ResULTS project – case study G, interview 56.

Telephone interview with retailer, conducted 21/2/2019

Interviewer: I

Respondent: R

I Could you give me a bit of background about your position in the organisation, any involvement with upland areas and meat production?

R My name’s [name, name of organisation], I’ve been there for 12 years, got responsibility for the [organisation schemes]. We are sourcing [inaudible] from approximately 2000 livestock farmers and off that around 600 will be beef finishers and around 400 will be sheep producers. We’re sourcing virtually all the lamb from the farms where they would have been born, so we’re dealing with an awful lot of breeder finishers as opposed to people who would be buying store lambs and finishing them, although we do have some of that, particularly on the lamb category, lamb sourcing for the January to April/May lamb that we sell on our service counters. That tends to be reared in the south west but some of the lambs would probably be originating in the upland area in the south west of Dartmoor and Exmoor for example.

I Obviously you don’t source beef or lamb from those areas do you?

R We have some beef cattle sourced in Scotland, they would be largely in the Borders area.

I Do you think it’s lowland or upland Scottish Borders area you are talking about?

R The finished cattle would be finished in the lowlands but some of them may well have originated in the upland part of the farm.

I Are there any specific special features particular to upland areas that should be maintained in your view?

R I was brought up on the west coast of Scotland so I can probably look through that lens as well as through the lens of a British consumer. I think in the upland areas that’s where the livestock do have a role to play there in terms of the way that landscape has been created. Where you certainly have grazing livestock then it does add to the landscape in terms of the ability to generate output, whether that’s beef cattle or whether it’s store lambs or whatever, then a countryside without livestock would be much less of an attraction. Certainly as you drive from say Glasgow to the west coast of Scotland, where you’ve got vast tracts of hill and upland areas where there’s not been any livestock for the last 15-20 years it soon degenerates and it’s not as probably appealing to the average tourist than it would be if it was being managed in a certain way.

I What does resilience mean for you?

R I think resilience for me in my [inaudible] our supply chains is about the farm businesses supplying us, it’s about their ability to move with the times, keep adapting any changes while still making sure they’re meeting the requirements of the market. I think it’s all about having flexibility in the system and being really switched-on when it comes to… At the end of the day this is a business and understanding where there might be opportunities, but at times given the distance from the final market [inaudible] it’s probably resilience in the sense of survival of the fittest in terms of livestock farming in some of these areas. More weather related challenges, cost of hauling feed, inputs to these areas, so it’s not an easy place to farm, coupled with uncertain value for the final product and the cost of inputs that might need to be incurred during the course of the production cycle.

I Does that description make sense to you? Is there something missing or something you’d like to see differently? When you hear about livestock food system, is this the picture that comes to your mind?

R The one thing that’s missing on here, you’ve got the pharmaceutical market, I would call that either animal health or plant health I would suggest. It’s other inputs like artificial fertilizer and that side of things, that probably needs to be added in, in terms of the total market for inputs. So you’ve got the pharmaceutical market which I think is animal health because it’s not only the antibiotics vaccines it’s about drenches, it’s about sprays, crop protection products, it’s a wider basket than what you’ve got there. It’s about feed as well because it doesn’t indicate where somebody in these areas will probably buy in feed in the springtime certainly, for their cattle or their sheep, some concentrate feed.

I Input provider.

R You need to decide what’s there. The animal health products should be in there, the feed should be in there, and a lot of people don’t use them so it needs to be somewhere where it’s more optional rather than where it might be.

I You mentioned two things you would like to change. Is there anything else you would like to change?

R Not that I can think of at this point in time. Just one other thing I would say is for some supply chains you might want to make it optional in your blue arrows that some supply chains wouldn’t have secondary processor and wholesaler and some increasingly certainly for retail you’d be looking at products being processed at an abattoir and retail path, and then going straight from there to retail shelf.

I Card 2, definition of resilience. How does this make sense to you?

R I think they are. It’s about how much shock can they handle and still survive. I guess it’s around and looking ahead to the future is how much of these shocks can these businesses absorb in the future if the direct payments begin to reduce over time or are stopped.

I For [organisation name], do you have any examples of the three capacities?

R I think if you look at number 2, it’s working closely with the farmers to make sure they’re producing what the market wants and as that changes they then start adapting their breeding decisions to make sure they maintain their livestock are meeting our needs.

I Anything about transformative?

R I think the big one there is around, it’s a business and we’ve spent a lot of money, a lot of time and effort supporting our farmers’ understanding things like the cost of production, and that is absolutely crucial to understand, are these businesses capable of surviving some of these big shocks.

I Why do you think it’s important for the farmers, and how much do you think that currently the farmers supplying livestock in the UK are aware of that?

R I think it’s relatively low. I don’t think it’s something many farmers spend maybe enough time on but they might have to spend a lot more in the future because the subsidy regime is about to change. It could be one of the areas where they need to be much more up to speed with inputs, with outputs, the value of the net worth of their businesses in terms of the ability of their businesses to survive in the future.

I What do you think are the causes behind that?

R The biggest single one is they don’t really need to do a huge amount because the vast majority of income of the business is probably coming in in subsidy.

I For those who want to do it, do they have the metrics to measure the cost in their farm? Do farmers have enough adequate skills to understand the economics and make decisions on the economics, and also measure the actual cost in their farm?

R I think that’s a question you would need to address individual farmers, they’ll come with a whole range of different aptitudes. The methodology around a farmer calculating his crops production is not new, it’s been there for the last 25-30 years. The different levy boards, QMS in Scotland, AHDB Beef and Lamb in England, HCC in Wales, every year they are publishing cost of production data for beef and lamb production. It’s well accepted there is a methodology there but I sense an awful lot of farmers go through the motions of getting their accounts approved by their accountant, and as long as they can pay the accountant’s fee that’s as much as they take it. They don’t as it were proactively manage the business in the way that for example maybe a lowland arable farmer or a lowland dairy farmer would be looking at it, primarily because they might not be spending a great deal of money or making huge investments and therefore they don’t need to be crawling all over the business with the level of detail they would need if they were then going to make some sizeable investment in their business.

