

31<sup>st</sup> October 2008

## **Dairy UK response to AHDB Consultation on Funding Promotion of Supply Chain Quality Schemes**

### **Dairy UK**

1. Dairy UK represents dairy farmers, processors, producer co-ops and bottled milk buyers in the UK. The milk handled by our member's accounts for over 90% of the milk produced in the UK.

### **General**

2. Dairy UK would welcome the provision of AHDB funds to promote the Red Tractor Logo.
3. Dairy UK fully supports Assured Dairy Farms (ADF), which is the dairy industry's farm assurance scheme. The Board of Dairy UK is responsible for nominating the majority of the members sitting on the Board of ADF.
4. The ADF has achieved a very high degree of coverage. Membership of ADF covers in excess of 90% of the dairy farmers in Great Britain. The ADF is now fully integrated into AFS.
5. Many Dairy UK members are licensed to use the red tractor logo on their products. The liquid milk sector was one of the first to use the logo when it was launched. The logo now also plays a prominent part in the marketing of certain branded products produced by our members.

### **Question 1: Should AHDB invest levy payers money to promote the quality and standards of its sectors' products?**

6. Dairy UK believes that the answer to this question should be yes. There is growing consumer awareness and interest in issues of provenance, animal welfare and product quality. Demonstrating the quality and standards associated with British agricultural produce will help the industry capitalise on consumer interest and generate and sustain a premium for British produce which will help to pay for the investment in meeting these standards.

**Question 2: Does there need to be a rationalisation of existing quality marks?**

7. Yes. Consumers are confused by the range of quality marks in existence. Few of the schemes operating quality marks have had the resources required to undertake meaningful programmes of consumer education. Whilst there have been some successes, overall there is not a sufficient degree of consumer awareness to generate the premiums that reward the investment by British agriculture in higher standards.
8. Creation of a single quality mark supported by a meaningful promotional budget would rectify this situation by creating a common understanding by consumers of British quality standards across all types of produce. This harmonisation of key messages should make promotion across all sectors more cost effective.

**Question 3: Should AHDB invest levy funds to promote uptake within the industry, police the proper use of the mark and build consumer awareness about the quality and standards of all sector products?**

9. The focus of expenditure by AHDB in support of quality standards should be on consumer awareness. AHDB funds should not be spent on policing or promoting standards within the industry.
10. The policing of standards should be financed by funds raised on companies or organisations licensed to use the standards. The licence fee should cover the costs of compliance inspections and policing. Market premiums that should come from greater consumer awareness should act as the most powerful means of promoting any standards within the industry.
11. A total of £0.5m is not a large sum of money in marketing terms, but it should provide the foundation for companies and retailers using the quality mark to build their own initiatives if a sufficiently flexible advertising and promotional framework was developed. In addition individual sectors within AHDB could decide to finance their own campaigns.

**Question 4: If levy payer money was to be invested, should AHDB;**

- a) **Create a new scheme?**
  - b) **Adopt the RTL scheme as it is now? Or**
  - c) **Integrate existing standards in the beef and sheep sector into the RTL scheme**
12. Creation of a new scheme with the AFS Red Tractor Logo already in place would be an unwarranted and inexplicable misdirection of producer resources. AFS is established as the provider of meaningful benchmark quality standards for most of the major agricultural sectors in the UK. The AFS standards that underpin the RTL are regarded by stakeholders as robust and credible. AFS governance and inspection structures largely address all the initial criticisms made by various parties, including the FSA, on the integrity of UK farm assurance schemes. AFS standards

13. The greater the coverage of mainstream agricultural produce the more effectively the RTL can be seen to be emblematic of British farm produce. This would help to give it a self sustaining critical mass amongst consumers. On that basis it would be beneficial to other sectors if the beef and sheep schemes were brought under the RTL.

**Question 5: In your sector, which products or market segments do you believe would most benefit from the promotion of quality characteristics (either general quality characteristics common to your sector and other sectors, or one specific to your sector)? Would you support levy payers' money being invested in this promotion?**

14. Products subject to significant import penetration would be most suited to benefiting from the promotion of quality characteristics. For the dairy sector this would be cheese and butter. There is little import penetration of the UK fresh liquid milk market.
15. Any quality mark for British agriculture will help to differentiate British produce from both generic and branded import substitutes. Differentiation would not only help to explicitly identify country of origin, but also demonstrate that product is made to British standards.

**Question 6: not applicable.**

**Question 7: Do you support levy-funded investment even though this will mean that EU guidelines for promotion would need to be observed by all parties participating in the scheme throughout the supply chain even where private funds were invested?**

16. It is important that AHDB obtains and disseminates clarification on exactly what this may mean for all parties participating in the scheme, including those investing private funds. The full implications of any investment of AHDB funds need to be clearly set out.
17. The consultation document says that the EU guidelines on this subject are complex and that the Commission approval procedure can be very protracted. This may make it difficult to develop and launch promotional campaigns intended to address short term issues. AFS should seek approval for a campaign execution that gives as much operational flexibility as possible.

#### **Other Comments**

18. The consultation document implies that further approval from Defra will be required for the RTL to be funded by AHDB as a quality mark. It is important that this evaluation uses food quality criteria only and that Defra does not use the opportunity to impose on the RTL criteria such as

19. Choosing to invest in a quality mark is inevitably a long term investment. Returns on this investment can only be expected after a sustained commitment. AHDB therefore needs to consider what position it needs to take in the governance of AFS to ensure that its investment is properly safeguarded and what objectives it should set itself within AFS.
  - a. The greater the investment by British agriculture in a single cross sectoral quality mark, the greater the risk that any shortcoming in any one sector can cause damage to the image of products in all other sectors. It is therefore important that the governance and inspection regime of AFS is kept up to date to manage the demands placed on it and to deliver the credibility required. Particular focus has to be placed on verifying that the inspection process by Certification Bodies is adequate. This can be done through a system of random inspections such as those operated in the dairy sector.
  - b. Over time there will also be a greater necessity to see that AFS standards evolve in line with consumer expectation of what constitutes British quality food. This means that standards need to be subject to periodic review and then pushed forward where appropriate.
20. Finalisation of ADHB's decision to invest in the AFS should therefore be accompanied by decisions on:
  - a. The expected duration of the investment
  - b. The objectives AHDB will pursue in its involvement in the governance of AFS and on the evolution of standards and enforcement
21. The one weakness of the RTL as a national quality scheme standard is that it is theoretically permissible for foreign suppliers to subscribe to AFS standards and be permitted to use the RTL logo. Such product would use a different flag from the Union Jack. If this did occur it would inevitably generate consumer confusion. AHDB needs to consider what safeguards can be put in place to minimise the impact of this eventuality.