

DOLPHINS - TASK2 - WP5

Case-studies analysis: Specially Selected Scotch Beef

0. General information:

0.1 Name of OLP: *Scotch Beef (SB), (Specially Selected Scotch Beef -SSSB)*

0.2 Type of product: *Fresh and processed Scotch beef and beef products.*

0.3 Type of denomination: *PGI designation*

0.4 Country of origin: *Scotland*

0.5 Area of production: *SSSB and SB are produced and processed throughout Scotland*

1. Definition, characteristics and legal protection (ex-WP1):

1.1 Characteristics of the OLP and its production system:

Scotch Beef (SB) is a product that has evolved from the traditional Scottish system of breeding beef stock in upland areas and finishing for the market on lower, more fertile areas with a better climate. In general, SB is a fresh meat product that reflects quality aspects attributable to extensive grass-fed systems and the type of processing particular to Scotland. Value-added products can also include SB as a component. The particular aspects of SB that are intrinsic to its PGI status therefore derive from the system of production and subsequent transformation process associated with the supply chain in Scotland. Its basis is an integrated system of Quality Assurance Schemes (QAS) that addresses quality, consumer safety and animal welfare at all stages of the supply chain. Specially Selected Scotch Beef (SSSB) is the premium grade of Scotch beef that is coordinated and promoted by Quality Meat Scotland (QMS). QMS is an inter-professional organisation formed in 2000 from the Scottish Quality Beef and Lamb Association (SQBLA). It acts to coordinate the quality assurance activities of the trade associations it represents and their members, and also promotes the collective brands it holds for Scotch beef, lamb and pork. SSSB embodies and surpasses all the standards associated with the PGI certified SB product and is therefore eligible to carry the PGI certification. SSSB and SB are the collective brands used for labelling and promotion. Although PGI certification was originally sought for SB as an indication of quality in export markets to mainland Europe, the logo is rarely used on the product that is promoted and sold within UK domestic retail and catering markets. SSSB is the product discussed within this case study. SSSB is not a niche product but sits at the premium end of the general market for beef and is a brand leader in the retail markets. Unusually, the SSSB brand name and logo are featured on the labels of retail package or value-added/ manufactured products alongside the multiple retailer or manufacturer's own name. The value of the QMS quality assurance enhances the product image amongst consumers.

SSSB is neither breed nor age specific, nor adheres to any prescriptive feeding regime. In general Scottish grass-fed or suckler stock comes from traditional native cow breeds crossed with continental bulls.

It should be noted that neither PDO nor PGI labelling gives any significant marketing advantage to food products in the UK. Poor awareness of these marques due to a lack of tradition and low level of promotion and uptake, accounts for this.

1.1.2 *To what extent is the OLP made differently in the local area?*

Quality assurance remains consistent across the area of production. However, because the area of production is geographically large, minor natural variation can occur in the product that might be expected from grass produced on different soils, aspects, altitudes etc. This however offers the potential for further differentiating the product within UK markets.

1.1.3 *To what extent there is there heterogeneity in production techniques, in production costs and in the characteristics of the firms involved in the supply chain (dimension, access to marketing channels)?*

Production and process regulations are prescribed within the quality assurance scheme covering all stages of the supply chain, however individual producers follow their own ration (feed) plans and production systems based on local conditions. Production costs can vary depending on factors such as costs related to over-wintering stock, ability to produce on-farm feed, or adverse weather conditions for example. The price paid to producers is a function of market demand for the different EUROP quality grades, available supplies to meet this demand, the need to fill contract orders of the multiple retailers by meat plants or abattoir/ wholesalers, and the price elasticity of domestically produced product relative to imported product. The latter can be a particular feature of the catering sector. The meat plants or wholesalers coordinate supplies to the market by buying stock at the auction markets or directly. There is little or no power at producer level to influence prices.

1.2 The process of institutionalisation

1.2.1 *What were the problems faced by the OLP before the activation of the legal protection system?*

1.2.2 *Who activated the request for protection? What are their interests and who are the economic actors?*

Traditionally Scotch beef has been the premium beef within the UK. Prior to the UK BSE crisis of 1996, it has a substantial export market of 42,000 tonnes (~€194m) and was competing on the premium markets on continental Europe and as early as 1992, SQBLA (QMS) recognised the potential marketing advantage that PGI status for SB would deliver in these markets. It initiated an application in 1996 and achieved the designation in 1998. By 1998 SQBLA had the additional objective of achieving PGI designation i.e. to help reopen valuable export markets in Europe, which had been closed following the BSE crisis. The basis for the SQBLA application was two dimensional: firstly the product was based on traditional production systems and husbandry skills, which

secondly were complemented by an elaboration process that involved full integration of the meat processing supply chain by a system of quality assurance schemes/ codes of practice that covered Scotch beef from farm to plate.

SQBLA (QMS) represents the entire beef supply chain in Scotland but has no direct commercial interest,

1.2.3 *What problems were faced in the drawing up of the Code of Practices – Cahier des Charges (production area, techniques, product quality, etc.)?*

Codes of Practice already existed for certain parts of the supply chain at the time of application e.g. by the Guild of Scottish Quality Meat Suppliers and the Guild of Scottish Butchers. However SQBLA was instrumental in drawing up the regulations for the Quality Assurance Scheme (QAS) which covered the production phase and also integrated all the separate assurance schemes covering other parts of the supply chain. Membership of QMS (SQBLA) TAS has an annual subscription cost to members. Since 2000 the original SQBLA quality assurance scheme has been called the QMS quality assurance scheme.

1.2.4 *What conflicts emerged?*

After the BSE crisis the multiple retailers invoked the due diligence clause thereby placing responsibility for food safety back along the supply chain. This resulted in the multiple retailers only dealing with meat plants and abattoirs that were farm assured who in turn would only deal with farm assured producers. Conflict did arise, as membership of an assurance scheme effectively had become a prerequisite for market entry to the retail markets and as a result of the membership cost to members.

