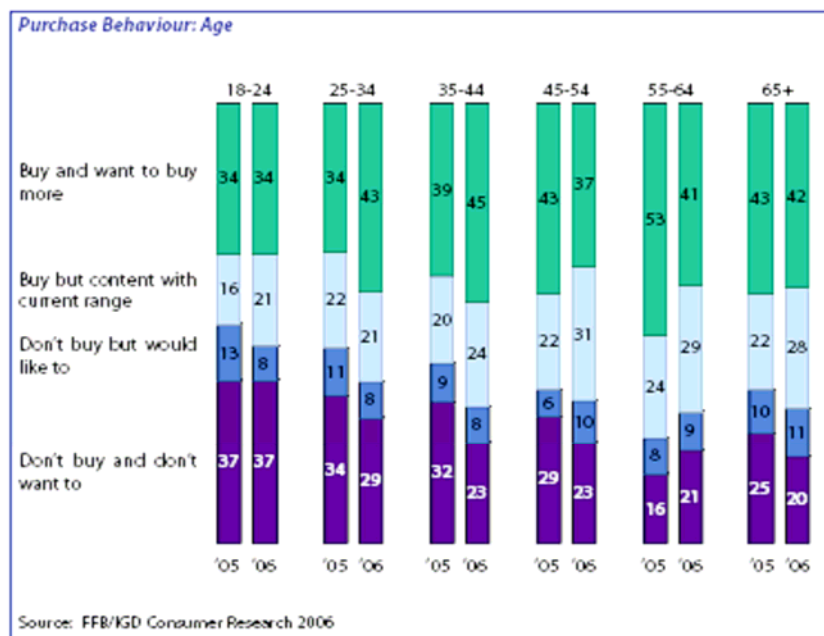


Source: Brook Lyndhurst/Mori

To reflect this the major multiple retailers are increasingly providing differentiated local and regional food sections in store. This section is increasingly important to them.

Tesco (KPI Indicator CR Review 2005) “to maintain at least 7000 regional and local lines”.

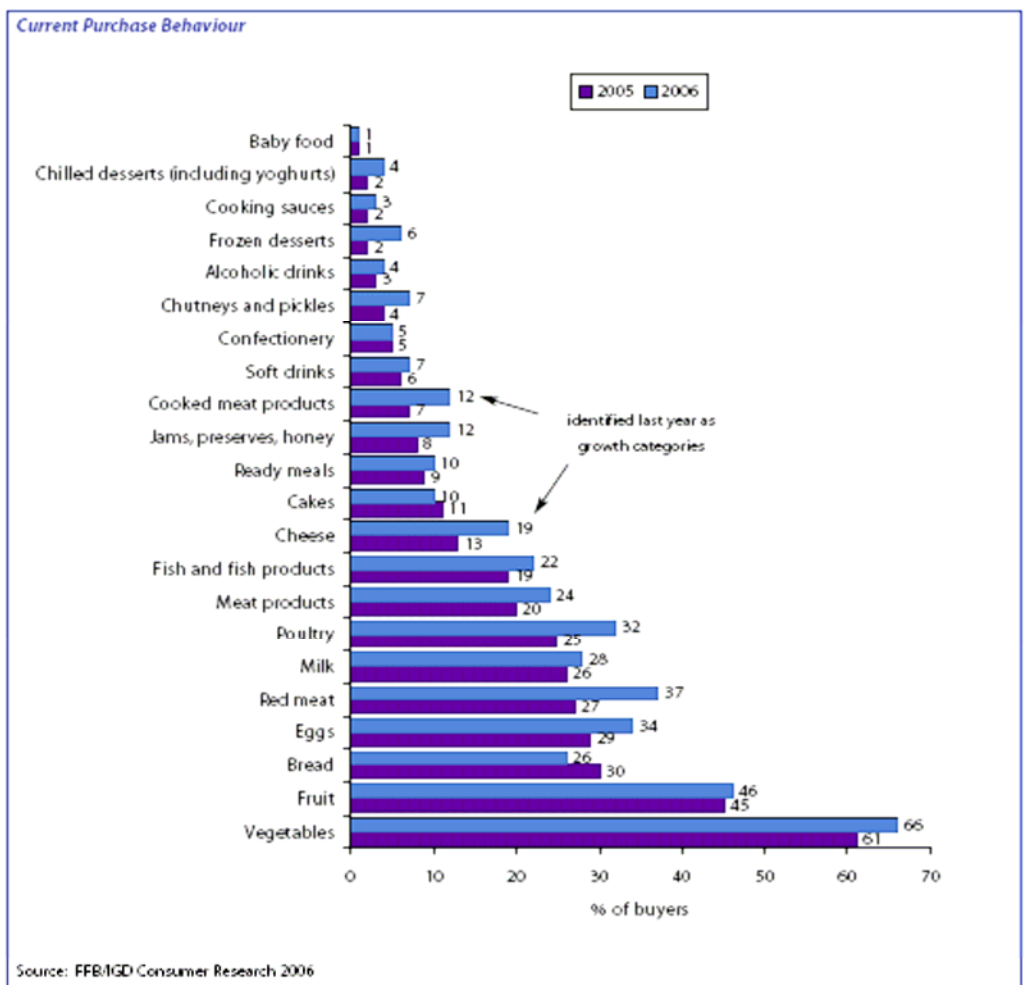
With the focus on food scares, school meals and obesity over the last year there has been a clear increase in younger consumers and upmarket consumers interest in this topic.



