

THE MARKET STRUCTURE OF FOOD IN THE UK

Deliverable 1.2.1.2

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In this sub-deliverable we outline the main contours of the market for foods as it currently stands in the UK and we pay some attention to welfare-friendly product lines. This provides a context and knowledge base that can be taken forward in sub-deliverable 1.2.2.1*.

GENERAL INTRODUCTION

In recent years UK consumers have been feeling relatively well off due to economic prosperity and a long period of low interest rates, and thus across the entire food industry they seem prepared to spend more on what they believe to be a **quality** product. Between 1999 and 2003, both PDI and consumer expenditure increased by 14%, and is forecast to increase by a further 11% between 2004 and 2008, thus the outlook for trading up or increasing the 'higher quality range' is good (see Figure 1).

Figure 1: PDI and consumer expenditure, at constant 1999 prices, 1999-2008

	PDI			Consumer expenditure		
	£bn	Index	% annual change	£bn	Index	% annual change
1999	625.46	100	-	592.51	100	-
2000	655.88	105	+4.9	618.70	104	+4.4
2001	684.84	109	+4.4	638.20	108	+3.2
2002	698.24	112	+2.0	659.88	111	+3.4

* It should be noted that the material included below has come, in the main, from a number of Mintel reports listed in the references. This report is therefore for internal use only and should not form the basis of any public communication.

2003	714.91	114	+2.4	674.66	114	+2.2
2004 (est)	734.21	117	+2.7	690.85	117	+2.4
2005 (est)	753.30	120	+2.6	708.81	120	+2.6
2006 (est)	772.89	124	+2.6	727.24	123	+2.6
2007 (fore)	792.21	127	+2.5	746.88	126	+2.7
2008 (proj)	812.81	130	+2.6	767.79	130	+2.8

Source: National Statistics/Mintel

Figure 3, taken from British Lifestyles 2004, breaks down expenditure on food for in-home consumption for the period 1993 to 2003. These figures shows how expenditure in the meat and fish products sector and the dairy sector has risen but at below average levels. The biggest rise in expenditure is in the fruit and vegetables and convenience foods sectors. Expenditure on milk, cheese and eggs accounted for £5.20 billion in 2003, which represents 9.8% of total expenditure on food for in home consumption and demonstrates an 11% decline at current prices since 1993. In contrast, expenditure on convenience foods amounted to the greatest amount of expenditure in 2003, some £16.97 billion, which equates to 32% of total expenditure. Data from the DEFRA Family Food Survey indicates that overall there has been a slight rise in consumption of meat and meat products. However, primary meats have all shown a decline in volumes and spending since the mid-1990s. The exception is the beef and veal segment, which was emerging from the BSE crisis at the start of the period.

Figure 3: Expenditure on food for in-home consumption, 1993-2003

	Meat and fish	Fruit and vegetabl es	Milk, cheese and eggs	Flour, bread and cereal	Confec- tionery, sugar, sweeten ers, oils and fats	Conveni ence foods	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
1993	9.75	8.03	4.69	3.19	4.75	9.96	40.37
1994	9.85	8.50	4.62	3.19	4.94	11.00	42.09
1995	9.72	8.91	4.63	3.22	4.98	11.67	43.13
1996	10.43	9.46	4.97	3.29	5.45	12.68	46.29

1997	10.21	9.83	5.12	3.36	5.49	13.21	47.21	
1998	10.24	9.87	5.00	3.34	5.80	13.53	47.77	
1999	10.44	10.13	4.94	3.34	5.72	13.92	48.49	
2000	10.83	10.15	4.84	3.43	5.80	14.53	49.57	
2001	10.96	10.21	4.98	3.53	5.55	15.19	50.41	
2002	11.09	10.36	5.04	3.47	5.53	16.00	51.50	
2003	11.31	10.56	5.20	3.54	5.56	16.97	53.14	
% change 1993-98		+5	+23	+7	+5	+22	+36	+18
at current prices								
% change 1998-2003		+10	+7	+4	+6	-4	+25	+11
at current prices								
% change 1993-98		-4	+12	-3	-5	+11	+24	+8
at constant prices								
% change 1998-2003		+5	+2	-1	+1	-9	+19	+6
at constant prices								

Source: Mintel/British Lifestyles 2004

Thus the two animal-based food sectors of the market have actually experienced a decline in prices. This may have negative implications for aspirations to increase animal welfare standards and meat quality. Currently it appears that consumers are less willing to pay more for quality meat and dairy products as they are in other sectors. The growth of the convenience sector may suggest that this is an area in which a WTP more may be marketed more successfully to include higher quality meat on welfare grounds.

Vegetarianism

Mintel (2004a) reports that UK consumers' love of meat is not declining. Although consumption patterns of different types of meat are constantly evolving, there is no

great shift to stop eating meat altogether. The proportion of adults agreeing with the statement:

“I am a vegetarian.”

has remained constant at just over 6% of the sample between 2001 and 2003.

Figure 8: Agree/disagreement regarding being a vegetarian, 2001-03

	Any agree	Neither disagree	agree nor	Any disagree
	%	%		%
2001	6.5	5.5		57.8
2002	6.3	5.4		64.1
2003	6.2	4.8		67.2

Taken from the GB TGI survey of around 25,000 adults

Source: GB TGI, BMRB 2001-03/Mintel

Data suggest that although attitudes to animal welfare standards are rising up the consumer agenda, their attitudes are not becoming extreme enough to attract them to becoming entirely vegetarian. This implies according to MINTEL (2002) that meat produced to high standards of animal welfare will always find a market.

