

12.L.002

31 October 2008

Guy Attenborough
Interim Head of Communications
AHDB
Area 2B
Nobel House
17 Smith Square
London
SW1P 3JR

Dear Mr Attenborough

Food Supply Chain Quality Schemes and Branding

nabim is the trade association for the UK flour milling sector. Our members purchase around 5.5 million tonnes of wheat each year, some 80% of which is sourced in the UK. The association has been a very strong supporter of farm assurance in the arable sector, and participated in the Assured Crops scheme from its initiation in the 1990s. Millers committed themselves to buying only from assured sources as early as 2000.

We believe that the Assured Crops scheme has been a great success and has played a critical part in bringing about improved standards in the UK arable sector. We remain very firm supporters of the scheme and the principal of assurance. However, it is a fact that the little red tractor logo (RTL) has been used on cereal products only to a very limited extent. This is in part due to the relative strength of brands in the sector by comparison with (for example) the horticulture or meat sectors; it is also because cereals are widely used in recipe products which contain a number of different ingredients; and finally, there are many products which may use a proportion of cereals from outside the UK. For example a number of bread flours are made from a combination of UK and imported wheats in order to meet the necessary specifications for the product.

We are therefore rather wary of the suggestion that there should be blanket support from the cereal sector via the HGCA levy towards the promotion of the RTL. There are a number of routes which might be followed to raise money from the cereal sector. In many ways the simplest would be to ask scheme members to contribute a small amount (say £5.00 or £10.00 per member) towards the marketing costs. A contribution could also be sought from those who use the logo on their products, and are therefore more likely to see a benefit. This would see the cost remain within the scheme and therefore put responsibility and control where it belongs, with members.

While the HGCA has a history of funding for market development (eg innovation awards), unlike other levy boards it has not hitherto been involved in marketing support or advertising within the UK. Therefore any money directed to AFS in order to fund the RTL would have to be diverted from other projects. **nabim** is not convinced this would be sensible. If the HGCA were to be involved in assisting AFS, in our view it would be more in keeping with its remit for this work to be targeted at improving standards of assurance rather than marketing the RTL. However, we can quite see that promoting the RTL might be more attractive for other sectors that already spend heavily in this area and might benefit from a more unified approach.

Answers to the specific questions raised in the consultation are attached to this note at Annex A. Should you have any further questions please do not hesitate to contact me

Yours sincerely

Alexander Waugh

Director General

Enc.

Annex A

Response to AHDB consultation on food supply chain quality schemes and branding

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

This may be appropriate in some sectors. However, we are doubtful of the need or relevance in the cereal sector. It would be more appropriate to invest money in efforts to improve standards of practice and assurance than in product marketing

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

There could be advantages in this. However, in the cereal sector the proposals would not bring about a rationalisation

3. Should AHDB invest levy funds to promote uptake within the industry, police proper use of the mark and build consumer awareness about the quality and standards of all sector products? (the cost of this is estimated to be about £0.5k per annum to AHDB and would be apportioned back to AHDB sector organisations)

In **nabim's** view this is a function of AFS, and the money should be raised through AFS member schemes. The cereal sector is a low level user of the RTL mark, and it would seem most appropriate for costs to be in proportion to the use made of the logo. Therefore the additional cost for scheme members would be small (of the order of £5 to £10 per farmer member per year) and additional funds could be raised from users of the logo.

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)

A new scheme should not be created. (c) would seem to be the best approach

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?

Because flour millers are using grain from different origins, and often use a proportion of imported wheat, there is limited scope to use the RTL logo. In any event, many brand owners in the sector have looked at the possibility of using the logo and declined. Therefore we would not currently support the investment of levy payers' money in this promotion.

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

As will be evident from earlier responses, **nabim** is very doubtful about investment of cereal levy money in any marketing support for RTL, even at a “baseline” level. We would have no objection to other sectors in AHDB working together provided it does not result in higher costs for the cereal sector.

- 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?**

We are not sufficiently well informed to answer this question, and in any event doubtful of the wisdom of levy funded investment from the cereals sector. For our sector, it would be better for funds to be raised directly from beneficiaries – ie members of the assurance scheme and users of the logo.