1.2.5 *Was the solution reached a good compromise (accepted by all actors), or did it give way to an unstable equilibrium?*

QMS quality assurance scheme is considered a state-of-the-art scheme and was the first of its kind in Europe. Assured Scotch beef (SSSB) commands around a €0.16 / kg premium in UK domestic markets. However the requirement for scheme membership has not been happily accepted by all of the actors in the chain who have little choice but to join if they wanted to trade in the larger markets. It should be noted that in Scotland and the UK, benefits accruing to SSSB, the collective brand, can be attributed to the brand and not to its PGI status. Competitors are therefore competitors in the marketplace where the holding of PGI status carries no extra premium as a differentiating attribute.

1.3 Code of practice:

1.3.1 *Relevant issues of the Code of practice (if it exists...) and*

1.3.2 *Relevant issues related on certification (product and process)*

SSSB certification is given if the product and its processing meets the individual quality assurance requirements of the integrated QMS quality assurance scheme that covers the SSSB supply chain. Legislative requirements or Codes of Practice are indicated in ANNEX 1. Specific details for the product and processing are given at the QMS website www.qmscotland.com



1.4 Certification:

1.4.1 *Description of certification procedures, subjects involved, certification costs, sanctions*

To achieve SSSB certification, the product must move only through chain actors within the integrated QAS. Every carcass and every cut of SSSB and SB is assured and can be traced back to its farm of origin. The QMS Assurance Scheme covers 85% of Scottish producers and 90% of production.

1.5 *Legislative aspects – description of:*

1.5.1 *Laws that institute and regulate the denomination of this product*

PGI status was awarded to SB therefore SSSB which meets SB standards and achieves the higher SSSB standards, is also covered by EU Reg.(CE) 2081/92.

1.5.2 *Legal institutions concerned with it (in the definition of product characteristics, in the protection, in quality monitoring, etc.)*

In the UK the Trading Standards Authorities and the civil courts enforce Regulation (CE) 2081/92. Protection is provided under Intellectual Property Rights and Trademark law (Trade Marks Act 1994 & Trade Mark Rules 2000). The United Kingdom Trade Marks Registry (part of the Patent Office) is the main body involved with adherence to defined product characteristics. The decision that a geographical name is a generic one, can be a legally blurred and confusing area, involving reference to the Food Labelling Regulations of 1996, the Food Safety Act of 1990 and the Trade Descriptions Act of 1968. For further guidance see <http://www.foodstandards.gov.uk/multimedia/pdfs/origin.pdf>.

The Scottish Executive (Scottish Executive Environment and Rural Affairs Department - SEERAD) covers the protection of the product in Scotland. Regional differences are minimal for the protection of PDO/PGI products between England, Wales and Northern Ireland, although the different Scottish legal framework can present more differences. Other UK agencies involved are the Department of the Environment Food and Rural Affairs (DEFRA) for England, the National Assembly for Wales (Ag. Dept) for Wales and the Department of Agriculture and Rural Development (DARD) for N. Ireland.

1.5.3 *Existence of trademarks and collective brands*

While no trademark exists, SSSB and SB are collective brands. QMS holds other collective brands for lamb and pork. Scotch Lamb and Specially Selected Scotch Lamb also have PGI status (EU Regulation (CE) 2081/92).

1.5.4 Existence of indications which can mislead the consumers

This is an area where confusion can arise in Scotland. 'Scotland the Brand' is widely used by firms wishing to invoke association with Scotland. Firms can use the blue and white Scottish flag, the Scottish thistle or a tartan plaid to give geographic association, or simply to have the word 'Scotch'¹ in their brand name. SB has used the Scottish flag as part of its logo in the past. Areas where misrepresentation has occurred in the past include for example, large catering contracts where 'Scotch Beef' or equivalent was specified and 'country of origin' labelling was not obligatory. The 2000 Beef Labelling Regulations now requires that this information be made explicit, so that premia are achieved and paid only where the authentic product is delivered. Beef meeting certification criteria carries the SSSB or SB marks down to primal cuts and retail packs also display the SSSB collective brand.



1.5.5 Existence of jurisdictional case involving or concerning quality, imitation or denominations of the product
None known.

2. Link with production and marketing system (ex-WP2):

2.1 Production chain aspect

2.1.1 Short description of the supply chain

Young store cattle move from the farm of birth to finishing farms at around 10 months and are weaned at this point (covered by the QMS Farm Assurance Scheme). Spring, summer and autumn pasture grazing is supplemented by natural feeds from assured feed merchants in the winter period (Feed Suppliers- Associate Member Scheme). Animals are procured for slaughter just before 30 months and are normally sourced either directly by the meat plants Guild Scottish Quality Meat Suppliers (GSQMS - Product Quality Certification Scheme) or are bought at an auction market (Auction Markets- Code of Practice). Alternatively they can be slaughtered under contract at an abattoir (GSQMS).

2.1.2 Organisation of the supply chain with special reference to vertical co-ordination mechanisms

Slaughter, primary and secondary processing, packing, labelling, and wholesale activities (GSQMS) can take place as a fully vertically integrated system within the large meat plants, where slaughter, processing and wholesale activities are co-located within the same enterprise. Alternatively, one or more activities made take place within smaller separate firms. The product can go to the retail market (75% to multiple retailers (supermarkets), 16% to independent butchers (Associate Guild Butchers – Code of Practice) or go to private caterers (restaurants, hotels) or into public catering (hospitals, schools, social services etc.).