Ethical Foods (Mintel 2004a)

The total market for ethical foods is increasing rapidly. The market grew by 41% between 2000 and 2002 to just over £1.5 billion. Mintel estimates that the market achieved further strong growth in 2003 to reach around £1.75 billion. Organic foods are the biggest sector of the market and the main driver for growth. Organic foods account for 66% of total sales and grew by 37% in the review period.

Farmers' Markets and the Fairtrade Mark are the fastest growing sectors. Sales of Fairtrade Mark products grew by over 100% since 2000 to reach £63 million in 2002, and are estimated to be worth £90 million in 2003. This is due to expansion of the number of categories for which a standard exists as well as increased take-up of products containing Fair Trade ingredients that can carry the Mark.

Figure 10: Estimated UK retail sales of ethical foods, 2000-02

	2000	2002	% change
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	£m	%	£m	%	2000-02
Organic food	727	68	1,002	68	+37.8
Farmers' Markets	65	6	166	11	+155.4
Free-range eggs	150	14	145	10	-3.3
Freedom Food - incl. eggs	100	9	105	7	+5.0
Fairtrade Mark	31	3	63	4	+103.2
Total	1,073	100	1,481	100	+38.1

Source: Mintel

Organic foods

Fruit and vegetables dominate the market for organic foods and accounted for 45% of total sales in 2002. Mintel's exclusive research for *Organic Foods - UK, Market Intelligence, November 2003*, confirms that organic vegetables are the most commonly purchased type of organic food and that there has been a greater increase in the proportion of respondents purchasing fruit compared with those purchasing vegetables between 2001 and 2003. Wide availability in the grocery section as well as the expanding variety of organic produce, is helping to ensure steady growth in this sector.

Figure 11: UK retail sales of organic food and non-alcoholic drink, by type and by value, 2000 and 2002

	2000		2002		% change
	£m	%	£m	%	
Fruit & vegetables	341	47	451	45	+32.2
Dairy	95	13	137	14	+42.1
Prepared foods	85	12	153	15	+80.1
Meat & poultry	65	9	92	9	+45.1
Bread and cereals	58	8	68	7	+15.6
Baby foods	51	7	59	6	+15.6

Eggs	17	2	20	2	+17.6
Non-alcoholic drinks	15	2	22	2	+33.3
Total	727	100	1,002	100	+37.8

Source: Mintel (Organic Foods - UK Report, Market Intelligence, November 2003)

Organic prepared foods is the fastest growing sector of the organic food market. This reflects growing demand for convenience foods. According to *Organic Foods - UK Report, Market Intelligence November 2003*: 'Investment by the main grocery multiples into organic ready meals and other convenience foods has helped to grow this sector of the organic food market. Further growth can be expected for organic varieties, particularly among relatively more affluent consumers who have embraced premium food lines and who have embraced organic foods'.

The organic growth trajectory in the convenience food sector may be an indicator for how WelfareQuality products could do well in this sector. The longer lead in time for organic dairy and meat products may account for the lower organic meat and dairy sales in comparison to fruit and vegetables.

Organic dairy, red meat and poultry are the other two sectors with above average growth in the review period, up to 2002. Food scares such as foot-and-mouth disease have helped sales of organic meat and poultry, with the organic proposition lending confidence to a concerned public. Concern about animal welfare is likely to be another driver of sales, although primarily among those who can afford to act on their concerns. Indeed, the Soil Association reports that avoiding GM ingredients, as well as a concern for animal welfare, is a major driver of organic meat sales.

Free-range eggs

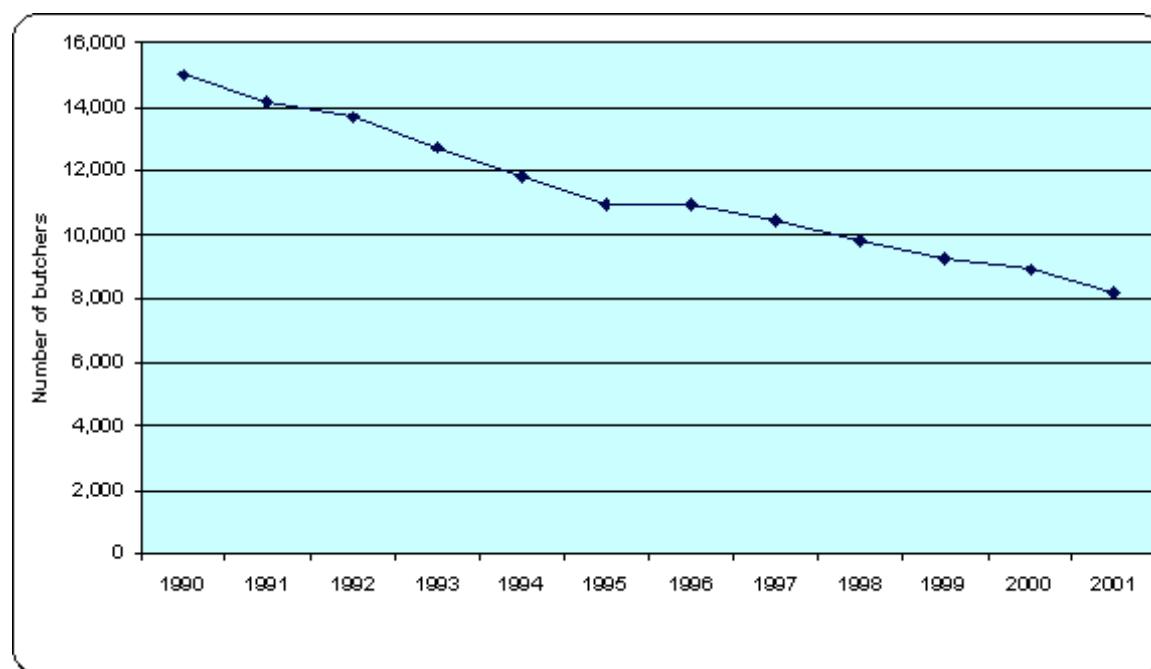
Data shown are for free-range eggs, excluding those included under the estimated sales of foods sold under the Freedom Food standards scheme. Mintel estimates that the value of the market for free-range eggs, including those produced to the Freedom Food standard is £230 million in 2002.