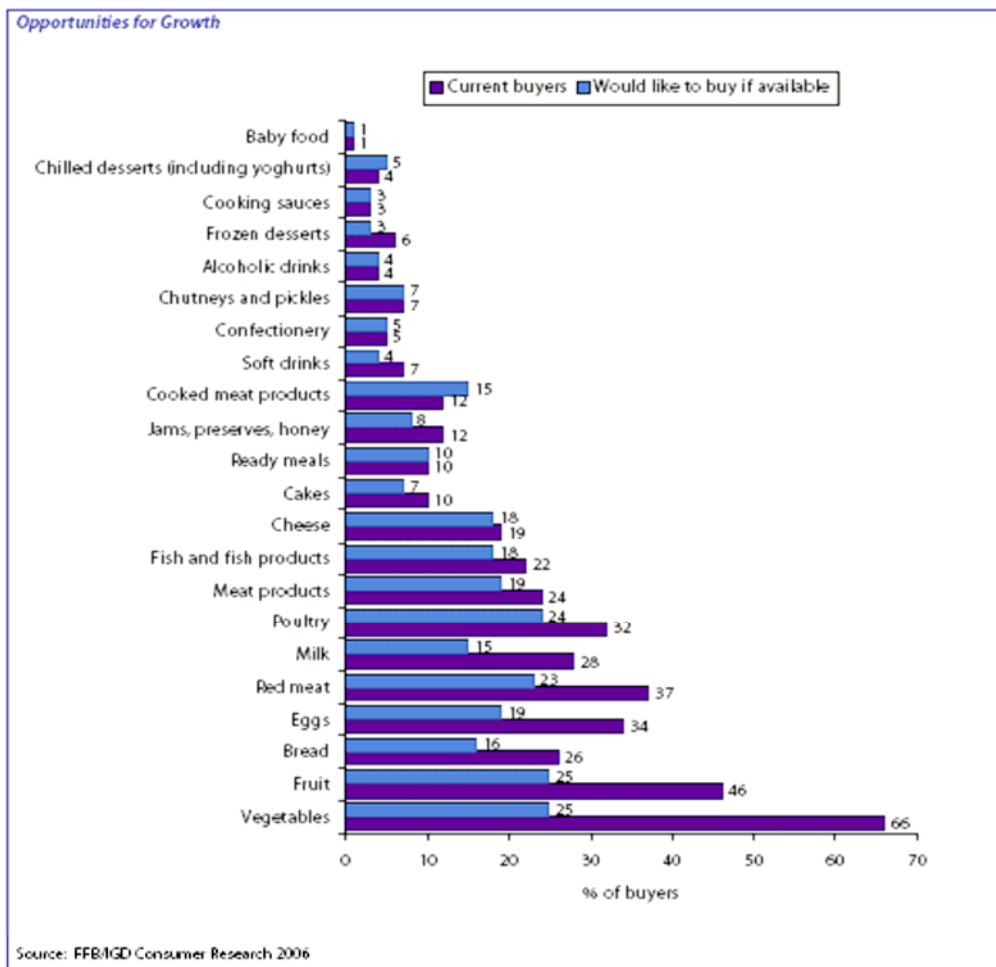
Whilst this is partly driven by price the nature of the growth sectors makes it very appealing to retailers.

8.3 What Local Products are Being Brought?

Whilst fruit and vegetables remain the most popular purchases, red meat has jumped from 27% to 37% of consumers over the past year. Meat products have also increased from 20% to 24%.