As discussed, abattoirs/ wholesalers or meat plants coordinate the supply chain in Scotland. In some cases they will have a contractual arrangement with producers but more generally they procure animals for slaughter directly from producers or from one of the 42 auction markets in Scotland. QMS does not function to coordinate activities between actors in the supply chain. These take place independently by the industry chains themselves. QMS' function is one of promotion of the QMS brands and maintenance and development of quality in the product and processing of Scottish red meat and via the standards of its QAS. It interacts with the supply chain at sector level. Coordination activities are carried out by the large meat plants² or abattoir/ wholesalers. These are big players involved with the UK multiple retailers who through the 'due diligence' clause pass responsibility for supplies to the multiple retailer to the actor coordinating the chain: the meat plants and abattoir/ wholesaler. The 'due diligence' mechanism operates and is policed on a private basis by the multiple retailers but quality assurance in the supply chain uptake is encouraged or demanded from meat plants who must conform to the QMS QAS or its equivalent.

2.1.3 Characters, typology and structure of the Actors involved

The structure, actors and sectoral activities of the SSSB supply chain are given in Figure 1.

Product ->		QMS – Promotion and Quality Assurance				Product->
Feed providers		Livestock producers (breeders)/ finishers		Auction markets	Abattoirs/ Meat Plants Processors, wholesalers	Independent/ multiple retailers, caterers
Feed Associate Scheme: Production of Feed handling, packaging, labelling& transport	Suppliers- Member Scheme: Production of production, packaging, transport	Farm Scheme: sheep standards: traceability, health, transport	Assurance Beef & production origin, feeding, welfare,	Auction Markets- Code of practice: Welfare, handling, selling, distribution	GSQMS- Product Quality Certification Scheme: Product quality, processing, hygiene/ safety, quality systems	Associate Butchers Code of practice: Supply, loyalty, traceability, presentation, display & service

Figure 1. QMS Integrated Quality Assurance, stages covered, relevant scheme and aspects covered

¹ 'Scotch' and 'Scottish' mean the same. 'Scotch' is the more traditional word while Scottish is more modern

² SCOTBEEF is the largest Scottish meat plant, processing in excess of 65,000 head per annum

Producers: Scottish beef comes from finished calves from the suckler herd or calves from the dairy herd. 70% of beef production in Scotland comes from the more extensive grass-fed suckler herd system and just 30% from dairy herd crosses. This ratio is reversed in the UK outside Scotland. Beef output from suckler herds is directly proportional to herd-size (90% calving rate) with 25% retained for replacement and 4% killed at birth, leaving 63% available for fattening or finishing. Breeders are normally located at higher altitudes while the finishers are on lower farms.

Auction Markets: As legislation for animal welfare, safety and hygiene has increased, many of the smaller auction markets, abattoirs and meat plants have closed. The publication of the HAS³ scores for abattoirs (and meat plants) by the UK Food Standards Agency, has exposed poor assessment ratings in the sector, which the industry has had to respond to. Following the UK Foot and Mouth Disease outbreak in 2001, some meat plants have increased the level of direct procurement of cattle from producers, as the auction market system is often associated with animal stress and the spread of disease in consumers' minds. This negative imagery has also contributed to the long-term trend for decreasing beef consumption in the UK.

Abattoirs/ Wholesalers and Meat Plants: Abattoirs carry out primary processing to primal cuts, which normally go to a secondary processor who frequently carries out wholesale activities also (including distribution) to the supermarket, butchering, or catering sectors. The secondary processor/ wholesaler is the actor who agrees the quality specifications for the final butchering with the client. Increasingly, the product is distributed vacuum packed for further butchering or in ready-to-sell consumer packs for the multiple retailers. Strong interpersonal, negotiating and management skills at the wholesaler stage are essential for long-term, successful trading relationships with retailers.

2.1.4 *Strategy of the main Actors (firms and other private/public institutions) involved in the supply chain*

Different strategies are pursued by the different actors in the supply chain. Particular orientations can be identified: producers – price orientated; auction markets – volume, service and finance focus; processors – volume and service are priorities; wholesalers – volume and price are important; retailers – volume is critical; butchers – quality and service must be their strengths and finally the caterer strategies range from quality, to service, to volume.

2.1.5 *Quality management*

As discussed in the UK, membership and adherence to the regulations of a quality assurance scheme is a specified requirement for actors in the supply chain by the final retailer under the concept of 'due diligence' in foodstuffs specified in the Food Safety Act of 1990. Compliance with this has resulted in retailers, especially the multiple retailers, making membership of a quality assurance scheme inspected by a body accredited to EN45011, a prerequisite for a trading relationship. SSSB member compliance to the QMS Quality Assurance Scheme is routinely checked by the independent certification organisation: Scottish Food Quality Certification (SFQC) which was the first organisation in Europe to achieve EN45011 accreditation, awarded by UKAS (ISO9000). For SSSB quality management is based at two levels. The first is linked to the delivery of quality beef from the Scottish system of suckler beef production and the highly developed processing industry that has evolved at a Scottish level, particularly in the Grampian region of the country. The second aspect of quality management is promotion and coordination of the integrated quality assurance by each sector in the supply chain.

2.1.6 *Characteristics of the marketing channels*

The characteristic and strategies of firms distributing SSSB are dependent on the size of the firm (volume of product traded), degree of vertical integration and nature of the customer base. Typically, channels can be short as for niche markets for restaurants or hotels, or for butchers wishing to sell locally produced beef or display the name of the farmers in their shops. Very large meat plants with full vertical integration can also have short chains, sourcing directly from producers and providing full processing functions through to final retail packaging for a multiple retailer customer as discussed. Long chain distribution channels are more usual where animals are procured by meat brokers who buy under contract for a number of clients, and/ or then contract actors in the supply chain to perform different processing and distribution activities. The strategy for this group is likely to be lower volume, more variable quality and lower price.