A quarter of total UK egg production in 2002 was reared under free-range conditions. An additional five percent of eggs were barn reared, resulting in laying cage production accounting 70% of total production, a 5 percentage point decrease since 2000. Around two thirds of total UK egg production is sold through retail outlets. Free-range accounts for 27% of retail sales by volume - up from 25% in 1998.

Independent Butchers

The number of independent butchers has fallen, except within the Halal meat sector where it is believed, although statistically hard to show, that butchers have increased. (Mintel - Halal Foods 2002)

Figure 11 UK mainstream independent butchers, 1990-2001



Source: MLC/Mintel

B.1 EGGS (From Eggs –UK June 2004c)

In volume terms, some 4.88 billion eggs were sold in 2003, with an estimated 5.00 billion in sales in 2004. Between 1999 and 2004 volume sales increased by an estimated 13%. Value sales were put at £507 million in 2003 following an increase of 23% since 1999 and a rise of 17% in real terms. Value sales of eggs are expected to rise an estimated 13.4% year-on-year to £575 million by the end of 2004.

Figure 6: UK retail volume and value sales of eggs, 1999-2004

	Bn eggs	Index	£m	Index	£m at 1999 prices	Index	Em	Index
1999	4.44	100	413	100	413	100	627	100
2000	4.53	102	430	104	431	104	706	113

2001	4.67	105	453	110	440	106	729	116
2002	4.73	107	463	112	446	108	737	117
2003	4.88	110	507	123	482	117	733	117
2004 (est)	5.00	113	575	139	544	132	858	137

Source: Mintel

The rise in the value of the egg market can partly be attributed towards a growing consumer tendency to buy more expensive free-range and organic eggs. This trend has been heightened by the recent media critique of the food industry, which has fuelled concerns over food safety and modern diets, animal welfare and social and environmental responsibility. Consumers are becoming increasingly aware of food safety issues and as a result, the value-driven bargain hunter appears to be conceding to the quality hunter, particularly among those consumers with higher levels of suspicion and PDI. A rise in egg prices has also resulted from the increasing cost of wheat and soya, which has risen dramatically due to drought in 2003. Sales of free-range eggs now account for a quarter of the market, with sales doubling since the mid-1990s. A further contributory factor is that the retail price of supermarket own-label value eggs has also doubled over the last three years. This in turn has encouraged a shift by many consumers towards free-range eggs, which now in many cases, are not that much more expensive than value eggs.

Figure 10: UK retail sales of eggs, by method of production, 2002-03

	2002		2003		%	% change
	Bn eggs	%	Bn eggs	%		
Laying cage*	3.12	66	3.17	65		+1.6
Free-range	1.18	25	1.32	27		+11.8
Organic	0.14	3	0.15	3		+7.1
Barn	0.28	6	0.24	5		-14.3
Total	4.73	100	4.88	100		+3.2

Note: data may not equal due to rounding

* includes cage value and cage standard

Source: Mintel and trade estimates

Organic eggs account for 3% of retail sales in 2003, the equivalent of some 150 million eggs, and have experienced a 7% rise in sales over the preceding year. Barn eggs make up 5% of sales by volume in 2003 and have witnessed a decline in sales of 14% since the previous year, with sales amounting to some 240 million eggs, although value sales have remained stable (not tabulated). Consumers remain somewhat confused as to what Barn eggs offer and tend to buy free-range and organic varieties instead. Laying cage eggs represent the largest share of retail sales at 3.17 billion eggs in 2003, but have lost share to free range and organic eggs, with a share of 65% in 2003.

Free-range egg sales have risen partly because consumers have more disposable income and therefore feel more able to afford the luxury of free-range eggs. Free-range eggs have seen a reduction in their prices, while many laying cage eggs have increased in price, thus the price differential between free-range and cage eggs is less obvious than in previous years. Free-range, organic and barn eggs now have a greater prominence within supermarkets than they used to. More shelf space has been allocated to many of the premium ranges, as a result of pressure from animal welfare groups such as the CIWF Trust, and also because of the higher margins that premium products yield. Some organic and free-range eggs are now sold in larger pack sizes than just six, which again serves to increase overall consumption of these ranges.

Organic eggs accounted for approximately 10% of free-range eggs by volume and some 16% of retail sales by value in 2003 however organic egg data is often included within the free-range egg category. Organic eggs represented approximately 3% of egg sales by volume in 2003, and the equivalent of 150 million eggs. This figure equates to an estimated 7% of sales in 2003 by value to reach £33.2 million. This makes the average price of an organic egg almost 22 pence per egg compared to about 10 pence for a standard egg in 2003. Organic eggs are produced using birds fed on a vegetarian diet. The land used must be rested for 12 months prior to organic use, to ensure that it is free from any pesticides, herbicides or commercial fertilisers,

Laying cage (battery-laid or intensively farmed) eggs still account for the majority of egg retail sales by volume in 2003, although free-range eggs, including organic eggs, have continued to gain share. In 2003 free-range eggs accounted for 30% of egg sales by volume compared to just 24% in 1998, representing a 38% rise in sales since 1998.