I Is that a feature more of upland farmers or of livestock farmers?

R I think the further up the hill you go the less probably interest there is, and it’s probably more around a way of life in these parts rather than seeing the livestock as a business enterprise in the same way that you might see further down the hill or on the lowlands.

I Do poultry pig or dairy farmers react differently?

R Yes.

I Have you noticed any other different segments of farmers?

R I’m probably very lucky that I’ve got… I’m dealing with a whole range of different livestock enterprises and I can see the spectrum move from the left-hand side where the interest in somebody that might only be growing one species of livestock and that’s what the business has done for the last 100 years would be much less than at the other end of the livestock spectrum where somebody for example investing £300,000 to put up a 1000 place pig finishing unit that would also be buying the feed ahead, they would be managing the risk in their business because the feed component would be 60-70% of the cost of production of their pigs or their poultry. That might even be done with a [inaudible] in a fully integrated supply chain.

I see the whole spectrum and without any shadow of a doubt the further up the hill you go the business structure is fundamentally different. You’re dealing then with very much independent businesses that are probably give less flexibility to change the course of direction, and when they do change the course of direction my observation would be that it’s largely the suckler cow enterprise is dispersed and it’s therefore particularly on a lot of hill farms it would just be the sheep enterprise that would be left on the land.

I This is your prediction for the future?

R No, it’s what’s happened in the last 30 years. If you go between Glasgow on the west coast of Scotland down to Argyll, look at the hundreds of acres that either land that’s not got any livestock on it or it’s planted with trees, and the general movement there has been, beef and sheep farms, suckler cows go off, that reduces the output of the business, it probably reduces the cost for a period but in many of these farms they probably need a mix of cattle and sheep to keep the grazing in good order. After a period of time without cattle then the grazing deteriorates, the performance of the sheep crop deteriorates and you get a vicious cycle.

I Do you feel that this type of trend will continue or change in any way?

R It depends on how the farmers at grass roots decide to react to the change in the agricultural policies that might be about to be put in place.

I What type of reaction would be seen as an opportunity for the upland farming? Is there going to be an opportunity for the whole sector rather than creating more problems?

R I think it’s probably the opportunity will lie around what the land might be used for in the future, rather than maybe the opportunity to do something different with the livestock. Because a lot of the geography and the terrain will determine the type of breed of sheep that could be kept on some of these farms, so that reduces the opportunity and maybe we’ve to start looking at that land could be, could it be better used as a carbon sink for timber. Some of the things we’ve already seen in the last 40-50 years, water storage and issues like that. With the increased interest around vegetarianism, veganism, flexitarianism, I struggle to see how these farmers could differentiate their product in the marketplace because they’re all independent businesses, they don’t have a history of cooperation or joining forces to work more closely together.

I When you say these farmers probably use their land for alternative uses, what kind of impact is that going to have for businesses like yours?

R I have no doubt that the numbers will decrease, it’s the extent of the decrease I think is what would be the crucial question in this whole area.

I Will that decrease have a domino effect in the downstream side of the supply chain?

R Not necessarily because we’re seeing a lot of lowland… Some of the lowland sheep farmers are now looking at developing a closed system where they would be breeding their own replacements and therefore they wouldn’t need to rely on breeding replacements coming from further up the hill and upland areas, which has always been part of the historical breeding pyramid. Because they’ve responded to the market needs in terms of having a more integrated system, having more control over the breeding attributes, the performance of their flocks.

Every time an animal moves there’s a threat of spreading disease, so from a productivity point of view the more control you’ve got the easier it is to potentially manage the challenge of using antibiotics or animal health products or cutting down the potential resistance there might be to some of these products. The days when the lowland sheep sector for example was wholly reliant on raw material coming from the hill and uplands I think probably that boat has sailed.

I Do you think it’s also happening rapidly on the sheep side?

R I think it probably, a lot of the adjustment I personally feel has begun on the beef side already. I think it would be, in a no Brexit deal outcome the sheep sector is the most vulnerable. The further up the hill the sheep are, the more at risk they are of, in terms of where they fit in to the food chain landscape in the future. The farmers up there would tend, and this is a big generalisation, would tend to sell their lambs at store lambs and wouldn’t have a relationship with a retailer or a major processor because they would be selling them to a lowland farmer that would then rear them for four or five months, buy them September/October and then be selling them January/February/March/April. So they’re almost one step removed from what is the marketplace actually requiring.

I Why are they going to be hit more than the rest?

R It’s largely a function of, they need the hill breeds to be able to survive through the wintertime on the hill. But these hill breeds would not be leading in terms of the final weight of the lamb for example, the confirmation of the lamb would not be what the marketplace was actually looking for in the UK, certainly in retail. It might have an opportunity for it might be the type of lamb that might be what an Italian or a French consumer might be looking for but in terms of a UK abattoir the yield from the finished lambs from these hill breeds would be significantly lower than those from a more mainstream breed, therefore that impacts on the value of that lamb.

If we get into a no-deal Brexit scenario, we’ve then got to reabsorb something like 5m British lambs, that’s the equivalent of what’s currently exported, we’d probably have to find a home in the UK market. We have worked with our groups for 25 years fine-tuning the lamb that they’re producing to make sure that as many of their lambs are meeting our specification and they’re maximising their return from the marketplace. Even if we get to a no-deal scenario, we’re seeing lamb sales for example are under real challenge and even if there was an awful lot more lambs available it would be difficult to see how we could absorb more than what we’re currently absorbing.

