



ASSURED FOOD STANDARDS

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Response from Assured Food Standards (AFS)

AFS is a not for profit company limited by guarantee and owned by food chain organisations including farm unions together with processor and retailer trade bodies. It was established to manage the industry assurance schemes and to administer the consumer quality mark, the Red Tractor logo.

Q1: Should levy be used to promote the quality and standards of its sectors products?

The recent EU Commission Green Paper on Agricultural Product Quality notes that farmers are faced with increasing demands for quality production both from the market and from the legislation. It adds that, instead of seeing these demands as a burden, farmers have a real opportunity to turn them to their advantage by delivering exactly what consumers want and clearly distinguishing their products in the marketplace. The Red Tractor scheme has been operating on the same principle since it began in 2000. AFS believes that the use of producer levy to promote the quality and standards of products is entirely consistent with it.

It is also consistent with other independent recommendations including those of the Policy Commission on the Future of Food and Farming (2002), which promoted reconnection between producers and consumers, and the more recent report of the Food Standards Agency (2008). Both suggested that levy should be used in the interests of better consumer communication. Levies, either statutory or voluntary, have also been used for the same purpose in several sectors of UK agriculture both inside and outside of the new AHDB umbrella.

Paragraph 6 of the consultation notes that levy payers may expect their products to be promoted but the State Aids rules put significant constraints on how this can be done. Promotion must be based primarily on a quality proposition and The Red Tractor scheme provides that. The standards are essentially the same as those already tried and tested in red meat sectors as meeting the State Aids criteria.

Q2: Does there need to be a rationalisation of existing quality marks?

The Food Standards Agency (FSA) is the consumer facing agency with policy responsibility for, amongst other topics, the labelling of food. In a report on assurance schemes published in January 2008 the FSA noted that retailer and consumer organisations consider that consumers are confused by the multiplicity of logos on packs and oppose dual assurance logos. AFS believes that this is an accurate analysis and that there is an undeniable case for rationalisation. Different logos conveying essentially the same message can only confuse consumers. At the same time there are many other logos conveying diverse attributes from 'Fairtrade' to nutrition. In such a 'noisy' consumer environment only the strongest will be recognised, which again strengthens the case for rationalisation. We give some specific examples at the end of this section.

The strategy should be to use a common quality mark to provide a cross sector platform providing synergies that enable 'cut through' to consumers. Individual sectors can then use the platform for whatever additional communication activity they believe necessary.

AFS understands that the challenge for a rationalised quality mark will be that it must work equally well to support both cross-cutting and more targeted promotion and communication. This is simply a question of execution. AFS would say that there are already examples of this in action and these could be further developed where there is a need.

Case histories on rationalisation:

1. The Quality Standard Mark for Pork pre-dated the Red Tractor logo and it is a scheme rule that Red Tractor logo can only appear on pork products alongside the QSM. Despite this all major retailers

use Red Tractor logo on pork products for the sake of continuity across their ranges. More recently we have had many requests for permission to use Red Tractor logo alone because of space constraints on labels.

2. The EBLEX beef and lamb QSMs were launched 4 or 5 years after the Red Tractor logo by which time the latter was established as the quality mark for these products in all major retail multiples. The supply chain effectively voted with its feet for rationalisation by staying with Red Tractor logo which provides a single point of reference across product ranges.
3. In the food service market Red Tractor logo and red meat quality marks have found themselves in direct competition despite the fact that they have identical objectives. This is confusing for food service operators let alone their customers. We will attach examples of printed materials to underpin this point. Some including a menu from the Orchid pub chain, John Lewis restaurants and a leaflet for public sector caterers use the Red Tractor logo as the single point of reference for quality assured foods. Others, including a menu from Holiday Inn and a flyer for British Food Fortnight, include an array of different logos all conveying the same values. We would say that the first is concise and coherent and the latter presents a confused message to consumers.

Q3: Should AHDB invest levy funds to promote uptake within the industry, police the proper use of a mark and build consumer awareness about the quality and standards of all sector products?

Quality schemes have a vital role within the industry and the quality mark gives transparency to the schemes at the consumer point of sale. The schemes help to promote confidence in the standards of food production. They do this both at the technical level by ensuring conformance to proper standards and by providing a platform for consumer information.

Information can be communicated to consumers in many forms to build knowledge of the quality scheme and using the quality mark to help them to select the product. Ideally communication will be pro-active. But equally, when it comes to 'crisis management', the first line of defence of the supply chain is usually to point out that we have a transparent, independently audited self regulatory system and that consumers can place confidence in products labelled with the quality mark.

Quality marks have another function. The producer's role in the supply chain is increasingly becoming anonymous and interchangeable. For levy paying producers a quality mark can play some part in securing their access to the market and providing transparency of what is on sale in the shops or food service outlets. Because it is a private trade mark AFS has the authority to validate the proper use of the Red Tractor logo and we commission a thorough programme of factory checks to ensure that any product labelled with the quality mark is product that meets the quality standards.