Barn eggs have also gained ground, making up 10% of sales in 2003. This is due to major retailers promoting free-range and organic eggs more than in the past, allocating a greater amount of shelf space and prominence to these egg varieties.

Retail Distribution of Eggs

Figure 18 demonstrates that multiple grocers have increased their share of the egg market from 69% of sales by volume in 1999, to over three-quarters (77%) in 2003, which is the equivalent to 3.76 billion eggs. Sales through the multiples have risen by almost 23% for the period under review.

Supermarkets are also attempting to shift consumer purchasing habits away from the

low-margin value lines towards high value premium eggs, such as free-range, organic and barn eggs, as well as more specialist eggs such as duck eggs. **Waitrose** and **Marks & Spencer** sell exclusively organic and free-range eggs, while the **Co-op** has a higher free-range bias than many other grocery multiples.

Figure 18: UK retail distribution of eggs, by volume, by type of outlet, 1999-2003

	1999		2001		2003		% change
	Bn eggs	%	Bn Eggs	%	Bn eggs	%	
Multiple grocers	3.06	69	3.41	73	3.76	77	+22.9
Co-ops	0.18	4	0.19	4	0.20	4	+11.1
Independents	0.18	4	0.19	4	0.15	3	-16.7
Farm store	0.13	3	0.09	2	0.04	1	-69.2
Market stall	0.13	3	0.14	3	0.15	3	+15.4
Milkman	0.18	4	0.14	3	0.10	2	-44.4
Butcher	0.13	3	0.09	2	0.10	2	-23.1
Others*	0.45	10	0.42	9	0.38	8	-15.6
Total	4.44	100	4.67	100	4.88	100	+9.9

* includes department stores

Animal welfare as a driver for consumer motivation is increasing in importance. In response to the statement:

“I buy free-range whenever I can.” Some 36% of respondents in 2003 agreed, compared to 34% in 2001.

Figure 7: Agree/disagreement regarding buying free-range products, 2001-03

Any agree	Neither disagree	agree nor disagree	Any disagree
%	%	%	%

2001	34.2	26.3	24.0
2002	33.2	31.0	24.8
2003	36.1	31.2	24.3

Taken from the GB TGI survey of around 25,000 adults

Source: GB TGI, BMRB 2001-03/Mintel

The egg industry has benefited from campaigning by the animal welfare charity, the RSPCA, which is encouraging consumers to trade up to free-range or barn eggs, rather than battery-laid eggs. In February 2003, new posters were erected in 154 Tesco branches, promoting “less cruelty, free-range or barn eggs”. The promotion of animal welfare standards clearly has resonance with a significant element of consumers. The government's Farm Animal Welfare strategy is clearly addressing a genuine concern among consumers. WelfareQuality eggs certainly would have a market and this could be increased by further education of consumers who have to differentiate between eggs in market structured by different production standards.

The Lion Quality system was introduced in autumn 1998 in order to raise the quality and image of eggs in the UK. A series of stricter guidelines were introduced for producers wishing to use the Lion Mark on their eggs. This includes:

- . Laying cage-produced eggs must not feature farm descriptions or pictures of free-ranging hens on the box.
- . Barn system flocks must have a maximum size of 32,000 birds in colonies of no greater than 4,000 where the total flock size is over 6,000. Maximum stocking densities are set at 11.7 birds per square metre for part litter and slat systems, and 15.5 birds per square metre in multi-tier systems. There must also be a scratching area for dust bathing and 5cm linear or 4cm circular feeding and drinking space per hen.
- . For free-range hens, all the requirements for barn hens must be kept with the addition of outdoor shading in the absence of a veranda and one pop-hole per 600 birds allowing outside access for eight hours daily.

A recent addition to the standardisation and categorisation of eggs involves consideration of the diet of the bird. Prominent in this respect are:

Organic eggs : these are from hens which have been raised on vegetarian diets grown on land free of pesticides, herbicides or commercial fertilisers. The birds are free-range and the land upon which they graze must be rested for 12 months prior to the establishment of the facility. Stocking densities are the same as for regular free-range hens, but hen-house conditions specify 15.5 hens per square metre rather than 25.

Enriched eggs : these are typically from hens fed on a combination of wheat, barley, oats and maize, plus additives. The eggs contain enhanced vitamin levels including

Vitamin E antioxidant, plus lutein, selenium and Omega-3 polyunsaturated fatty acids. (It should be stated that most flocks are fed on multigrain feeds. The salmonella crisis of 1988 has ensured that no animal protein has been incorporated into feed since that time.) Enriched eggs are not connected to the newer enriched cages.

Egg Size

New size categories for eggs, which replaced the old system of grading from 0 to 7, are:

Very Large - 73gm and over, replaces sizes 0 and 1

Large - 63gm to 73gm, replaces sizes 1 to 3

Medium - 53gm to 63gm, replaces sizes 3 to 5

Small - under 53gm, replaces sizes 5 to 7

EU quality regulations use the following classifications:

Class A - the only eggs allowed to be sold to consumers as shell eggs. They must be clean, fresh, with intact shell and air-sac not exceeding 6mm in depth. The yolk must not move away from the centre of the egg upon rotation.

Class B&C - these are soon to be combined, and are used by food and other manufacturers.

Industrial eggs - are reserved for non-food use, such as soap manufacturing.

Eggs which conform to RSPCA standards for farm animal welfare can be boxed with the '**Freedom Food RSPCA Monitored**' logo. This ensures that the hens enjoy freedom from fear, stress, pain, injury, disease, hunger, thirst and other discomfort. They must also be free to express normal behaviour. A full, independent audit is carried out at each production site before RSPCA Freedom Food accreditation can be given.