[Interruption]

I The lean type of meat and high yield is the usual outcome of using European instead of native breeds. Do you feel the native breeds have any advantage or disadvantage in terms of fitting trends of environmentally friendly production systems?

R I don’t think so. If you do the maths, a lot of these lambs in the hill and uplands are not slaughtered until they’re 8, 9, 10 months of age, to get them to a 16-18k carcass. You contrast that with their cousins in the lowlands, they’re getting to that weight within 4, 5 months of age. If you start then looking at the land area needed or start with the daily weight gains and you’ll find that to get that hill and upland lamb finished at a respectable weight that might find the UK or European customer, it’s running around gaining very little for quite a part of its lifetime.

I Do you think the native breeds have a disadvantage?

R They have a major disadvantage because they don’t a) it takes so much longer for them to gain the weight needed to reach the market specifications and secondly, through the abattoir the meat yield that they have is significantly less than their Continental cousins. When lamb is a most expensive protein at retail, if you get, there’s a massive difference between, if you look at a loin chop off a Texel cross and say a Scottish blackface or a Swaledale, in the case of the latter the hill breeds, you’re looking at an eye muscle that’s not much bigger than a 50p piece. If you’re trying to feed a family that’s going to be very expensive for you in terms of buying that product for a meal occasion. That’s why having an animal weight that’s got more yield is probably that they’ll be more attractive to processors. If these upland guys can produce more of the store lambs that’s going to meet the market requirements then all well and good but what it probably does mean is we’ve got to accept that the pure hill breed sheep… Part of the compensation the farmer’s probably going to need is through an agri-environmental payment or something that supports the landscape.

I I have had comments saying, delivering environmental benefits in the upland areas you need to have a mixed system of sheep and beef and some stocking rates, which means if sheep and beef disappear from upland areas then there is going to be degradation and loss of biodiversity etc. Some people were saying native breeds yield less but they need less inputs so in terms of resilience and exposure to vulnerability of external inputs, they offer an advantage to the farmer in those areas. Do you think these are valid comments?

R What have you got in mind in terms of differentiation? What do you think…

I think it’s absolutely delusional to think that just because an animal has had a lovely view during its lifetime that somebody will automatically pay more for that product. It’s just absolute nonsense. That’s why from a security of supply perspective we would be working with more of the businesses that are more self-sufficient in terms of their farming system, and where we would have a much better handle on things like animal welfare, the quality of the stockmanship etc that lies behind the farm gate.

I think it’s very challenging and that’s why I think for the output of some of these hill and upland farms in the future… If we don’t have access to export markets then the value of their store lambs at the end of the season will probably be very challenging, to the extent, and we’ve seen it before when we had foot and mouth disease etc when export markets have been closed off, that essentially some of these lambs went in to a nationwide cull scheme. It would be a different scenario to get to but essentially their value, they’re in the weakest point of the supply chain in terms of getting a return of value for their lamb.

I Because they don’t have the right size or composition?

R They don’t have the established relationships, nor have they sought to go and create that in the last 30 or 40 years. The principal handicap to that has been they have largely been producing the same old product for that whole period of time, with the reassurance that there was a support cheque that would be coming in that would largely cover the outgoings of the business on an annual basis.

I Do you think that has a role to play, the fact that a lot of those lambs are going through auction marts?

R Yes, and a lot of farmers might think that the auctioneer is their actual customer, whereas it’s a medium of exchange between the hill farmer and the lowland farmer. There was probably more opportunity for a relationship if the farmer was selling his lambs privately to a lamb finisher or selling their store cattle to a cattle finisher, and the finisher was then feeding back to that farmer what the weights and grades of the livestock were when they’re hung up in the abattoir, when they finished them.

I Do you think that this type of feedback exists in the industry?

R I think you will probably get pockets of feedback happening, and you’ll see potentially probably some finishers buying lambs or suckle calves or store cattle from certain farmers year in year out. So there probably is, whether it’s based on hard facts or whether, yes I generally buy lambs from that farm they generally do ok. How much detail is actually passed backwards and forwards is probably questionable, but certainly with a new livestock information platform that DEFRA is seeking to develop, we should certainly be in a place three or four years down the track where an animal with an EID tag on the lamb side or the cattle side, that primary breeder or that animal should have access to understanding what its final slaughter weight was, what its confirmation was, and that would be a step forward to get to a point such as that.

I Does this happen a lot?

R We’ve certainly seen both their lamb schemes and their beef schemes. We feed a lot of information back to the finisher of both the lamb and the cattle in terms of weights and grades, and any animal health issues detected in the abattoir. I couldn’t tell you how much of that would be shared back up the line to the farmers where these animals were maybe bought as stores beforehand.

I Your finishers, do you know if they’re buying from auction marts or directly from upland farmers?

R I think we would see a combination of the two. If we look at 60-65% of the beef cattle that we would be sourcing has lifetime assurance, so that’s a combination of calves coming from a dairy herd or suckler herds where we know the calves’ life history through their lifetime. You’re then looking at 30-40% will have passed through, either bought privately direct from farms or may have passed through an auction market at some point in their lifetime.

On the lamb side, we would have virtually 95% of the lambs would be coming from breeder finishers, with the other 5% if they’re bought as store lambs they’ve got to come from an assured supply, the farm must be farm assured so that we’re meeting 100% of the lamb that we would be sourcing in the UK would be farm assured through its entire lifetime.

I Your immediate supply is the slaughterhouses? Where are they based [section deleted to maintain anonymity]?

R [section deleted to maintain anonymity].

I Card 3, resilience function, roles, goals. What do you think matters most for the upland farmers?

R I’ll start on the first, business owners’ private interests. I think the expectation of any farmer would be around points 1 and 2, about being able to generate sufficient profit to support the business, to keep it in the family, because an awful lot of these businesses are family-run businesses and when times get hard you almost think they exist on fresh air. And, if they could be successful enough then that would allow for succession within the family.

