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Mr Guy Attenborough  
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Nobel House  
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31<sup>st</sup> September 2008

**RE CONSULTATION ON FOOD SUPPLY CHAIN QUALITY SCHEMES AND  
BRANDING**

Dear Mr Attenborough,

Thank you for inviting the views of the Farmers' Union of Wales (FUW) on the scope, use and financing of quality schemes and branding of Agriculture and Horticulture Development Board sector products.

Please find the FUW's response to your questions below.

Yours sincerely



Nicholas Fenwick

**Director of Agricultural Policy**

## **FUW Response to an Agriculture and Horticulture Development Board Consultation On Food Supply Chain Quality Schemes And Branding**

31<sup>st</sup> October 2008

### **Question 1**

**Should AHDB invest levy payers money to promote the quality and standards of its sectors products?**

The AHDB should, where appropriate, invest levy payers' money to promote the quality and standards of its sectors' products. It should also endeavour to ensure that all levy payers benefit from such investment, rather than only those who are members of particular schemes.

Investments in such promotions should be carefully evaluated in order to ensure they represent value for money. This is particularly the case given the already high standards that are a legal requirement within the UK, the cost of attaining those and higher standards, and the competition that exists from third country products that are produced to lower standards.

### **Question 2**

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

While there is concern regarding labelling within particular sectors, this is not necessarily the case across the multitude of agricultural industries for which the AHDB is responsible, due to the significant differences between sectors, and many of the concerns that exist are also based upon generic food labelling that is unrelated to quality schemes.

The Little Red Tractor (LRT) effectively provides an overarching mark that indicates production has been subject to certain sector-specific inspections. However, the value of the LRT is regularly questioned by FUW members, and the fact that it is not sector-specific and therefore appears on a diverse range of farm products may actually add to the confusion that exists amongst the general public.

Thus, while there is an argument in favour of rationalising quality marks within or across some sectors, there is also a very real danger that rationalisation could undermine some sectors by replacing sector-specific marks that are currently recognised by the general public with generic labels. For example, a single mark associated with eating quality could hardly be applied to both beef and milk, given the differences between those products.

Similar sentiments were expressed in the Final Report of the Review of the Agricultural and Horticultural Levy Bodies (October 2005), which stated that

*“Promotional campaigns are very expensive and tend to be at their most successful when aimed at promoting branded products to increase market share rather than promoting a commodity to increase general consumption. Promotional activity will often be best left to those, such as the big retailers, who can pursue brand or image-related objectives and have the resources to do so. Generic advertising financed out of levy funds is unlikely to deliver benefits to levy payers.”*

### Question 3

**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? (The cost of this is estimated to be about £0.5m. per annum to AHDB and would be apportioned back to AHDB sector organisations).**

No. The FUW believes that the restrictions placed by state aid rules upon the use of levy-payers monies are disproportionate, and that farmers' should, through the relevant sector specific boards, be at liberty to use their own money in any way they see fit. This particularly includes drawing attention to the high standards that are a legal requirement for British farmers. We therefore maintain that levy-payers' monies should be used primarily to benefit all levy payers.

We would also highlight the possible damage that could occur to the AHDB if it finances the policing of a scheme that many believe, rightly or wrongly, has been used by supermarkets and processors to undermine farmgate prices for non scheme members – despite those persons actually producing to extremely high standards due to legal requirements.

### 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? (Note: pig sector standards already integrated)

If money is invested this should be done in a way that, as far as is possible, preserves those marks that have achieved recognition and respect. Please also refer to the answer to question 2, above.

### 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 ones specific to your sector)? Would you support levy payers' money being invested in this promotion?**

While there may be merit in *raising awareness* of certain generic quality marks, this must be differentiated from *promotion*; promotion is generally only successful when it is targeted, either at a specific sector or at a particular product. Once again, we would highlight the conclusion of the Final Report of the Review of the Agricultural and Horticultural Levy Bodies that “*Generic advertising financed out of levy funds is unlikely to deliver benefits to levy payers.*”

## **Question 6**

**If in your view, no products in your sector would benefit from promoting such a scheme (beyond a baseline investment outlined in paragraph 21), would you accept other AHDB sectors working together at a sector level on such a scheme through AHDB?**

Given that the FUW has members in all sectors, the answer is no.

## **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?**

No. Given the range of sectors affected, investment by AHDB in promoting an overarching scheme that already exists would compromise the independence and freedom of the scheme operators, while having minimum impact on all sectors (as suggested in the Radcliffe Report) and tempting boards to replace or dilute existing schemes.