Value figures throughout this report are at retail selling prices unless otherwise stated. Market sizes at constant 1999 prices have been calculated using Mintel's food deflator.

Health scares associated with eggs appear to be a thing of the past, with eggs regaining significant popularity among consumers. Restored confidence in egg safety, is largely due to the Lion Mark egg scheme introduced in 1998, which guarantees that laying hens have been vaccinated against salmonella. Recent medical findings have also contradicted those damaging health warnings issued in the 1990s with regard to the cholesterol levels associated with consumption. The Government now states that eggs actually offer considerable health benefits, because of the high levels of Omega 3 fatty acids that they contain, together with essential vitamins and minerals, and now recommends once a day consumption.

B.2 BROILER CHICKEN (Poultry – UK – July 2004d Mintel Report)

UK sales of poultry have grown by more than 25% since 1999 to reach £2.76 billion in 2003. With its destination food category status, retailers have been keen to be seen as offering value for money in their poultry ranges. This has been balanced and offset by the introduction of more differentiated products exploiting various differing consumer needs. However, it has been the more convenient further-processed products which have been the source for growing sales, supported by retailers and

suppliers who are eager to gain from these ranges' higher margins.

While sales of primary chicken have levelled, processed options are growing. The longest-established products, such as grills, scallops and boneless snacks, are continually revived with new flavours and recipes. More recently, suppliers have begun to offer greater numbers of simpler recipes (for example, raw meats in sauce). This capitalises on the middle ground between primary and processed, and is appealing to consumers who may be suspicious of more disguised options.

The poultry market as a whole is **dominated by retailer own-label products**, due in particular to their strength in the primary market. Manufacturer brands are more significant in the further-processed sector, particularly for frozen products, with names including Birds Eye, Bernard Matthews and Grampian. Retailers have also had considerable success following on from their successful sub-branding of the own-label market to target different parts of their customer base. Appealing on the basis of premium quality, regional recipes, healthy eating or children's foods has added a differential aspect to the poultry range.

Within the UK, there is a decided preference for fresh poultry over frozen, although a proportion of consumers buy across both options. The fresh format offers a much wider range of options, and can be easily combined with other ingredients. Frozen food is regarded with some suspicion, with only a minority agreeing that it is as good as fresh. While this does not necessarily act as a deterrent to buyers, it may limit sales. Lack of choice may also be an issue, as the market for primary frozen products in particular is limited to whole birds and only a handful of cuts.

Families are the major buyers in all poultry segments. Having to cater to the needs of various ages and eating occasions encourages buying across a range of products. Fresh poultry has the most upmarket buyer profile; it is most likely to be purchased by better-off households who may be more concerned about quality and more likely to cook from scratch. These consumers also tend to follow a healthier diet, and may eschew more processed foods due to concerns about fat, salt and additive levels. Frozen poultry is more likely to be bought by those on middle and lower incomes, although higher-paid groups are buyers too, indicating potential to target higher-spending consumers. Further-processed foods appeal most to younger consumers who may not have the time or the skill to cook from raw ingredients. Analysis of attitudes towards poultry indicates that health is a more important factor than value for money. This attitude is led by women, who are more exposed to healthy eating messages from magazines and media. High-income groups are also concerned about such factors.

Figure 1 UK retail sales of chicken, by type, by value, 2001 and 2003

2001	2003	% change*				
£m	€m	%	£m	€m	%	2001-03

Whole birds	523	842	24.1	518	751	22.6	-1.0
Portions/cuts	1,135	1,827	52.3	1,156	1,676	50.4	+1.9
Further processed	512	824	23.6	619	898	27.0	+20.9
Total	2,170	3,494		2,294	3,326		+5.7

* Sterling

Data may not equal totals due to rounding

Source: Mintel

The retailers and poultry suppliers have been challenging consumers to spend more on poultry, particularly in the primary market. However, rather than attempting to lift prices across the market, specific areas have been targeted, including: Organics; Welfare; Origin; Taste.

Organics has been one of the pioneering areas of differentiation in recent poultry market development. The higher cost of rearing poultry organically is evident in prices charged, however, consumers are willing to meet this for organic foods. Under new EU legislation to be enforced by the end of 2004, organic poultry farmers will have to move to 100% organic chick stocking, which will increase costs. By August 2005, they must have increased the amount of organically produced feed to 100%, which will also increase costs.

Welfare is an issue across many meat markets, as consumers have become more concerned about where their food is coming from. The egg market is one of the major examples with the success of free-range products as proof. The free-range poultry market has been slower to develop, with the selection of free-range meat taking a relatively small share. The RSPCA has been campaigning to promote higher welfare poultry for some time. According to a MORI poll commissioned by the RSPCA, in 2004 nearly half of consumers believed that chickens reared for meat were kept in battery systems, whereas according to the animal charity, they are kept in even more cramped conditions in huge sheds. The RSPCA has taken a leading role with the development of its Freedom Foods scheme. Under this, poultry (and other meat) are more humanely reared. This is reflected in a premium price charged in-store.

Origin is becoming a more important issue, as suppliers have attempted to secure better prices for their poultry. The British Poultry Council (BPC) has been working on a campaign to convince retailers that British poultry is a superior product, and this should be reflected in higher prices charged for the meat. UK meat is more expensive to rear due to more stringent food hygiene and animal health rules which are imposed. Consumers are being encouraged to identify and buy British foods through schemes such as the Quality Assured Mark and Little Red Tractor. Currently, considerable scope remains to lead consumers towards more domestically reared meats in the primary market, while the further-processed sector lags even further behind. The

outbreak of avian flu overseas in 2003/04 did lend some focus to the issue temporarily.