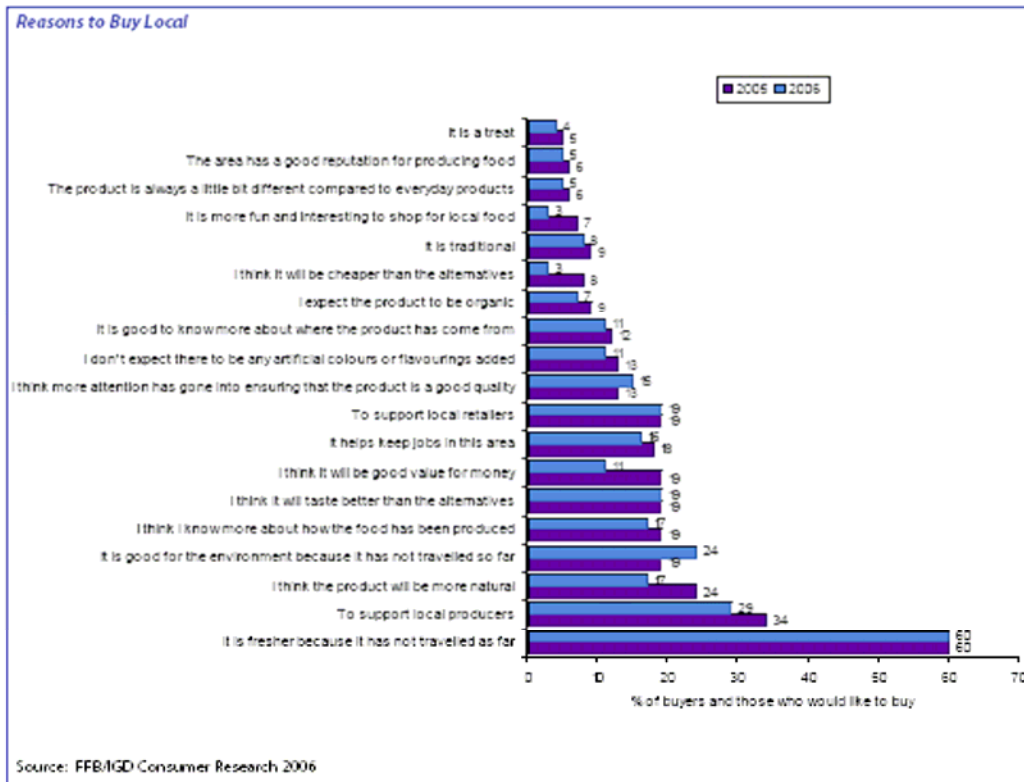


Future growth potential is good for red meat with 37% claiming they would like to buy if available compared to 23% current buyers.



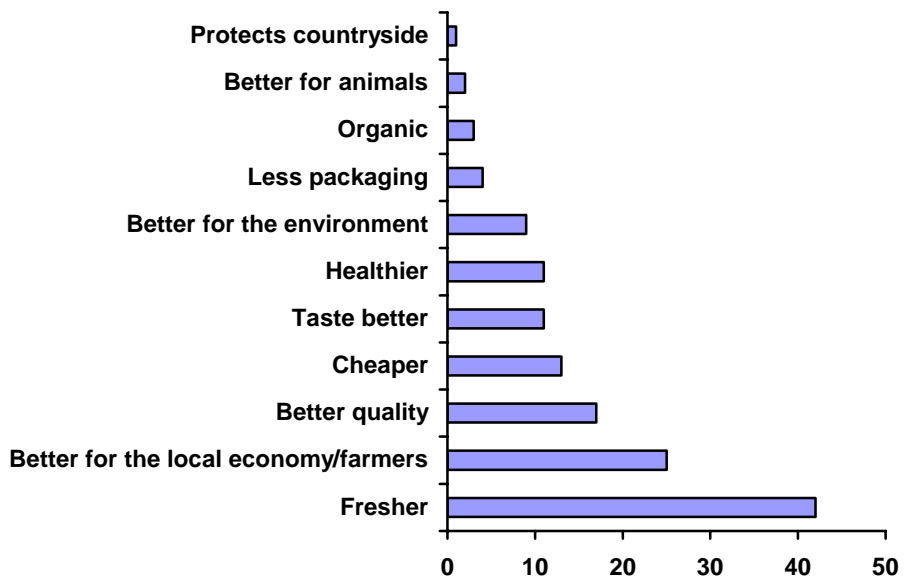
8.4 Advantages of Local Food

The biggest single advantage of local food is its perceived freshness. Whilst consumers may struggle with the detail of “food miles” they understand the benefits of local production compared to the same product air freighted or shipped many thousands of miles. Seasonality of production helps to support the concept.



In addition to freshness support to local producers and the local economy is also a significant benefit.