I think in many of these upland farmers it would be around earning respect in the local community, number 5. I think historically they probably were a source of local employment opportunities but alas I don’t think that that is probably as strong as it once was, and that’s just the nature of how the world we live in has probably moved. If I go back to the west of Scotland where I come from, what we’re seeing is a lot of the young guys that may have gone to work on a farm are now actually going into the fish farming world, or they’ve gone into forestry, they’re harvesting trees or alternatives to livestock production. So I think that has changed a bit.

In terms of the multiplier effect, yes that is really important but at the end of the day all these characters have got to make a living as well.

I So number 1 is most important?

R Yes, I think so. For me it certainly is in terms of that ought to be the ambition of a farmer in any part of the country.

I Critical functions or goals. You haven’t mentioned public good services?

R I think that related to public good services. I think that is all issues that are not front of mind in most upland farmers. I think these are concepts that are more the domain of the policymakers, the NGOs, that whole spectrum of different actors out there. The farmers often probably may well see that as more of an imposition on them rather than mainstream.

I Do you think it’s a good thing that it’s not so critical in the mind of the farmers?

R I think it probably needs to be more around the dialogue and involving the people in these communities around the need to address these bigger worldwide international, national targets, rather than them probably feeling that this is all too complicated for them to get their minds around. There’s probably more that could be done to support individual farmers in the translation of why these aspects are becoming increasingly important and turning on its head and say, we need you to help us address some of these challenges, rather than what we’ve tended to see is farmers seeing more constraints being imposed on them or traditional things that they may have done historically.

I Are there any other constraints farmers feel are imposed on them?

R It’s difficult to know because I’m not close to lots of farmers in these areas but I just think that that whole, they’re in farming because they want to make a difference, they want to leave the farm in a better condition for future generations. I just think a lot of them particularly in the hill and upland areas are feeling that they’re being targeted more for delivering some of the public good there may be right across the piece. And that’s the bit that comes back to more dialogue, more explanation, more translation and presenting this more in terms of what are the opportunities for you in your farming to help support and deliver some of these new concepts they should be taking into consideration.

I Who has to be involved in that dialogue?

R I think we need to determine whose responsibility it is to deliver on the public goods, and then for me it’s around making sure that there is a process that farmers can engage in to better understand what their options are.

I Do you think there is any responsibility for retailers?

R We as retailers are retailer. We have good shops, we sell goods. We can help and support farmers to meet changing market needs but a lot of this is a by-product of government policy and the first… I would say the people that have responsibility for delivering the policy are those who probably need to do more of the translation and support the farmers better understand the reasons why things need to change and what they could do to support the delivery we need as a nation. We can probably encourage our farmers to do that but we are not resourced to deliver the expertise, nor is it our responsibility.

So that’s where I think some of the agencies need to be much more clear around who has got responsibility for delivering these different public goods, who is going to fund the expertise, those who can engage directly with farmers, groups of farmers and support them with knowledge transfer, knowledge exchange, to help them move to appreciate the challenges but also help them deliver some of the outcomes that will be desired or needed in the future.

I Other interviewers say especially the big retailers because of volumes, market signals that they give back to the supply chain, they have a role to play in helping farmers realise that they have to deliver the public goods. A lot of retailers buy a lot of product and look for low priced products and don’t reward extra value, then the market signals that farmers are getting is not exactly in conflict but…

R I think it’s quite clear in terms of a retailer is responsible for the traceability, the safety of the food it has on its shelf. So we cannot, nor do we have the resource to also become the conscience of doing the job of for example the Environment Agency does or SEPA does, and all these other organisations that are charged with delivering public good. What we can do is encourage our farmers that supply us directly to make sure they are understanding why it’s important to look at contributing in the delivery. On probably biodiversity is for example an area and membership of its agricultural environmental schemes is probably the area where we’ve encouraged our farmers to really engage with that and see that as almost like a diversification of the farm in the sense that it’s an enterprise that needs to be managed in a proactive way.

I [inaudible] opportunity for the retailer itself?

R I don’t understand how that can be. What we don’t do is make it compulsory for a farmer to be part of any environmental scheme. What we can do is encourage them and have on our protocol words like, it would be preferable if the farm was part of an agri-environmental scheme.

The other point I would make on that is it’s also much more difficult for us to have direct dialogue with these hill and upland farmers because they are not the members of our schemes, it’s the finishers. We’re one step removed and there’s only so many hours in the day, so it cannot be our responsibility to engage with the people further up the hill.

I Retailers demand, if you don’t deliver on this safety and traceability side then your product is not acceptable. Does it help a lot all this innovation and change in the mindset of the suppliers to happen? Some people believe responsibility should be demanded through the supermarkets.

R On that I would say there’s a misunderstanding out there by some people around the role of the supermarket. If we roll back the clock to when we had BSE in 1996, what we didn’t have was a comprehensive cattle tracing system, nor had we a farm assurance scheme that could provide UK consumers with an insight into the wholesomeness of the beef and lamb or pig meat that we were producing. One of the developments that happened very quickly, immediately after BSE and by 1997, was the development of the various farm assurance schemes. That were there to provide reassurance to our customers that all these aspects that lay behind producing animals to certain industry requirements, safety, animal welfare were all wrapped up in one.

I would say that was supported by the retailers, it was an industry initiative and remains industry owned to this day and not owned by retailers, but we’ve largely adopted that as a baseline for UK production. One of the big disappointments is the fact that there’s a huge volume, certainly outside of Scotland because it’s pretty much 100% farm assured north of the border, is the fact that an awful lot of these hill and upland farmers are not even today in 2019 members of a farm assurance scheme.