Taste has been another factor driving up values in the primary poultry market. The further-processed market has focused on taste through the addition of premium ingredients and recipes. However, the primary market is now beginning to take on the taste issue for raw poultry meat. Organic birds were an initial focus, with a general belief that organic and free-range birds have better flavour than standard varieties. More recently, retailers and suppliers have been working together to develop and breed poultry offering better eating quality and taste. For example, in 2003 Marks & Spencer introduced the slower-growing Oakham White breed. In addition, Sainsbury's, together with Lloyd Mauder and selected farmers, launched a new breed of chicken at the end of 2003. The breed, Devonshire, is a 100% West Country free-range chicken with the claim that it 'tastes like chicken used to taste'. A range of eight products were introduced into the retailer for the meat counter as well as prepack.

Figure 22: UK retail sales of primary chicken, by type of outlet, by value, 2001 and 2003

	2001			2003			% change
	£m	€m	%	£m	€m	%	2001-03
Multiple grocers and freezer centres	137 6	221 5	83	140 7	2,0 40	84	2.2
Butchers	116	187	7	117	1,7 0	7	1.0
Co-ops and independents (includes symbol groups)	133	214	8	117	1,7 0	7	-11.6
Others*	33	53	2	34	49	2	1.0
Total	1,658	2,669	100	1,675	2,429	100	1.0

* includes market stalls, farm shops and the Internet

** Sterling

Source: Mintel

Figure 24: UK retail sales of further-processed poultry, by type of outlet, by value, 2001 and 2003

	200 1	200 3	% cha nge **	£m	€m	%	£m	€m	%	200 1- 03
Multiple grocers and freezer centres	566	911	90	666	966	90				+17 .7
Co-ops and independents (includes symbol groups)	50	81	8	59	86	8				+18 .0
Others*	13	21	2	15	22	2				+15 .4
Total	629	1,0	100	740	1,0	100				+17 .6
	13	73								

* includes butchers

** Sterling

Source: Mintel

Sales of further-processed poultry tend to be almost exclusively through the multiples as these have the space and facilities to stock an extensive range of chilled and frozen products. Convenience stores have been developing their offers in recent years, but for the most part they tend to deal with impulse and top-up demand.

WelfareQuality products would need retailer support to feature in the processed food category in addition to the fresh meat category. Premium prices for higher welfare standards for poultry is a growing part of the category.

B.3. MILK (From Mintel – Milk and Cream –UK –March 2004b)

Across the period 1999-2003, there has been a 9% reduction in the volume of liquid milk ('white') sold through retail. Mintel estimates the market in 2003 to amount to 4,501 million litres, representing 97.4% of all milk volume. While consumption in the

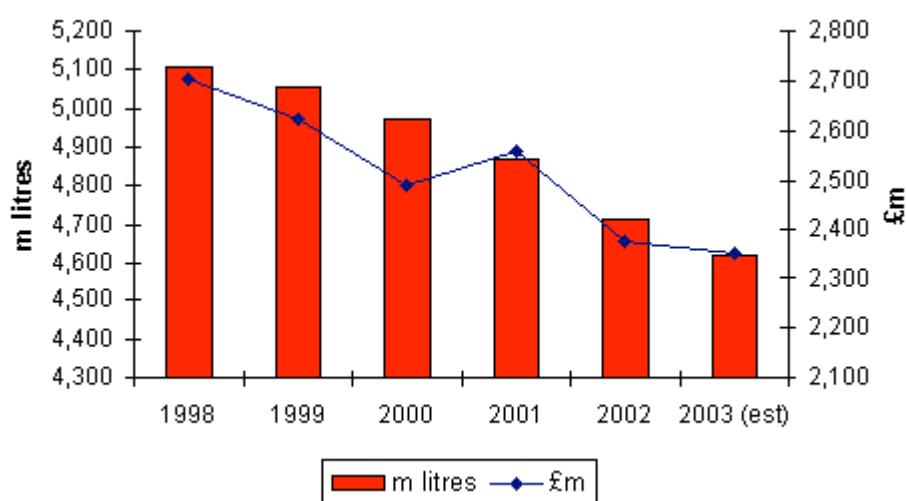
UK continues to fall, white milk still dominates as a household staple. As average consumption declines, so too does the white milk market in both volume and value terms, continuing the trend seen over the last decade. Figure 5 shows value and volume data for the UK retail market of white milk from 1998 to 2003.

Figure 5: UK retail sales of 'white' milk, 1998-2003

	m litres	Index	£m	Index	£m at 1998 prices	Index	€m	Index
1998	5,109	100	2,703	100	2,703	100	4,027	100
1999	5,055	99	2,622	97	2,614	97	3,985	99
2000	4,972	97	2,492	92	2,492	92	4,087	101
2001	4,867	95	2,557	95	2,475	92	4,117	102
2002	4,714	92	2,376	88	2,267	84	3,730	93
2003 (est)	4,620	91	2,353	87	2,211	82	3,671	91