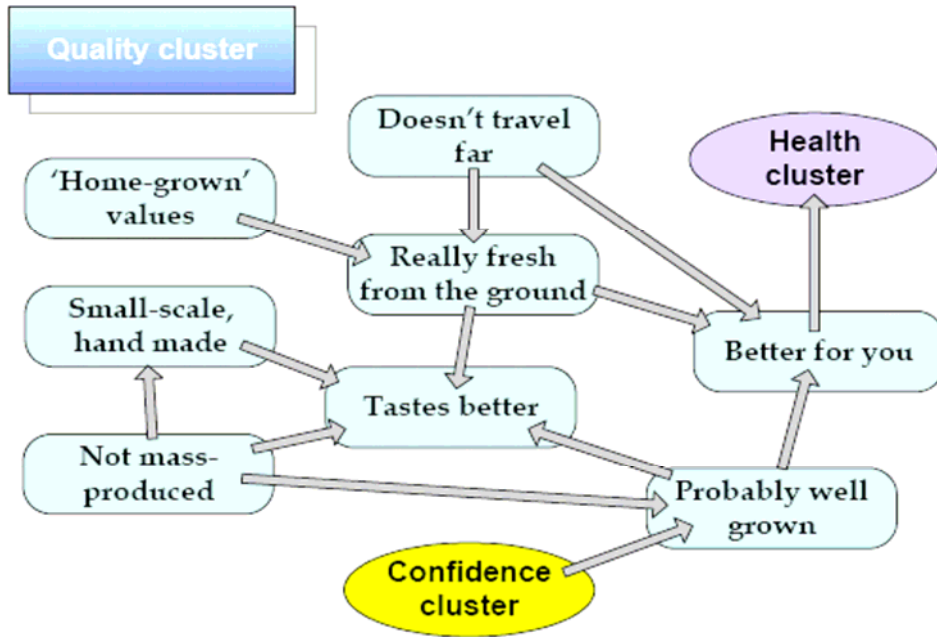
Perceived advantages of local food



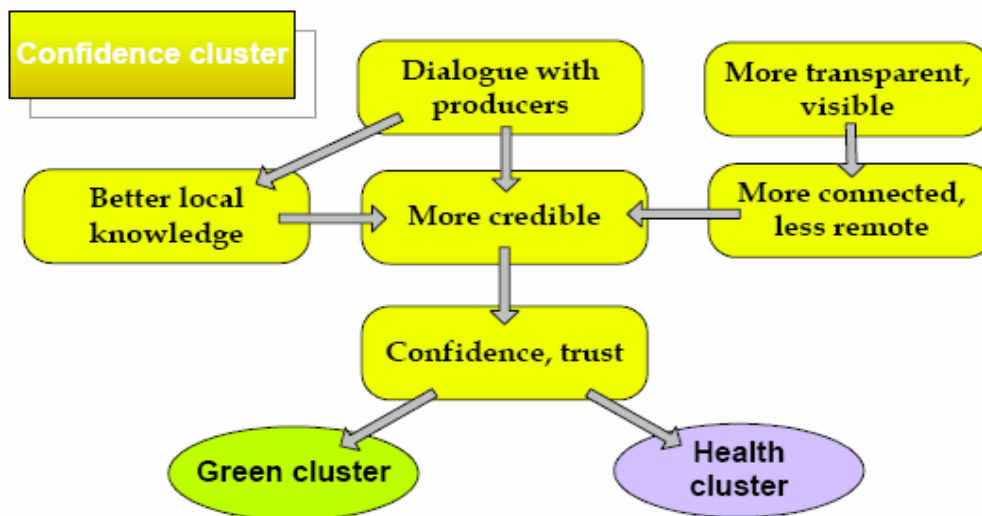
Source: Brook Lyndhurst/Mori research 2004

In their 2003 report on Local Food the FSA identify key benefits for local food in the areas of:

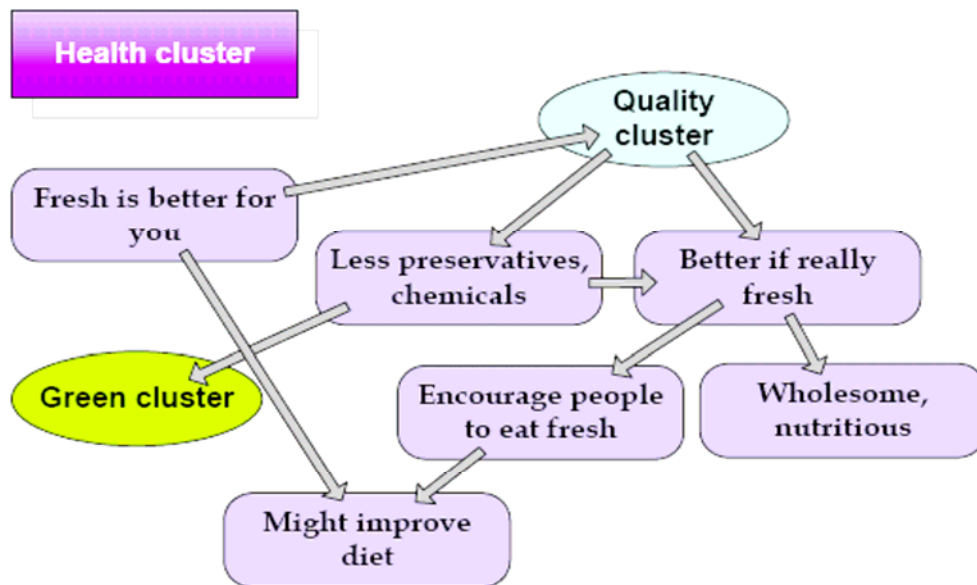
- **quality**



- **confidence**



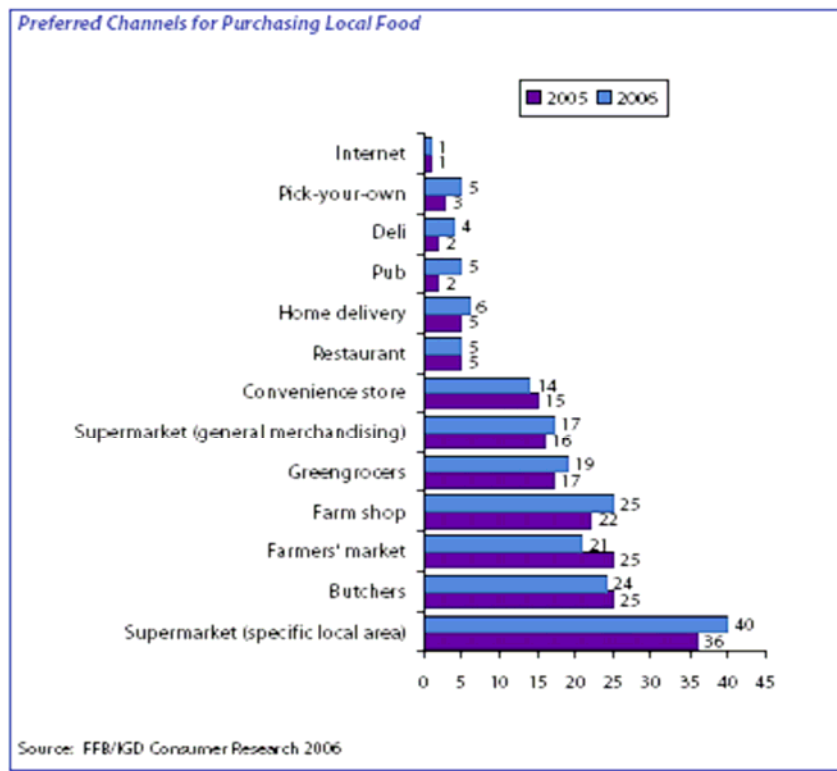
- health



These drivers are very relevant to today's consumer and are an excellent fit with overall drivers on consumer attitudes and behaviour.

8.5 Where are Local and Regional Foods Being Purchased?

As already noted, supermarkets are increasing their ranges in this area and this is being noted by consumers. However the "specialist" outlets and channels are very well represented.



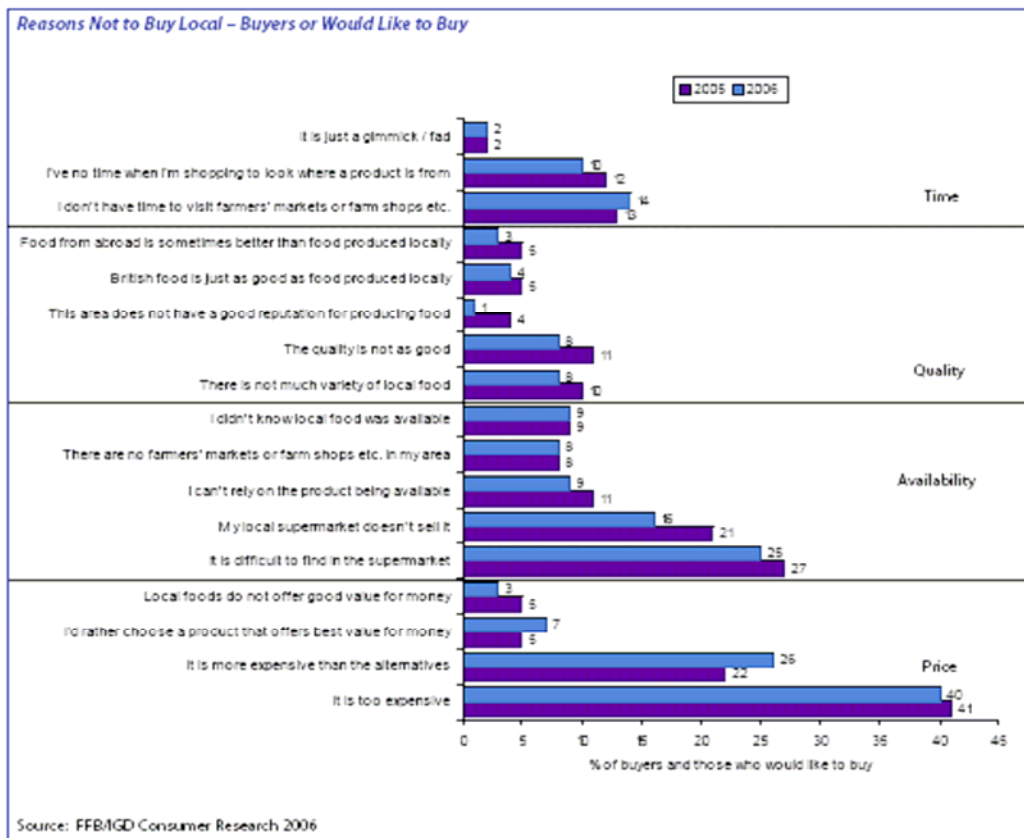
8.6 Barriers to Purchase

In these days of one stop, convenience shopping the obvious disadvantage is the time element of seeking out such products.

Whilst those who are regular purchasers will be convinced of the quality benefits, the lighter, more infrequent users remain sceptical.

In terms of availability then consumers need to be continually reminded of how and where to get their products.