2.1.7 *Effects of PDO-PGI on prices, volumes, marketing channels, market structures, etc.*

As indicated in the opening paragraph, PDO-PGI status confers no particular advantages to the accredited UK specialist food markets.

2.1.8 *On which basis do firms decide whether to use PDO/PGI rather than sell the product without it?*

Specialist food products with PDO/PGI status may or may not choose to use the logo to sell products in the UK as it is generally seen as a marketing tool in export markets. However given the costly and lengthy process in acquiring accreditation, firms may display the logo. Smaller firms with exports may not want to have to produce separate food package for domestic and export markets therefore chose to sell with the logo displayed.

2.1.9 *How are these effects distributed along the supply chain? And inside outside the area of production?*

This is not currently an issue for UK OLP products.

³ HAS – Hygiene Assessment Score issued by the UK Meat Hygiene Service

2.1.10 *Does PDO-PGI create different opportunities for industrial and artisanal firms, for small and large firms, etc.?*

The high cost of acquiring PDO/PGI status means that only larger firms with considerable export markets can consider applying for accreditation. As indicated PDO and PGI products have little currency in domestic markets.

2.1.11 *What kind of firms use PDO-PGI on OLPs, and in which kind of marketing channels?*

Only those firms with sufficiently large export markets in marketing channels e.g. EU channels, where accreditation delivers a marketing advantage by being recognised by consumers.

2.1.12 *Are there firms specialised in PDO-PGI production?*

No.

2.2 Consortia and Interprofessional bodies:

2.2.1 *Description of the origin and the structure of the Interprofessional bodies involved*

QMS could itself be considered as an inter-profession body that has evolved from the Scottish Quality Beef and Lamb Association (SQBLA) that was formed at the start of the 1990s. It draws members from each sector of the red meat industry who generally have their own trade associations. These include: the National Farmers' Union of Scotland, the Institute of Auctioneers and Appraisers of Scotland, the Guild Scottish Quality Meat Suppliers and Scottish Association of Meat Wholesalers, Scottish Federation of Meat Traders' Association, the National Association of Catering Butchers, and Scottish Food Quality Certification Ltd. QMS also provides a valuable link with the Scottish Executive (SEERAD) which incorporates the relevant food and agriculture departments of the devolved Scottish Assembly.

2.2.2 *Role of Interprofessional bodies*

As an inter-professional body QMS coordinates the members of its quality assurance schemes and arranges independent inspection of actors within each sector. The members pay for inspections. It also promotes the product delivered by the organisations it co-ordinates, both at a UK and international level. It is active in seeking to reopen export markets for SSSB and Specially Selected Scotch Lamb.

2.2.3 *Issue related to the governance of the Chain*

QMS has no overall governance power within the supply chain so the fixing of prices for example, is set by the industry and more specifically the meat processors/ wholesalers that coordinate supply with demand.

3. Link with rural development (ex-WP3):

3.1 Area of production:

3.1.1 *Relevance of the OLP to the region (in terms of revenue, employment, land management, culture and local identity, etc.)*

Beef production is carried out in 10,559 holdings in Scotland (out of a total of 41,914 holdings over 2 ha). The total beef breeding herd is about half a million head (518,222) of which 84% are located in Less Favoured Areas (LFA) where the average size of beef herds is 49 animals. The national beef herd produced about 149,000 tonnes of dressed carcase weight (DCW) in 2001 (compared to the national sheep flock which produced only 70,000 tonnes DCW) which at two thirds of 1995 production levels, illustrates the combined effects of BSE and Foot & Mouth Disease on the Scottish beef industry.

Scotland produces more beef than it consumes, and is 185% self sufficient in beef so is a net 'exporter' to the rest of the UK. The UK, as a whole, consumes all the beef it produces but also imports beef and beef products (total of 299,000 million tonnes). Scotland is also 358% self-sufficient in lamb (107% for UK) The high value of sterling (GBP) makes imported beef attractive particularly from countries such as Ireland (970% self-sufficient). Between December 1999 and November 2000 recorded imports from Ireland stood at 81,687 tonnes (49,000 tonnes in 1995). By 1999 exports of beef from Scotland and the UK were insignificant with only two dedicated export plants currently exporting⁴. Prior to the break of the BSE crisis in March 1996, Scottish beef exports stood at 42,000 tonnes. Of this, 70% went to France and Italy (£108m in 1995).

The production and processing of SSSB is significant in terms of rural Scottish economies, farm family incomes and rural multiplier effects from down stream processing and distribution activities. Its value to rural development is linked to the production and processing of the beef generally and not specifically related to SSSB the brand.

SSSB is inextricably linked to maintenance of rural incomes and jobs through the production and transformation of beef. A range of support mechanisms exists for beef cattle production in Scotland that indirectly support rural development via livestock farming and associated processing industries. In 2001 the total support for beef production in Scotland amounted to around €296m compared to about €79m for sheep. These support schemes are administered by the Scottish Executive, Environment Rural Affairs Department (SEERAD) and include the Suckler Cow Premium Scheme, the Beef Special Premium Scheme, the Sheep Annual Premium Scheme for example, as well as those schemes under the auspices of the Scottish Rural Development Plan (SRDP) such as the Rural Stewardship Scheme, the Less Favoured Areas Scheme, the Organic Production Scheme and the Farm Woodland Scheme. Other support has come through rural development programmes and in the past included Leader I and II, Objective 1 and

⁴ Scotbeef, Strathaven, Lanarkshire, Scotland and St. Merryn Meats, Probus, Trouro, Cornwall, England

5b programmes, designed to extend rural employment and secure rural incomes. In Scotland local enterprise companies and the local and statutory authorities administer these programmes.