Source: Mintel

Figure 6: UK retail sales of 'white' milk, volume and value trends, 1998-2003



Source: Mintel

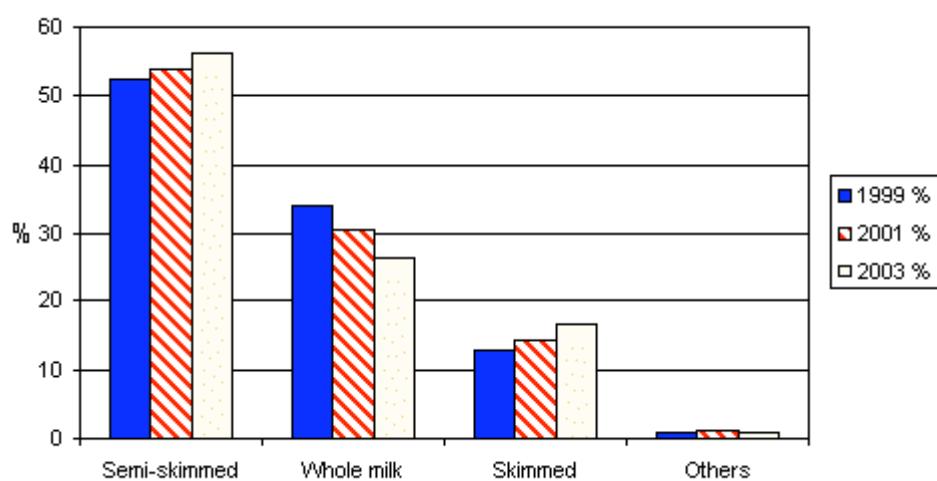
Using industry sources, Mintel estimates the white milk market to be 4,620 million litres in 2003, representing a decline of nearly 10% in volume over the period since 1998. This steady decrease has mirrored the reduced consumption rates seen among UK consumers.

Figure 10: UK retail sales of milk, by sector, by volume, 1999-2003

	1999		2001		2003 (est)		% change 1999- 2003
	m litres	%	m litres	%	m litres	%	
Liquid	4,924	97.4	4,750	97.6	4,501	97.4	-8.6
Flavoured	95	1.9	95	2.0	101	2.2	+6.3
Canned	26	0.5	16	0.3	10	0.2	-61.5
Dried/Insta nt	10	0.2	6	0.1	8	0.2	-20.0
Total	5,055	100.0	4,867	100.0	4,620	100.0	-8.6

Source: Mintel

Figure 12: UK retail shares of liquid milk, by fat content, 1999-2003



Source: Mintel

Skimmed milk saw a 20% increase in volume across the period 1999-2003, at an estimated 749 million litres in 2003, accounting for 16.6% of all white milk sold. Health-conscious consumers have turned away from higher fat content milk, and the movements between the sub-segments illustrate this. Even with increased uptake of skimmed milk, **semi-skimmed milk** continues to dominate the market, accounting for 56.1% (an estimated 2,526 million litres). However, this was a slight decline of 2%

across the period 1999-2003, mainly following the market trend for overall reduction in consumption of milk. **Whole milk**, accounting for just over a quarter of volume (26.4%), showed the most serious decline, as consumers traded to lower fat content milks. Health concerns over saturated dairy fat may have influenced this, as well as the reduction in birth-rates. Whole milk is recommended to all children under the age of 5 as it contains fat-soluble vitamins. '**Others**' includes goat's milk and higher-fat milks such as those from Channel Island herds. The sector fell by 5% in volume terms across the period 1999-2003 to account for an estimated 37 million litres (0.8% of the category). Certain brands are performing well within this sector, there is little own-label and mixed levels of distribution.

Figure 15: UK retail value sales of liquid milk, by sector, 2002 and 2003

	2002		2003 (est)		% change
	£m	%	£m	%	2002-03
Fresh conventional	1,862	89.8	1,979	91.9	+6.2
Ambient	159	7.6	107	5.0	-32.7
Fresh organic	36	1.8	43	2.0	+19.4
Fresh specialty	17	0.8	24	1.1	+41.2
Total	2,073	100.0	2,154	100.0	+3.9

The **distribution** of the milk and cream market is fragmented. Flavoured milk has a unique profile. Dominated by grocery, it has a strong presence in the impulse sector and features in foodservice. Milk modifiers and cream appear almost solely within the multiple grocer channel, while 'white' milk has a unique distribution channel in doorstep delivery.

Figure 36: Value distribution of milk, by distribution channel, 2002 and 2003

	2002		2003		% point change
	£	%	£m	%	2002-03
Multiple grocer fascias	1426	60.0	1506	64.0	+5.6
Independents	142.5	6.0	153	6.5	+7.4

Others	142.5	6.0	141	6.0	-1.1
Doorstep delivery	665	28.0	553	23.5	-17
Total	2,376	100.0	2,353	100.0	-1.0

Health and whole food stores offer a wide range of dairy-free milk products, but their position is consistently under threat from the increased availability of organic and 'free-from' products available in the multiple grocers.

Welfare friendly milk does not feature in the market, only under the organic label.

B.4. CHEESE (From Mintel Cheese –UK- September 2003)

Cheese represents about 25% of the dairy sector and is highly significant for generating in-store traffic. The total category has experienced both volume and value growth, with value growth outstripping volume. The significant sector of Cheddar accounts for 53% of value sales and is in decline as retailers' trade with heavy price promotion. While the deli is in decline and pick 'n' Mix has been delisted across the trade, all other sectors are in growth. The fixture is complex to shop, with over 300 SKUs in the average store and little progress has been made in category management to simplify the shopping experience. Consumers' repertoires are shrinking and they are less well informed than in 2001, when Mintel last conducted an analysis of this market.

Own-label accounts for 70% of category value sales, but growth is coming from brands. This is particularly evident in the snack sectors where **brands** lead the value growth, by meeting the demands of younger consumers. Dairy Crest is the leading cheese manufacturer in the UK, and a major suppliers to own-label, as well as the Cathedral City Cheddar brand. Glanbia, Arla and Kerrygold are also major suppliers, with a branded presence in all categories. McLelland's seriously strong is also present in the cheddar segment, as is North Downs Dairy, which in addition to Pilgrims Choice, also is an own-label supplier. Brands within the processed sector are largely focused on children's snacking, such as Babybel from fromageries Bel and Golden Vale's Cheesestrings, as well as Dairylea, with a large product range. However, own-label sales are estimated to account for 70% of the category.