However perhaps the greatest issue is price. Because it is a premium market it has to have a higher price. To many this limits its appeal and whilst they may aspire to it they will frequently make other better value for money choices.



The IGD Local Sourcing Guide asked retailers about problems encountered when trying to develop local supply chains. The major impediments were seen as:

- meeting high technical and quality standards all the time
- delivery volumes and time scales
- bar code practices and standards

Moving from “producing” to “supplying” is a major step and one which brings with it a new set of rules. Before taking such a step it is necessary to understand the rules and to be confident that they can be consistently achieved.

8.7 **Developing Local Food**

The drivers for buying local foods are essentially based around emotional values whilst the barriers are largely rational.

The range of research available clearly indicates a growing interest in and demand for local food to be purchased through a variety of channels for in and out of home usage.

Differentiation and authenticity are key drivers of this market and producers must ensure these are maintained if their credibility is to continue to develop.

The major benefits which can be promoted with local foods have been identified by IGD as:

- taste
- freshness
- variety
- convenience
- seasonality
- heritage
- social commitment
- assurance
- special method of production

Whatever the product, whatever the channel to market, suppliers must be responsive to the needs of their customers and the law with respect

to packaging, labelling, consistency, food safety and hygiene, delivery volumes and timings and problem solving.

If successful the local and regional food market can deliver benefits throughout the supply chain.

CASE STUDIES

Asda

Despite its large scale and American ownership Asda has been at the forefront of local sourcing and has developed a business valued at £160m.

The system developed involves the use of “hubs” which have the role of coordinating suppliers to ensure efficiency in the supply chain.

The first of these was Plumgarth’s in Cumbria involving 80 local products from 18 suppliers.

In 2002 the family opened Plumgarth’s Lakelands Food Park including a farm shop and high quality food production units supported by marketing and technical specialists. This is now being developed to support Asda’s “Best of the North West” range comprising over 40 products.

In 2005 Bank Farm “Best of Kent” began trading with Asda. They supplied initially 70 new local products from 17 suppliers to 2 Asda stores.

Asda, nationally, stock 2,500 local products including Best of Cornwall and Best of the West Country. In 2004 Roddas Cornish Clotted Cream sold 360,000 tubs and Definitely Devon milk sold 120,000 litres per month in Asda’s South West stores.

3663

Adopting the same principle as Asda, 3663 are piloting a “hub” in Kent enabling local food producers to supply through Country Produce Marketing of Maidstone to its Edenbridge depot. The range of products is wide and includes eggs, milk, cream, cheese, bacon, cooked meats, sausages, pies and ice cream.

A key discriminator to 3663 is not just the local aspects but the improved provenance and traceability that the products offer as part of their USP.

However, it is also important for suppliers to appreciate the differences that the foodservice market require compared to retailers.

9 BRANDING/RANGE DEVELOPMENT

The meat market is fundamentally a non-branded market with the “branding” in fresh meat being focussed on retailer brands and segmentation. In processed meats and meat products there is sometimes more opportunity for branding as they are based on “added value” rather than commodity presentation.

For premium/niche products there is possibly a better opportunity for development of a brand to supply a local/regional market building on the concept of localness and provenance. However localness/provenance can never be the complete proposition. This has to be reinforced with consistent quality and product delivery at the right price if consumers/retailers are to be involved on an on-going basis.

Range development is also a focus for these producers. The problem of manufacturing and retailing a limited range of cuts/products often returns to the issue of carcass balance. Butchery skills can be used to produce added value cuts but fundamentally all cuts must be used effectively if profitability is to be managed. Some basic examples of this are:

Meat	Cuts	Added Value	Meat Products
Beef	} chops steaks roasts mince	burgers	pies/pastries
Lamb		kebabs	curries
Pork		sausages	pies
		bacon/ham	

10 PACKAGING

With any style of packaging there are three fundamental elements.

- product integrity
- product presentation
- legalities

In the context of red meat, product integrity means that not only must the product be undamaged but that it should not leak blood and meat juices. This is fundamental and various specifications are in place throughout the chain that are a “condition of entry”.

Product presentation is much more within the control of the producer/manufacturer. This provides the opportunity to develop a brand identity. Whilst it is true that large companies can spend considerable sums on this, it is not a necessity and core values can often be communicated very simply and at low cost.

On the legalities then depending on the outlet and the product a whole range of information may need to be displayed including product name, weight, ingredients and nutritional information. At certain levels bar codes become increasingly important to effective trading. The addition of cooking instructions is also generally appreciated by both consumers and foodservice.

11 FLAVOURS/SAUCES

There are a number of specialist flavourings and sauce suppliers and their expertise is always available in helping develop products in this area. These include RAPS (UK), Griffiths Laboratories, Kerry Ingredients and RHM Ingredients.