3.1.2 *To what extent does OLP specificity come from local natural resources?*

The quality and characteristics of the SSSB product is strongly related to the extensive system of grass feeding and the system of hill breeding and low ground finishing found in Scotland.

3.1.3 *In which way does the PDO-PGI Code of practice (if it exists) take into account these relationships?*

The Codes of Practice of the professional bodies regulates aspects of production and processing. All aspects of the PDO-PGI Codes of Practice are contained within the rules of the Quality Assurance Scheme. (see Annex 1).

3.1.4 *What are the links of the OLP to local culture? (OLP festivals, gastronomy, traditions, etc.)*

The Scottish Executive's new strategy for rural development will guide the Executive's input into UK and EU level discussions on the CAP. The CAP is however, increasingly permitting Member States flexibility to tailor their support regimes to local priorities. Two of the key tools in that respect are the new Rural Development Regulation (EC) No 1257/1999 and the Horizontal Regulation (EC) No 1259/1999, introduced as part of the Agenda 2000 changes (SEERAD, 2001). The Highlands and Islands region of Scotland is an area of low population and one identified as requiring targeted support. Although policy will continue to shift support away from agricultural production to rural development targets, nevertheless livestock producers in Less Favoured Areas will remain the main route for effecting these changes.

In addition to SEERAD, other agencies such as Local Enterprise Companies (under the auspices of Scottish Enterprise, a government agency), Food from Britain, and pressure groups such as the National Farmers Union of Scotland, the Crofter's Union, the Royal Society for the Protection of Birds (RSPB), Scottish National Heritage (SNH) etc all have an influence on the development of rural policy.

3.1.5 *Who are the stakeholders in the OLP other than firms involved in the supply chain (tourism associations, local and non-local consumer associations, cultural associations, local and non local public institutions, research institutes, etc.?)*

The following organisations are stakeholders or have an involvement in the promotion of specialist foods;

- o Scottish Executive, Environmental & Rural Affairs Department, Government Department
- o Quality Meat Scotland, Company limited by guarantee, formed by NFUS, MLC & SAMW
- o National Farmer's Union of Scotland has about 9-10,000 members
- o Meat & Livestock Commission established in 1967 a government agency particularly involved in gathering and disseminating information to the meat industry
- o Scottish Association of Meat Wholesalers, trade organisation
- o Scottish Food Quality Certification Ltd is the independent company responsible for inspection
- o Royal Society for the Protection of Birds is a registered conservation charity, established 1889, now with over 1 million members
- o Scottish Natural Heritage formed in 1992 as the Government's agency for natural heritage.
- o Scottish Enterprise is the main economic development agency for Scotland and is funded by the Scottish Executive.
- o Food from Britain (FFB) is the UK's leading strategic international food and drink export marketing agency. It includes Speciality food from Britain
- o Scottish universities (Edinburgh and Aberdeen) and agricultural colleges e.g. Scottish Agricultural College

3.2 *The Effects of PDO-PGI ("institutionalisation"):*

3.2.1 *How does the definition of production area, techniques and characteristics of the final product in the Code of Practice affect the value of local resources in the supply chain and outside it (externalities)?*

Not relevant.

3.2.2 *Do small and/or artisan firms have difficulties in implementing PDO-PGI schemes? What are the problems? (shortness of the resources and skills required, low flexibility in production schemes, hygienic problems, etc.).*

There is no problem for small artisanal forms processing SSSB to meet the requirements of the PDO-PGI schemes or acquiring sufficient quality assured product for processing. Where these firms operate in remote areas, training and keeping staff, skilled and unskilled, can present a significant problem.

3.3 Rural development tools:

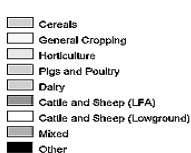
3.3.1 *Are OLP important for stimulating the demand of other local products (both food and non-food, or services) in the rural area?*

In the UK it is specialist regional foods that are more important in stimulating demand for other local products whether they have PDO or PGI status or not. This fact is recognised by DEFRA, see (<http://www.defra.gov.uk/foodrin/foodname/news2000.htm>).

3.3.2 *Are there any tools for building networks between different local economic activities starting from the OLP, that can create diversification opportunities in rural areas (tourism, non-food craft products, environmental and recreational services ...)? (for example: "product routes")*

Agriculture in Scotland only employs about 69,000 or 3% of the working population and contributes 1.3% to the national Gross Domestic Product (GDP), comparable to the 1.8% GDP for the EU15. Most of Scotland's main holdings are owner occupied and run as family farms. Due to the poor land capability, the average farm size in Scotland is almost 131 hectares (compared with the UK average of 74 ha and the EU15 average of 27 ha), but only manages a Gross Value Added figure of €32,433.

Map 2: Farm types by parish (main holdings only)



For the purposes of this map, a parish has been assigned a farm type, where the total European Size Units (ESUs) for that type exceeds the total ESUs for each of the other types.

Scottish Office Geographic Information Service 20 Mar 99 Job: AW437

Initiative ...)

With 84% of its land designated as LFA, see map, Scotland is inevitably orientated towards extensive ruminant livestock production, such as beef suckler cows and sheep. By contrast, England has only 14% of its farmlands classified as LFA with a further 38% as arable. Unsurprisingly then, 70% of Scotch beef production comes from grass fed suckler herds with 30% coming from the dairy herd. These figures are reversed for the UK herd outside of Scotland with only 30% of beef coming from suckler production.

In monetary terms, Scottish beef contributed almost a quarter (24.4%) to the total Scottish agricultural Gross Output (€3024m) in 2001, but in the wider picture meat products in general only account for 11% of the Scottish Food & Drink Gross Value Added figure that is dominated by a 50% contribution from beverages. Nevertheless beef production is a key agricultural employer in Scotland involving primary production and downstream processing activities. It is particularly important in the northeast of the country.