We would add that the Red Tractor logo has achieved its position only by intensive business development work over many years and with the minimum of consumer campaigns and resources. Our analysis would be that the expectation of brands using the logo is that there should now be more communication activity in order to maintain momentum but in fact AFS does not have the resources going forward to continue even the current levels of support. The status quo is not an option and the current penetration of Red Tractor logo is in danger of falling away.

AFS has explored other funding options including increase in licence fees from packers / processors or increase in producer fees for farm assurance. We have discussed this with some stakeholders in the past and it is not thought to be practicable. It could result in significant extra costs that fall directly on producers or may be passed up the chain to them. It could also act as a disincentive to use the quality mark when the strategy should be to maximise penetration by making it available to as many producers and processors as possible. Another common objection to this option is that there is already a statutory levy that is already or could be used for the purpose.

Q4: If yes, should we invent a new scheme; adopt RTL; or integrate existing beef and lamb standards into RTL**Option a - Invent a new scheme?**

A new scheme would be a very significant backward step. The Red Tractor logo was established by a producer organisation, the NFU, with the express purpose of delivering the aspirations highlighted in the first two questions, to promote the quality and standards of agricultural products and to rationalise existing marks.

Notwithstanding ownership of the logo, the scheme is owned by the whole food chain including producer, processor and retailer bodies and is led by an independent Chairman. The impartiality that comes from this structure has been crucial to the credibility and success of the scheme. The Red Tractor logo is accepted as an independent kite mark which underpins brands but does not conflict with brands.

However, as a kite mark it has an existence only if 'hosted' by other brands on their labels. The Red Tractor has achieved this acceptance on most of the major UK retailer brands and a selection of important processor brands to the tune of about £7.5 billion worth of product every year showing that those brand owners support the Red Tractor proposition. We would say that this status quo position has several consequences:

1. The Red Tractor quality mark is already in place in the marketplace as the vehicle for promotion. The quality schemes that underpin the logo are also well established and most levy payers will be participating in them. Consumer awareness of the logo is established.
2. The brands that have put their support behind Red Tractor logo are very unlikely to welcome a change of logo. The costs of the labelling change will create a hiatus in itself and, from past experience, could not be managed in less than 2 years. Perhaps the greater fall-out will be 'political'. Supporters of the Red Tractor logo would see this as a major U-turn in strategy and it will be very difficult to persuade them to back the new strategy behind a different logo. The risk is that they would take the opportunity to stop hosting independent quality marks on their labels.
3. Producers and levy payers themselves would not welcome the need to join a different scheme, or to meet different standards. A real danger would be a situation in which some levy payers felt that they could not afford to achieve the standards of a new scheme yet found that their levy was being used to promote it.

In short, attempts to create a new scheme have the serious danger of losing much the critical mass already established in the Red Tractor scheme in a way that will be very difficult to recover by any alternative scheme.

Options b/c - RTL as now or include existing beef and lamb requirements?

AFS believes that this will be very simple to resolve. The determining factors will be a balance of what the market wants and what is necessary to meet State Aids criteria. As the consultation mentions, the Red Tractor scheme has always included all of the substantive quality standards for pork products. If it becomes necessary the additional criteria in the quality scheme for beef and lamb would be a small add-on in comparison.

Q5: Which products benefit?

We understand the point made in paragraph 9 of the consultation that the case for promotion might be strongest in situations where there is high penetration in the market of products of lower quality. However AFS would say that one of the successes in communicating the Red Tractor logo to consumers has been the critical mass that we have achieved. We would accept that in some commodity sectors there may be product areas which are not competing with 'products of lower quality', but there will always be some specific product groups which are in such competition. We would argue that using the quality mark on all products in the commodity sector creates a climate in which the quality mark becomes the norm, thus supporting the more vulnerable product groups. We would say that it is

justifiable to use the relatively modest resource mentioned in the consultation to support this cross-cutting strategy.

There will be some sectors (e.g. red meat) where a greater proportion, if not all of the product types are competing with products that do not meet the quality standards. The strategy described will provide a platform on which these sectors can continue a more comprehensive and more focussed programme tuned to their owned needs.

Q6: If your sector pulls out can others continue with the strategy?

The only point AFS would make in response to this is that products from all levy sectors within AHDB are currently labelled with Red Tractor logo. If one sector chose not to support the system difficult decisions would have to be made. Would the brand owners currently hosting the Red Tractor logo be told that it must be removed from a particular commodity range? This could be seen by brands hosting the logo as illogical, blinkered and a backward step and it could undermine continued support for the logo in other sectors. The value of the logo is that it provides a common reference point across the product range. Alternatively would the supportive sectors tolerate the logo remaining in place?

Q7: EU rules must be met even by the poultry sector?

We would reiterate that the Red Tractor logo is a registered trade mark which has always been closely managed by AFS through a system of licensing. This includes an undertaking from licensees to comply with AFS brand guidelines on presentation of the logo and any promotional copy. Generally this means AFS having final approval of copy for any significant promotional material or campaign. In short AFS recognises the responsibilities under EU rules and the mechanism to effect these controls already exists.

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attachments