Whilst the range of tastes and flavours in British food continues to expand there are still certain areas that dominate. These include:

Traditional British

Chinese

Indian

Barbecue

Similarly these are proven “partners” which continue to sell strongly:

Lamb + mint

Pork + Chinese

Barbecue

Beef + gravy

12 BUTCHERY PRODUCT DEVELOPMENT

Changes in consumer lifestyles, purchasing and eating habits have, and are continuing to undergo major changes at a pace previously unheard of. Convenience in all its manifestations – one-stop shopping, Sunday opening, freezers, microwaves, ready meals, fast food and so on, are in increasing demand. Add to this the significant, demographic shifts that are occurring – an ageing population, empty nesters, one-parent families etc. All of these influences and there are others – increased health consciousness, fashionability – affect the demand and consumption of red meat.

An additional dimension that results from these changes is significantly increased competition for the centre of every meal – a whole range of new products appear regularly on supermarket shelves to compete for the meal solution.

New product development is the lifeblood of any industry and this has never been more the case than it is now as far as the food industry, and within it the red meat industry is concerned.

The role of the MLC Butchery and Product Development Department is to help the industry raise its level of new product development and marketing. It aims to stimulate, develop, promote, train and help an industry which historically is based on 'commodity trading' to come to terms with, and seize the new opportunities that changes in consumer demand bring. It has a tremendous wide base of raw materials – the different species (beef, lamb and pork), different muscles for different purposes (from fillet steak to mince) to exploit and use in product development.

The essential starting point in all this must be the consumer – attitudes, perceptions, needs – all require careful monitoring and research to provide the product developers with the essential steer they require in developing successful new products to meet modern consumer aspirations.

The department has developed and continues to develop a portfolio of new cuts and product concepts for presentation and demonstration to the industry – manufacturers, processors, multiple retailers and caterers.

These concepts are developed by generating ideas from a number of sources.

In developing product concepts the following criteria are particularly borne in mind:

- usage of cuts with a low commercial value – offer an added value benefit to processors at value for money prices for consumers
- build in convenience
- consider diet and health implications
- target specific groups, e.g. young/children/snacks
- monitor other food trends/fashions to stay competitive

All product concepts are screened initially by a group of meat specialists including MLC's home economists who develop cooking instructions and serving suggestions for all of the products. Following initial screening the most promising concepts are then put into consumer research – normally in hall test format. The results for successful products are used when the product concepts are presented to industry and individual companies encouraged to take them on board.

The product concepts presented to industry are comprehensive and include the suitability of different muscles, unit weight, meat content, costing and pricing, ingredient list, cooking methods, suitability for freezing, microwave, processing/manufacturing details (where relevant), shelf life etc i.e. a complete specification.

MLC has undertaken a programme of new cuts development over the last decade. The basis of the work has been to remove the bones from cuts (less waste/easier to handle) and then adopt seam butchery. The technique of seam butchery is much more widely used on the continent and involves the complete separation of individual muscles. The traditional British method of butchery is to prepare cuts by cutting in relation to the bone structure so most traditional cuts consist of a number of muscles – each one has a slightly different texture and they vary in tenderness.

The advantages of seam butchery are increased consistency – because only one muscle is involved; it also allows for a higher degree of fat trim in some cases removing all visible fat for the preparation of extra lean cuts. The adoption of muscle separation allows for some cuts to be used for quicker cooking methods than when prepared in a traditional way. For example seam cutting of beef allows for an extra 10% of the carcass to be suitable for grilling/frying as steaks. Also as a result of seam butchery there are more small pieces of lean meat that are ideal for cubes, dice and mince. Cuts such as pork and lamb cubes, dice and mince are increasingly available in retail outlets because of the wider adoption of these new butchery methods. Such products are ideal for modern preparation of meals with extra convenience and are ideal for quick, healthy cooking methods such as stir-fries

Other advantages of seam butchery are better portion control (more consistent size cuts), smaller portions (to reflect modern household structures), more consistent cooking and eating quality. These new methods of butchery produce cuts, which are – attractive, convenient in size, easy to cook, easy to carve and leave little or no plate waste. The techniques complement existing cuts to increase the range of cuts available and so widen consumer choice.

An increased proportion of meat is now prepared in this form. MLC estimates are that 20% of lamb is now presented in this way (examples are lamb steaks, valentine steaks, boneless joints); 25% of pork (e.g. pork steaks, escalopes,

boneless joints) and 15% beef (seam cut rumps, topside steaks, forequarter steaks and seam cut (small diameter) joints).

The next stage in development was to add more variety to cuts of meat by using marinades, seasonings and spices to develop added value products. These supply the growing demand for convenient meals, which require very little preparation and give the customer an even wider choice; they fill the gap between cuts of meat (traditional and seam cuts) and ready meals. Many of these products incorporate mince as well as high quality slices of steak cuts, so that they are not expensive products.

Added value products now account for a high percentage of the display in butchers shops and supermarket meat cabinets and include now 'standard' items such as kebabs and satays, grill sticks, marinated steaks and stir fries.