As far as product routes are concerned, promotional activities such as Food from Britain or Food from Scotland serve to promote specialist foods nationally.

3.3.3 *Which are the actions of rural development based on the OLP product? Which is their legal base? (for example: EU LEADER*

Although considerations of beef production particularly in LFAs is of especial importance in rural policy decision making and enactment, the acquisition of PGI status *per se* has not resulted in any significant action by policy actors. SSSB has been used in promotional activities both at home and abroad, but by itself SSSB has not resulted in infrastructural developments such as new processing facilities or communication networks to facilitate access, as far as we are aware.

3.3.4 *Which are the actors involved (public/private, Consortia ...)?*
Not applicable.

3.3.5 *Problems and results of these OLP-related development actions*
Not applicable.

3.4 Evaluation:

3.4.1 *Keeping in mind your case-study, which are the most appropriate methodologies, criteria and parameters to use when evaluating the economic, social, cultural, environmental impact of OLPs on rural development processes?*

Given the low impact of the PDO – PGI accreditation on SSSB, it would not be possible to evaluate particular economic, social or environmental impacts of the SSSB OLP on rural development processes. Insufficient data exist to allow cause and effects directly attributable to PDO- PGI status to be evaluated or measured.

4. Link with consumer and citizens (ex-WP4):

In this part we should go into the attitudes of the consumers towards the OLP analysed and their habits and perceptions. Consequently we have to analyse even the marketing strategies related to this.

4.1 Image of the product:

4.1.1 *Description of promotion (advertising, packaging, use of trademark, use of Collective brand, etc)*

Traditionally, promotion of red meat was not required in the UK or Scotland. Beef was widely consumed and perceived as a commodity such as milk or eggs. Following food scares such as BSE and the overall declining trend in consumption, the UK Meat and Livestock Commission have supported the promotional activities associated with SSSB by QMS. The market share of SSSB and SB (and QMS lamb and pork brands) in the Scottish marketplace has seen promotional activities targeted as much at increasing the consumption of red meat as differentiating the SSSB or SB brands. As a result, much of the focus of promotion has been on the reassuring aspect of the integrated quality assurance schemes offered by SSSB to consumers. This strategy has been successful in maintaining the Scottish customer base during the BSE and Foot and Mouth Disease crises.

SSSB is actively promoted by appropriate signage, leaflets, recipes etc. in butcher shops. In addition television, radio, newspaper and magazine advertising has played an important part in QMS promotional activities. The QMS website is tailored for industry and trade development while a strong presence at industry and food trade fairs, often including a cookery demonstration and endorsement by celebrity chefs, serves as visible promotion to potential customers.

SSSB success can be attributed to:

- 1) the early establishment of the scheme amongst assurance schemes
- 2) the dominance of the scheme in Scotland
- 3) the lower incidence of BSE among predominantly Scottish grass-fed suckler herds
- 4) the scope and extent of membership amongst the beef supply chain sectors
- 5) scheme membership by the large Scottish meat plants encouraged producers to become members. This enabled farm assured beef to be processed and marketed with full chain assurance welcomed by the supermarkets.
- 6) The active promotion of the brand in the UK by SQBLA and laterally QMS when export markets were closed following the ban on cattle exports

4.1.2 *Perception by the consumer*

Measuring consumer recognition of branding and quality assurance labels is critical to the evaluation of the success of the labels and marques. A survey for the European Marketing Red Meat Project carried out at the end of 1999 - start 2000 in Scotland, found that 67% of those surveyed recognised the British Meat mark while nearly 84% recognised the 'Specially Selected Scotch Beef' (Red Meat Marketing Project, 2001). A survey carried out by QMS (SQBLA) over the same period found awareness of quality assurance schemes relating to Scotch beef to be 72%, with the SSSB brand label receiving a 74% recognition level. In the QMS (SQBLA) survey, 83% of participants recalled Scotch beef advertising on TV as opposed to 5% remembering newspapers adverts, or 7%, adverts in magazines. The principal message taken by consumers from promotional advertisements was, that Scotch beef could be trusted (48%), appreciation of recipes on cooking SSSB (15%), perceived to be promotion (10%) and BSE reassurance (9%). Interestingly at the end of 1999, 65% felt the TV advertisement referred specifically to Scotch beef compared to 86% at the end of 1998. This reflected the confidence in Scotch beef consumers had in the period immediately following the BSE crisis and the gradual acceptance of unbranded beef the following year (MRSL, 1999). SSSB is known and trusted by the Scottish and UK consumer. It is also recognised as a quality product.



4.1.3 *Image of the product VS competitors*

Given the market share held by QMS Scotch beef (SSSB and SB), the quality conscious consumer will choose Scotch beef over unbranded British beef or supermarket 'own label' beef that is more usually British, Scottish or Irish. In premium commodity markets, SSSB is perceived as safe, wholesome, has a good taste and has consistent 'quality'. The traditional association of Scotch beef with the world famous 'Aberdeen Angus' breed is a strong one in the consumer's mind. The SSSB label does convey a number of important purchasing cues to the Scottish consumer. From the 1999 Scottish Red Meat consumer survey 'country of origin' (Scotland) was cited as the most important cue by consumers when buying beef (49%), better taste given by SSSB (33%) and a better guarantee of quality offered by the SSSB brand (30%) (Red Meat Marketing Project, 2001).

What is more important perhaps, is to distinguish situations where Scottish or UK consumers make a conscious decision to select a meat product such as SSSB, over a competing product, and situations where the provenance of the meat is not considered (in a restaurant or works canteen). In the former situation the consumer has to evaluate and make the choice. This becomes a responsibility when the consumer is buying for others, perhaps in the family, but particularly for children. For the Scottish consumer, the selection of SSSB generally is a repeat decision based on a positive previous experience. On the other hand, when the consumer is buying a meal containing beef or beef products, the decision on provenance has already been taken by the restaurant and is not usually explicit; therefore the consumer accepts the product on faith and is freed of the responsibility of choosing. In reality, catering beef is more often bought on price and is Irish, African or South American. The consumer is unaware of this fact.