At a time when we need to be looking at adopting lifetime assurance for both beef and lamb, that’s one of the very quick wins they could do is at least becoming farm assured so that the potential marketability of their beef or their store cattle would at least be enhanced. If they don’t take that on board then they’re rapidly going to be left behind, and that will be them voluntarily reducing the marketability of their own livestock. So it then becomes up to them to do more to help themselves and the first thing they could do would be address the need that every lamb, every cattle beast should at least conform and be produced to a farm assurance requirements, whether that’s the Scottish version, whether it’s Red Tractor, but that would be something that particular sector could do to help themselves.

I But you don’t see in the future retailers introducing a similar scheme?

R No, why would you duplicate? Why would you duplicate the nationwide standard? That’s a National Kite standard and if we… It was proposed at the moment that’s going to become ever more important in terms of additional requirements added to farm assurance to probably cover environmental requirements of government for example, in terms of trying to save cost money out of all these different agencies going up and down, farm tracks measuring the depth or the length of a hedge, you then [inaudible] out. We’ve got to be much better in terms of how we join up things like assurance and compliance and regulation, and do it much more cost-effectively.

I How can we improve tidying up all these regulations and assurance schemes in order to deliver even better value, is there room for improvement there?

R Data sharing would be a really good example in terms of these agencies being able to share more information around the same farms to save four or five different auditors going up the same farm drive to essentially ask the same information. You’ve got a farm assurance inspector, you’ve then got a trading standards person, you’ve then got somebody from the Environment Agency. Why don’t we agree that if somebody is on-farm then they collect everything that might be needed in a 12 month period, put that on a database so that the other agencies can draw down the data from a reputable source that’s already been collected as part of the farm assurance audit?

I Do you have another area that could be improved?

R Not offhand at the moment.

I Card 3. How do you rank things, what are the five most important critical functions? Is there anything missing from that list?

R I get the whole public goods stuff, I totally understand that. I don’t think there’s anything additional I would be flagging up. We’re all running businesses, we’ve all got to think business-like and I probably as a former economist answer the way I see everything. It’s all about, it’s a business.

I So number 1 you think is most important. Any other?

R At the end of the day it’s about being able to generate enough profit to make sure you’ve got a robust business to allow future generations to come through and do exactly the same. I say that because we in our supply chains, we’re about to enter the 27th year of our lamb scheme in Wales for example, and 27 years we’re dealing with an awful lot of now third generation of the same families that we’ve dealt with over that long period of time. So that’s a good example of engagement, investing to make sure they are continually evolving their production to meet our needs and the needs of the market.

I Card 4. How would you rank the five most important critical factors?

R I think it’s an impossible question.

I Is there any important driver missing?

R You’ve a list of 22 here, it’s impossible to think of something. I would much prefer, have the conversation, if there’s something occurs to me I can email it to you afterwards, than the process you’re going through. I think everyone, we’re very conscious of the change in weather patterns and the issues to do with disease challenge, water, land, water availability, degradation of soils etc. That whole first section, yes, we fully recognise that, we’ve got programmes of activity in place that would be raising the profile of some of these in a subtle way with our farmers, and doing it in a way in terms of challenging them around best practice and the way they do some of the tasks on their farms.

I Is there any other drivers for the other categories?

R I think price volatility, yes, it and the weather are the two issues that probably are why more businesses need to be thinking about risk management, and that’s where the resilience of the business probably comes in. It’s probably in this area it’s where in a post-Brexit world where farmers do have to probably be more responsible for their actions and their outcomes. We as retailers, because of the profitability in UK retail is decreasing and decreased quite significantly, our ability to support farmers that are inefficient is not going to be, our ability to pay, we can pay a fair price for a product but we’re not going to have as much money to be able to reward for something that isn’t above and beyond.

I Is that a result of Brexit or for any other reason?

R I think it’s a reflection of the fact we’ve got over-supply in retail capacity on the High Street. There’s a lot of retailers and over-capacity in the number of shops.

I Anything else that makes your business more or less resilient?

R I think it’s how we deal with things like price volatility in terms of the more integrated supply chains would be buying their feed, forward buying more of their inputs and controlling the costs within a system, within a production system. That’s where we can help support our farmer base. I would challenge the whole thing around the power dynamics in the supply chain. Quite frankly that is my view, is farmers not understanding, it’s more around people not understanding what it costs to translate something a farmer would see as a lamb carcass into a range of different products that a customer would recognise as lamb.

I How can you help the farmers with the price volatility of the feed?

R By buying together.

I So you are suggesting sharing the cost the feed?

R Every input an upland farmer buys, the merchant he’s buying it from will be making a margin on it, 10-15-20%. If they would collaborate and buy all their feed together, all their fertilizer together then they probably could have a discussion with the merchant around buying that smarter and at a lower cost.

I That’s a collaboration between the farmers but the retailers don’t have any involvement in that?

R Yes, absolutely. We’ve got a group of dairy farmers this winter that have been buying concentrate for their dairy product, for one of the milk groups that has been costing £60 a ton less than other farmers who felt they could buy their feed better themselves.

I But you don’t have any involvement in that arrangement?

R You’re misunderstanding. We have encouraged them to work together.

I So the initiative started from you?

R Yes, that’s [inaudible] This is the leadership thing that we can bring to the table. I think this is an example of where farmers if they’re not doing it of themselves, we will be encouraging them to think about how they could do more to help themselves.

I Do see generally farmers are acceptable to this idea of collaboration or do you see any difference between different sectors?

R The more integrated sectors like pig and poultry, their processor might be supplying virtually all the inputs. In these sectors the farmers are focusing on the management of the livestock, they don’t need to worry about the price of wheat in Chicago has gone up $10 a ton, whatever. They get on with the job and they maximise their focus on the livestock, conscious that their processor will be seeking to get the best deal in terms of buying their inputs at as good a price as possible.