In conclusion the consumer is changing very quickly, many traditional meals and products are less relevant to changed situations and will become even less relevant in the future. Product development is the key to meeting these requirements. Red meat is extremely versatile and can be readily prepared and presented to meet new requirements. Traditional cuts and products are still extremely popular but to ensure that meat stays central to most meal occasions means that new methods of preparation, processing and presentation need to be found.

13 CHANNELS TO MARKET

13.1 Multiple Retailers

This channel is perhaps the most well known as it accounts for the largest volume of meat/animals.

Whilst it is a “known destination” many producers would prefer alternative channels to help provide improved returns.

13.2 Foodservice

If supermarkets are highly concentrated then foodservice is the opposite, highly fragmented.

Eating out is split between the profit and cost sectors.

- **the profit sector**

For many butchers this may prove to be the most viable and profitable route. Roadside restaurants, hotels and guesthouses, pubs, restaurants, cafes, events and functions caterers, sports clubs and tourist attractions can all be found in the profit sector. Many of the smaller independent caterers may prefer to benefit from the flexibility of purchasing locally. They have the flexibility to adjust menus to accommodate fluctuations in food costs.

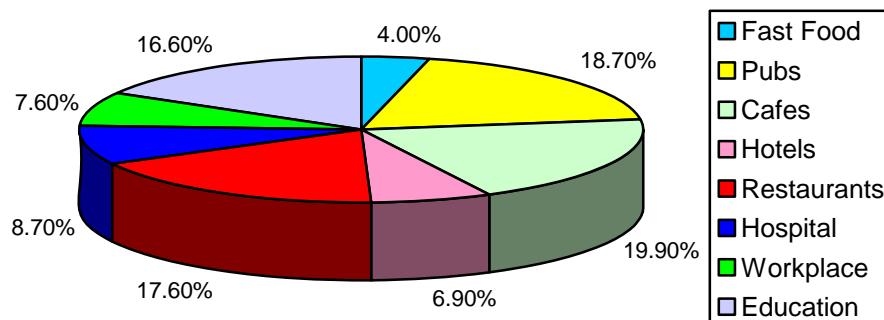
- **the cost sector**

Included within this sector are Education Catering, Healthcare Catering, Staff Feeding, Local Authority Caterers, Prisons, MoD, Police and Fire Stations.

This style of catering operation generally works on a fixed fee basis with limited food cost budgets. Many of the caterers involved in this sector are larger operators with multiple sites and fairly detailed meat purchasing specifications although many opportunities exist to supply smaller independent caterers serving care homes, schools and work places.

- **share of protein**

The market is dominated by pubs, cafes and restaurants who together have a 56% share.



- **specifications**

Most caterers purchase to a precise specification either verbal or written. Consistency of offering is a key element to ensuring customer satisfaction. Consistency can cover the areas of:

- size e.g. 8oz
- quality – for the same eating experience
- price – to fit in with printed menus
- delivery days and times – to minimise stock holding and product going “off”
- offers – to provide “specials” to build business

13.3 Independent Butchers

Independent butchers buy from a variety of sources including meat wholesalers. To develop relationships and provide opportunities at local level more direct approaches may prove to be of value.

This sector are major suppliers to foodservice, particularly pubs, restaurants and care homes and collaborative opportunities may be possible.

13.4 Local supply chains

Increasingly farmers are having animals contract slaughtered (and butchered) and returned to them for some form of direct sale. The channels for sale include direct mail, farm shops, farmers markets and agricultural shows.

14 IMPLICATIONS FOR MEAT SOUTH WEST

Realistically the greatest volume of meat will continue to be supplied to consumers through multiple retailers. Meat producers in the SW already have access to well developed supply chains and these must continue.

If real changes are to be made then alternative supply chains need to be set up or developed. There is no “silver bullet” which will provide such added value across the industry. However there are a number of areas which would appear to be worthy of further attention and investigation by individuals, or groups within the industry depending on their individual circumstances.

The South West has considerable advantages based on its quality farming reputation and its level of tourism. These need to be built into any solutions.

In particular the areas of potential for Meat SW lie in:

- premiumisation
- local/regional focus
- foodservice
- “direct” sales
- adding value
- organic

15 DATA SOURCES

The following have been used in compiling this report:

TNS Worldpanel

TNS Family Food Panel

Millward Brown tracking study

Dunnhumby

MLC Centre for Consumer and Market Insight - an outline of the market and potential growth opportunities for mass market beef and lamb in England – August 2004.

MLC Foodservice – Supplying the Caterer Successfully – December 2004

FSA – Local Food – April 2003

Mintel – Attitudes Towards Buying Local Produce – January 2003

IGD – Opportunities for Growth in Premium Retailing – November 2005

Datamonitor – Developing Products with a Price Premium – May 2005

Food from Britain/IGD – Retail and Foodservice Opportunities for Local Food – March 2006

Traditional Yorkshire Pork – Market Research for a Regional Pork Brand – 2005

SW Red Meat Industry Conference – EBLEX, Overview – Processing and Marketing – December 2005

SPA - Regional Beef and Lamb in Retail – February 2005

TNS - MLC - Organic Meat – Data to 24 April 2005