Within the quality grade where SSSB is positioned, origin and quality are more important to the consumer than price. Price conscious consumers will tend to buy British beef or imported unbranded beef.

4.2 Marketing differentiation:

4.2.1 Capability of the consumers to recognise and perceive OLP Vs non-OLP

As stated earlier, the UK consumer does not have a high regard or well-developed sense of OLPs as indicators of quality. When Scottish consumers buy SSSB, it is because of a perception of quality, safety or familiarity associated with the brand that is strongly linked to the geographic area and Scottish tradition. The UK consumer of SSSB also has formed a quality association with the brand and is prepared to pay the price premium for SSSB over other British produced beef. The large multiple retailers position Scotch Beef as the premium brand for beef (and Welsh Lamb for lamb).

In the high quality market for beef, smaller niche brands capture an even higher premium. Added maturation time and more careful butchering contribute to increased taste and tenderness. These products may, or may not, be QMS quality assured or be to SSSB standard with a higher level of processing. They can however, have their own private quality assurance schemes.

4.2.2 Competitive advantage and disadvantage of OLP against non OLP

SSSB has no specific competitive advantage in domestic UK markets over non-OLP products. Its advantage derives from the attributes which allowed it to be awarded PGI status i.e. a quality product linked to the system of production in the geographic area.

4.3 Strategies:

4.3.1 Influence of GDO on the chain

The wholesaling functions and supply and coordination aspects of the large meat plants or wholesalers on the volume of trade, to influence the end price and therefore the price received by the actors in the chain.

4.3.2 Quality strategies: "Cost leadership" against "Focalisation": low/high quality, different techniques of productions and different prices.

Although QMS does not buy and sell on the market, it is aware as part of its promotion of beef produced in Scotland, of the issues associated with a quality product. Therefore with the specifications of producers, processors, wholesalers and butchers different grades are defined. Of all the beef eligible to be certified as SSSB or SB, 40% of the final product receives the higher SSSB certification, some 50% is the lower SB graded and around 10% is not eligible for certification as it fails to meet the quality standards.

4.3.3 Most relevant actions of marketing supporting the product

QMS has a strong role in the promotion of Scottish beef, lamb and pork both regionally, nationally and at a European and global level. It is active in attending trade fairs in the UK and in Continental Europe.

4.3.4 Strategy of diversification followed by the firm involved

QMS' strategy to achieve even greater competitiveness for Scottish Meat products is to involve maximum communication of quality to the consumer, from a high degree of co-operation from all the participants in the red meat food chain. Of all the fundamental principles on which the QMS brands are built, the importance of listening to the consumer is uppermost allowing them to respond quickly and effectively to changes in consumer preferences and eating habits, with the principles of "quality improvement" and "product innovation" to the forefront. The foundation of the QMS' strategy is quality assurance and the guarantee that it brings, while commercial added value for the industry continues to be a priority in every area. QMS sees it has an important obligation to communicate effectively with their stakeholders, whether they are farmers, auctioneers, processors or the wholesale and retail trade. Their aim is to be visible, knowledgeable and pro-active in leading and responding to Scottish debate and events which impact on the industry. As discussed, QMS has no input into price setting or commercialisation of SSSB.

5. Bibliographic references and websites consulted

Market Research Scotland Ltd (MRSL). (December 1999). Pre and Post Advertising Research report prepared for SQBLA Red Meat Marketing Project, 1999, EU CRAFT, FA-S2-98-9093. Marketing Red Meat in the EU: Extending the Options.

SEERAD, March 2002. Output, Input and Income Statistics (2001).

SEERAD, 2001. Handbook of Facts and Figures for Scotland (2000).

QMS website covering Specially Selected Scotch Beef: <http://www.qmscotland.co.uk/>

DEFRA: <http://www.defra.gov.uk/foodrin/specialfoods/default.htm>

DEFRA - Protection of Food Names: <http://www.defra.gov.uk/foodrin/foodname/intro.htm>

Food from Britain <http://www.foodfrombritain.com/servlet/dycon/ffbuk/ffb/UK/en/UK/Home>

Protection of food Names: UK Consumer research 1999: <http://www.defra.gov.uk/foodrin/foodname/news2000.htm>

UK speciality food and drink sector 1999: Economic Report:

<http://www.defra.gov.uk/foodrin/specialfoods/ffbstudy/finalrep.pdf>

Food from Britain interactive Specialist Food site: <http://www.speciality-foods.com/ffb/>

Taste of Scotland <http://www.tasteofscotland.net/>

Tourists Attitudes towards Regional and Local Food Products: <http://www.defra.gov.uk/foodrin/helpmark/report.pdf>

Travel Scotland Food Guide <http://www.travelscotland.co.uk/food/>

QMS website: http://www.qmscotland.co.uk/link_pop.html

QMS Quality Assurance Standards see: <http://www.qmscotland.co.uk/standards.html>

Annex 1

a) Guide to Sources of Information on Current Legislation and Codes of Practice covering SSSB

The following is a guide for beef and lamb producers to sources of information on the current relevant legislation and Codes of Practice. Legislation should be consulted and legal advice sought when particular points in the law need to be considered.