I Do you prefer this type of structure in the supply chain?

R Absolutely, because that therefore means that at a collective basis then we can mitigate some of the price volatility on input markets, and therefore if we can control that in terms of our in costs from our processor, then we probably end up with more stable prices for our customers.

I Have you tried a similar approach in the beef or sheep side with your processors and their suppliers?

R We have one scheme in sheep where we’ve done this for about ten years, it’s a relatively small niche group but it certainly works there and it’s something we’re looking to see if we could develop further in the future.

I Where is that group located in the UK?

R In the south west.

I The processors in Scotland or Yorkshire, have you done anything there?

R Not done anything there, not in these parts. We don’t have any sheep farms in that part of the world I’m afraid.

I In terms of Brexit, how do you think you’re going to be affected?

R It’s difficult to know exactly at the moment until we see or understand on what terms we’re leaving the European Union.

I So especially the scenario of no-deal?

R Yes, absolutely.

I What are the expectations there?

R We are largely sourcing most of our livestock products from the UK, so in terms of issues with importing meat products from abroad there are only two products we have got exposure to is New Zealand lamb and New Zealand venison, everything else is UK-centric. But where it may impact might well be things like the cost of imported feed ingredients such as soya, which will very much depend on the exchange rate, and tariffs. Those are the two things. All that therefore means that we carried on as normal but it might be that the end market price our farmers can receive will be impacted whatever the outcome.

I Is there any reason why we have New Zealand lamb?

R Yes, because it is the best at that time of year, it’s in season, it’s being produced when their grass growing is at its peak. They’re not feeding concentrates to try and finish a lamb that’s sheltering in two feet of snow behind a clump of trees, it’s high summer. If you take lamb as a natural product then it ought to be finished or capable of finishing off grass. Maybe what we’ve got to accept in the UK is that we shouldn’t be trying to produce lamb 12 months of the year, we accept that if it’s a seasonal product then the season probably runs out at the end of January.

I In the UK, what is the supply and demand?

R The tight data will show you that we’re exporting 4.5m lambs abroad, annually. We are importing some at different times of the year from New Zealand but that volume coming in from New Zealand is declining and it’s tying in with the fact that lamb consumption is declining.

I Do you think what is produced in the UK is mismatched?

R If you’re looking at it purely from an economic and environmental point of view, we should be seeking to produce our lamb, as much of it as possible off grass or forages, and forget trying to produce lamb in the months of the year when the only way we can put weight on them is to feed an awful lot of grain or concentrates. That so happens to be probably the February to April period of the year, and we know that’s when New Zealand lamb because their grass growing curve is at its peak in terms of availability. So it’s complementary rather than us trying to think that it’s the one and the same product.

I So it’s shrinking the season?

R Absolutely, and if we see lamb as a seasonal natural product then it should follow our grass growing curve.

I Some people say the opposite, with breeding or any other way we should expand a bit and shrink the imports.

R With the environmental challenges the sheep industry’s got the last thing it should do is to try and buck nature. It should go and follow the natural attributes we’ve got and that for me is following the grass growing curve.

I What would be the impact if upland sheep and cattle farming is dramatically reduced or ceased altogether?

R We would probably be impacted at the margins but I think the way in which our supply base, because it’s more lowland orientated rather than hill and upland, certainly some of the lamb in Wales is from the uplands, is probably in a stronger place to survive the challenges that’s coming down the track. That’s primarily because the type of product these farms are producing are meeting the market requirements. If you look at the UK sheep industry, only about 55% of the lamb meets UK retailer specification. And if I look at our group, I don’t have anybody supplying us with a head rate or our requirement at less than 75%. On average our lamb group is getting up to producing between 85-88% of the lambs they send to us are all meeting our requirements.

I In card 4, the drivers and distributions, can anything there be seen as an opportunity?

R I think one of the things that would help is probably around… There would be more opportunity for the people in these areas if they had probably better infrastructure, and that’s probably around things like access to broadband and stuff like that. I think there will be islands of opportunity in terms of people developing a system that probably can deliver from an awful lot of the social and environmental challenges, but that’s probably going to be small-scale and finding really good niche outlets for the product. But it will require the farmer to go and do that rather than that being spoon-fed. So there will be people that will have that business acumen I think that will go off and find the right outlet for their product.

I By outlet do you mean supermarkets?

R Not necessarily. Everybody forgets 50% of the meat consumed in the UK is consumed in food service, so even on this survey it keeps reference retail the whole time. You’ve got to ask the question, where is the product that food service is sourcing, and most of that currently is imports. So that might be an opportunity.

I Card 5, mitigation adaptation strategies. Is there anything you can recognise that we are doing that in order to make our business more resilient?

R If I looked at our business, it would be looking at different channels we could sell our products or developing new products. But that requires a lot of investment.

I What channels?

R Shops, online, home delivery. That’s how we would seek to diversify but that does require a lot of investment and I think a number of these businesses, diversification is not for everyone but I think at times we don’t acknowledge it does require quite a lot of investment. That might be an option for some but I don’t think it would be a panacea for everyone.

I think geography has a big influence in terms of, if you are going to try and get close to your end customer, your end user then the closer you are to that marketplace, the processor etc then that will probably be easier, and certainly you could be more responsive. But a lot of these things are not the first thing a lot of these farmers would feel probably comfortable with. Historically they’ve tended to use a third party to sell their livestock through. I think it comes back to, what are the options and everyone have an equal opportunity to think about the resources they control and what would be the best fit for their business or for their location.

I For [organisation name], could you expand on how you would make the business more resilient?

R We don’t need to because we’ve already got our livestock schemes in place, we made that investment 20-25 years ago. We’re managing with the groups of farmers that we’ve got that connected to us the end-user, so what we can do is to continually challenge them around best practice or tweak their production system to meet changing needs.