i) ANIMAL WELFARE

Legislation - Summary of the law relating to Farm Animal Welfare (DEFRA 1992) Welfare of Livestock Regulations 1994
The Welfare of Livestock (Amendment) Regulations 1998
Codes of Practice - Codes of Recommendations for the Welfare of Livestock - Sheep (DEFRA)
Codes of Recommendations for the Welfare of Livestock - Cattle (DEFRA)

ii) VETERINARY MEDICINES

Legislation - Veterinary Surgeons Act 1966 (as amended 1988 and 1991)
Codes of Practice - Codes of Practice for the Safe use of Veterinary Medicines on Farms (NOAH) and VMD

iii) POLLUTION

Legislation - Refer to the guide given in the Codes of Practice (see below)
Codes of Practice - Prevention of Environmental Pollution from Agricultural Activity - Code of Good Practice (SEERAD)

iv) TRANSPORT

Legislation - Council Directive 91/628/EEC on the Protection of Animals During Transport
Welfare of Animals Transport Order 1997
Bovine Animals (Records, Identification and Movement) Order 1995
Cattle Identification Regulations 1998
Sheep and Goats Identification (Scotland) Regulations 2000
Codes of Practice - Codes of Welfare of Livestock in Transit and Markets (DEFRA)

v) AUCTION MARKETS

Legislation - Markets, Sales and Lairs Order 1925 (amended 1996)
The Welfare of Livestock at Markets Order 1990
Codes of Practice - Codes of Welfare of Livestock in Transit and Markets (DEFRA)

vi) FEEDS

Legislation - Feedingstuffs Regulations 1996 and Feedingstuffs Regulations 2000
Feedingstuffs (Sampling and Analysis) Regulations 1994
Medicines (Medicated Animal Feedingstuffs) Regulations 1996
Codes of Practice - Safe handling and storage of animal feeds
Handling, storage and transport of raw materials intended for incorporation into, or direct use as, animal feedingstuffs

b) Other useful links and addresses:

DEFRA Publications
London SE99 7TP
Tel: - 0208 694 8862

NOAH, 3 Crossfield Chambers
Gladbeck Way, Enfield Middlesex EN2 7HF
Tel: - 0208 367 3131

SEERAD
Pentland House
47 Robbs Loan
Edinburgh EH14 1PW
Tel: - 0131 556 8400

Scottish Food Quality Certification:
Royal Highland Centre
10th Avenue
Ingliston
Edinburgh
EH20 9NF

Royal Pharmaceutical Society of Great Britain
1 Lambeth High Street
London SE1 7JN
Tel: - 0171 735 9141

SEPA, Scottish Environment Protection Agency
Erskine Court
The Castle Business Park
Stirling FK9 4TR
Tel: - 01786 457700

Scottish Society Prevention of Cruelty to Animals:
603 Queensferry Road
Edinburgh
EH4 6EA
Tel: 0131 339 0222
Fax: 0131 339 4777
E-mail: enquiries@scottishspca.org
www.scottishspca.org/

Tel: 0131 335 6600
Fax: 0131 335 6601
E-mail: info@sfgc.co.uk
www.cmi-plc.com

Meat and Livestock Commission:
Winterhill House
Snowdon Drive
Milton Keynes
MK6 1AX
Tel: 01908 677 577
Fax: 01908 609 221
www.meatmatters.com

National Farmers Union (Scotland):
Rural Centre
Ingliston
Newbridge
EH28 8NZ
Tel: 0131 472 4000
Fax: 0131 472 4010
www.nfus.org.uk

Scottish Executive Environment and
Rural Affairs Department:
Pentland House
47 Robb's Loan
Edinburgh
EH14 1TY
Tel: 0345 741 741
E-mail: ceu@scotland.gov.gsi.uk
www.scotland.gov.uk

Department Environment Food and Rural Affairs:
Nobel House
17 Smith Square
London
SW1P 3JR
Tel: 020 7238 3000
Fax: 020 7238 6591
www.defra.gov.uk/default.htm

Scottish Executive Health Department:
St Andrews House
Edinburgh
Tel: 0131 556 8400
Fax: 0131 244 2606
www.scotland.gov.uk

Health Education Board Scotland:
Woodburn House
Canaan Lane
Edinburgh
EH10 4SG
Tel: 0131 536 5500
Fax: 0131 536 5501
www.hebs.com

The Crofters Commission:
4 – 6 Castle Wynd
Inverness
IV2 3EQ
Tel: 01463 663 450
Fax: 01463 711 820
E-mail: crofters_commission@cali.co.uk
www.crofterscommission.org.uk

Scottish Enterprise:
150 Broomielaw, Atlantic Quay
Glasgow
G2 7JP
Tel: 0141 248 2700
Fax: 0141 221 3217
www.scottish-enterprise.com
www.scottishfoodanddrink.com

Highlands and Islands Enterprise
Bridge House
20 Bridge Street
Inverness IV1 1QR
Tel: 01463 234171
Fax: 01463 244469
E-mail: hie.general@hient.co.uk
www.hie.co.uk

Institute of Auctioneers and Appraisers in Scotland:
The Rural Centre
Ingliston
Newbridge
EH28 8NZ
Tel: 0131 472 4067
Fax: 0131 472 4067

Scottish Federation of Meat Traders Association:
8-10 Needless Road
Perth
PH2 0JW
Tel: 01738 637 472
Fax: 01738 441 059
E-mail: enquiries@sfmta.co.uk
www.sfmta.co.uk

Scottish Association of Meat Wholesalers:
Old School House
Kinnaird
Perthshire
PH14 9QY
Tel: 01828 686 116
Fax: 01828 686 377

Food Standards Agency:
St Magnus House
6th Floor
25 Guild Street
Aberdeen AB11 6NJ
Tel: 01224 285 100
Fax: 01224 285 167
www.foodstandards.gov.uk/contacts.htm
UKASTA
3 Whitehall Court
London
SW1A 2EQ
Tel: 020 7930 3611
Fax: 020 7930 3952
Email: enquiries@ukasta.org.uk
www.ukasta.org.uk