I New technology or new farming system, do you educate them?

R What we would do is we would facilitate, together with our processors we would help facilitate bringing in expertise to support our farmers make some changes and adopt new techniques. The one that springs to mind is around, we had a five year funded Innovate UK project looking at growing more home-produced proteins, so a lot more of our farmers are now growing crops like red clover, using that as silage, reducing the need, because it’s high in protein reducing the amount of concentrates they now need to buy to top-up the livestock.

There would be other work around looking at promoting the use of vaccine to reduce abortion to make sure that more lambs are born alive will survive. There’s a whole stack of different things like that I would suggest that we help facilitate. The big benefit we’ve got is, because we’ve been doing this for the last 20 years we’ve created a community, an awful lot of the farmers would know one another so they themselves are sharing expertise and knowledge amongst themselves. I think that is where an awful lot of the hill and upland farmers, they’re in very remote or isolated locations and they don’t have that opportunity to share ideas with their near neighbours because they might be two or three miles away. So geography becomes really quite important when you’re trying to support developments.

I Are there any areas that you’re thinking of future investment?

R That’s about facilitating farmers to reduce their cost base. If we thought the land was capable of growing more of our home-produced protein, why are we buying it in in a bag when that farmer could be producing that himself and therefore reducing their exposure to sudden exchange rate risks or crop failure somewhere else in the world.

Other things that we probably have been doing more work around is encouraging farmers to begin analysing their silages, their forage crops, every other month through the course of the winter because the quality degenerates over time and rather than just do your silage sampling in August/September you really need to be looking at that through the course of the year to make sure you’re feeding the appropriate diet to your livestock.

Another area we’ve been work and encouraging is around soil health and soil analysis, just to make sure that do they really need to be adding on nitrogen phosphorous potassium every year, you might just need to put on nitrogen one year rather than the same combination you’ve always put on for the last X number of years. There are things like that that we’ve been doing quite a bit of leadership, encouragement, knowledge transfer activity.

I You have built a trust.

R I think the trust is the elusive word. The farmers would look to us for leadership and ask the question around, what are some of the things we need to look at and should be addressing to maintain access to you [organisation name], our customer.

I Is there any area that you have an interest to invest in the future?

R I think block chain is being window-dressed as something that is already in place, it’s called traceability it doesn’t need to be block chain. I think product integrity is an area that will become increasingly important, so if you’re selling Aberdeen Angus beef it does really need to come from an Aberdeen Angus sire rather than it’s another black animal, it might be an Aberdeen Angus. So the developments that breed societies are putting in place in terms of DNA profiling all the sires that farmers might be using is a real step forward.

The new livestock information platform that DEFRA’s developing will again be a huge step forward. For the last 20-25 years we’ve looked across the sea to Southern Ireland looking at their cattle breeding traceability system they’ve put in place that linked up all the carcass weights and grades to the sire information the genetics database. So they’re making much more informed decisions around suitability of certain sires for the marketplace than we do here in the UK where our genetic stuff is solely derived from the pedigree generation rather than the true tests of the genetics and that’s the commercial generation.

I Grading system link, it can improve?

R Absolutely, and that’s where technology needs to help farmers and everyone in the supply chain make more informed decisions.

I Especially the abattoir area, what are the kind of technologies or changes you need to see here?

R I think the way in which we classify our carcasses is now outdated so everyone is using the Europe grid which has its origins as, in the good old days, 20-25 years ago when we had a massive surplus of beef being produced across Europe where an awful lot of that was going into cold store and they needed to find a system of classifying the carcasses. We’ve now moved away from that, no longer is it relevant and probably looking ahead and thinking to the future, we probably need to be developing systems we can use technology to estimate things like the yield of a carcass as well as its potential eating quality, based on the diet and its breed type.

I Do you have any other examples like that?

R That’s the one that’s probably focused on our minds at the moment.

I Is there any movement around that, among the retailers or slaughterhouses?

R It is interesting that we’ve looked at what’s happening around the world and some of this work that we’re involved in a project that’s funded in Wales which is looking at particularly on beef, looking at the Australian 5 star beef ratings concept, and that might offer us an opportunity to look at how that might be something that would be a natural next step to move to looking at a better description of the eating quality of a product on our shelf.

I Which university in Wales is involved?

R Aberystwyth University. It’s in the foothills, it’s at the beginning. It’s an industry-wide [inaudible] consortium.

I Who is leading that?

R HCC, the levy board in Wales, and virtually all the major processors in Wales are part of this project.

I Do you have any information?

R Google meat eating quality in Wales in the Aberystwyth website and I’m sure you’ll find it.

I Is there any similar movement anywhere else in the UK?

R Not that I’m aware of. There might be at an individual processor level but I’m not aware of anything else.

I Would [organisation name] be interested in getting involved in similar work in Scotland or somewhere else in the UK?

R The reason that we are a partner in the project in Wales is because we’ve got 350 lamb farmers in Wales and 100 beef farmers we’re sourcing from. We probably stick to projects in the area where we’re sourcing from rather than ones where we don’t have the same depth. You never say never, particularly where there’s some funding available.

I Are there any other hotspots in the UK that you can build your project around?

R The south west of England and Wales for our lamb. Broadly two-thirds of the beef cattle would be across England, a small amount coming out of Scotland and then some in Wales.

I …decide whether you want to get involved or not.

R I spend quite a bit of time with people making approaches, inviting us to come and join certain projects. It generally comes down to if we get into a project, how many farmers have we got in that area, in that [inaudible] that it would be relevant for.

I So you would like something in Wales or the south?

R That’s where our farmers are. I don’t have any problem with where the research is done provided it’s progressive. If you look at the project in Wales, we need to have some of our Welsh beef and lamb farmers involved in it. That’s part of my challenge in as much in Scotland as I might do is because I don’t have any lamb farmers up there and I have only a small number of beef farmers. I cannot justify my time sitting in projects in Scotland when I’m hardly sourcing anything from that nation.

I It doesn’t have to be farmers from Scotland, it can be anywhere in the UK.

R Some of the levy board funded is relevant when it comes to where your farmers are.

I In terms of ideas about products you would like to explore.

R Probably more around resources efficiency. Another area linked to that would be around feed efficiency for beef and lamb. Increasingly we’re seeing that becoming a selection criteria, it’s going to become more widely available but also more relevant moving forward.

I What do you mean by resource efficiency?

R Looking at putting together the entire package of the genetics, the animal health status and the ability to convert that into kilos of meat.

I Is there any area that you wanted to talk about and you haven’t mentioned around the resilience of the meat supply in the UK in general?

R I don’t think there’s anything else. I think one of the things that I would conclude by is coming back to the people, coming back to the social dimension of the expectations on our beef and sheep farmers in the hill and uplands in the future. I think it comes back to translating policy into language and words that they can readily identify and feel that they are empowered to contribute to a sort of future direction of policy and then deliver that.

I think at times we tend to, we don’t do the translation piece near as much and therefore what you get is a degree of concern, resentment and people not showing, or the policymakers not showing enough respect to the farmers in these areas who in many instances have been the guardians of the landscape and the countryside for many generations. I think we need to find a better way of agreeing what the direction of travel is and then support the farmers make that transition because they’re naturally focused on producing output but it might be a different type of output that they need to focus on in the future.

I The translation issue, do you think it’s because we no longer have free extension services?

R I think that is a huge issue. And I think if you go around the world, where you see buy in and support is where they’ve still got extension services, it might not all be totally free. I’m thinking about AgResearch in New Zealand, I’m thinking about [inaudible] in Southern Ireland, but the key thing is that the farmer has a local reference point that they can seek advice and support. To some extent the Scottish model is probably in a stronger place than many other parts of the UK through the network of SRUC offices. I think that is really important and vital that the farmer can speak to someone that has empathy with them, does recognise the challenges but is there can support and being able to do, not only with them in isolation but with their fellow farmers. So it becomes more of a team dynamic rather than an awful lot of people left to think it’s all on their shoulders, the delivery is all on their shoulders rather than it’s really a collective team effort is knowing exactly what’s it about.

I Who is involved in the collective team effort?

R It depends I think on what the issue is. I think a good example of where farmers have worked together, certainly in England, is around things like catchment sensitive farming areas. That concept where they’ve been looking to improve water quality, and therefore it’s a bit of everyone needs to make a contribution and it’s not the case that if everybody else does something I don’t need to change my ways. So I think there’s something around, and that’s where I think some of the key agencies have a major role to play.

I Which agencies?

R Whoever’s going to be responsible for environmental protection and improving water quality or improving soils. Whoever that agency is, they need to find different ways though of keeping farmers on-side and not strut around with their audit sheets. It’s about building a relationship and it’s about empowering the farmers to see it through their lens that motivating them to go off and help them support the delivery.

I How do you come to that conclusion?

R The last 25 years we’ve had too much of agencies dipping in and out, instructing farmers you can’t do this, you can’t do that. It needs to be turned on its head, we should agree what is the best way we tackle some of these issues and then seek to work together as a team and making sure that everyone contributes.

I And that came from you to the farmers groups?

R Yes, exactly. I don’t allow any of our farmers, if we agree to do something as a group then it’s not a case of some get away with not doing it. If we agree with A, B and C then everyone will do A, B and C. In the most part it’s the farmers come up with the ideas, and that’s a good thing because then it’s not my idea and I’m not insisting it’s going to be done, it’s allowing the farmers to have some flexibility but largely they’re all pointing in the same direction.

I Most of the industry works around spot markets but not long and mutual relationships.

R The reason we’ve got a slightly different model is that we’re generally only, we’ve 5% of the grocery market so we don’t need to go and source, we’re not a 30% retailer, we’ve got a slightly different socioeconomic customer than the norm so it does allow us to do things slightly differently. We’re founded on partnership principles and I think we take great pride in extending that back to the farmers that supply us. The key thing is all about, you mentioned the word earlier, is about creating trust in each of the partners in the supply chain.

I It requires a lot of investment on your side.

R It comes back to a team effort. Our processors have got their agricultural teams on the ground that would have the day to day relationship with the farmer. I tend to turn up at industry events, some of their events I might turn up to some of their knowledge transfer events to reinforce the message and lend support to the field officers. But the key important thing is each of the farmers have got a reference point that is essentially their account manager.

I That’s a huge difference, if you compare that model with a popular model of spot markets.

R That comes back to the relationship we have with our farmers is very important to us. We could easily do what others do and that’s just being very transactional, is it a case of go and source 500 cattle for next week, just make sure they’re farm assured, whereas what we’re saying is, go and source us 1000 cattle next week that conform to the [organisation name] protocols.

I Your example is close to the ideal, how can you transform that kind of good practice in the whole UK meat supply?

R It’s a missed opportunity for others. A lot of people making the commentary actually have never experienced… Going back to your first diagram, they’ve never walked that entire supply chain, following the blue segments, they only see maybe one section but they don’t see the building blocks all linking together.

I Can we continue having those broken links?

R I think those who are just, have not secured their future supplies, I would suggest they probably need to be thinking about developing the blue line here, rather than leaving it to chance.

I If you develop those kinds of links and mutual relationships then your whole supply chain becomes more resilient?

R Yes, totally. That’s why we are probably a little bit more relaxed than some others are, looking down the barrels of Brexit a month away.

I A business like yours has little to be afraid of.

R I look at it as this is the time where the historical investment in our supply chains hopefully can deliver more than just price alone.

I Thank you for your valuable insights.

End of transcription