Figure 4: UK retail sales of cheese, by volume and value, 1998-2003

	000 tonnes	Index	£m	Index	£m at 1998 prices	Index	€m	Index
1998	316	100	1,577	100	1,577	100	2,350	100
1999	316	100	1,584	100	1,579	100	2,408	104

2000	322	102	1,582	100	1,582	100	2,594	112
2001	325	103	1,597	101	1,546	98	2,571	111
2002	331	105	1,600	101	1,527	97	2,512	108
2003 (est)	341	108	1,671	106	1,571	100	2,607	112

Source: Mintel

At constant 1998 prices, the market held its value over the review period, following a dip in 2001, as the foot-and-mouth outbreak hit the industry. This, together with struggling milk prices at £0.17 per litre and bulk Cheddar prices hitting a ten-year low in August 2002 at £1,600 per tonne, has held back growth in the market. However, although volume growth outstripped value growth in the period under review, the situation was reversed in 2002, when increments in volume sales outstripped value gains. This is indicative of the deep promotional activity undertaken by the major multiples, despite branded activity across the market trying to stabilise prices through adding value to lift the cheese market. In order to analyse the market in greater detail, Mintel has broken down the market into its principal sub-sectors. Data are presented in Figure 5.

Figure 5: UK retail value sales of cheese, by type, 2000 and 2002

	2000		2002		% change
	£m	%	£m	%	
Cheddar	854	54	853	53	-0.1
Territorial	206	13	220	14	+6.7
Natural soft*	188	12	170	11	-9.6
Processed	168	11	190	12	+13.1
Continental	158	10	166	10	+5.1
Pick 'n' Mix	8	**	1	**	-87.5
Total	1,582	100	1,600	100	+1.1

* including cottage cheese

** less than 0.5%

Source: Mintel

Cheddar is still the most popular cheese, accounting for around 53% of value sales in 2002. **Processed cheese** accounted for 12% of the total cheese market in 2002, and saw the most significant growth at 13% between 2000 and 2002. This sector contains the children-targeted snack brands, and receives considerable promotion both above and below the line. **Territorial cheese** is the second-largest segment of the market behind Cheddar, accounting for 14% of the total market, and it saw growth of 6.7% between 2000 and 2002, well above the market average. **Continental cheese** showed growth of 5.1% in the period under review, against a backdrop of declining consumer awareness. The **natural soft cheese** segment accounted for 11% of the total market in 2002, a 10% decline since 2000 as a result of the waning popularity of cottage cheese. Pick 'n' Mix was delisted across most of the multiple grocers, explaining the severe drop in value between 2000 and 2002.

Premium priced, this sector represents a major opportunity, but education is essential. On-pack labelling and clear signage at fixtures will help, but part of the problem is the number of stock keeping units (SKUs). Retailers must rationalise and apply category management principles to drive growth in this area. The PDO (Protection of Designation Origin) status is awarded to cheese made within a defined geographical area. No English cheese except Blue Stilton has PDO status - they have drifted into generic production across the country now. Whilst these industry standards protect authenticity, it is questionable whether consumers value them. It is unlikely that purchase decisions are made on the basis of a product having PDO status. The industry has major issues to tackle in consumer awareness, and authenticity may not be one of them.

Figure 10: UK retail sales of processed cheese, by value, 1998-2003

	£m	Index	£m 1998 prices	at Index	€m	Index
1998	165	100	165	100	246	100
1999	165	100	165	100	251	102
2000	168	102	168	102	276	112
2001	170	103	165	100	274	111
2002	190	115	181	110	298	121
2003 (est)	205	124	193	117	320	130

Source: Mintel

Figure 15: UK retail sales of cheese, by outlet type and value, 2000 and 2002

	2000		2002		% change
	£m	%	£m	%	2000-02
Grocery multiples	1,423	90	1,456	91	+2.3
Co-ops	63	4	32	2	-49.2
Independent grocers	32	2	32	2	-
Other outlets*	64	4	80	5	+25.0
Total	1,582	100	1,600	100	+1.1

The branding of WelfareQuality cheese would be important to generate sales since the market is already so full. Alternatively it could feature under a premium 'own-brand' cheese.

B.5. YOGURT (from MINTEL Yoghurts –UK- July 2004e)

The UK market for yogurt and yogurt drinks is valued at £989 million in 2003 and estimates for 2004 see the market break through the £1 billion hurdle to reach nearly £1.1 billion. Yogurt drinks account for just 11% of value, at £109 million, but are responsible for significant growth and Mintel expects £121 million of sales in 2004. Estimates for yogurt in 2004 are placed at £950 million.

Within yogurt, the virtually fat-free sector is the largest, at 31% valued at £271 million. It grew by 45% across the period 1999-2003. All sectors are in growth, but children's is in trouble. Between 2001 and 2003, the market declined by 12%, while showing a 22% growth when measured across the period 1999-2003. The children's sector accounts for 5% of the market at £45 million, with hand-held children's yogurt being the only sector in growth, valued at £12 million. With impending legislation on advertising to children, and restrictions on the use of added sugar to manufactured food, this sector may face challenges in future. Functional yogurt is the fastest-growing sector, up 221% since 1999. Valued at £61 million in 2003, it accounts for around 7% of the category. Growth in the functional sector is driven through probiotic products, accounting for 87% of values, with dairy-free making up the remainder. Similar success exists in the yogurt drink sector, where probiotic accounts for 87% of the sector.

There are few food markets that have shown such strong growth for such a sustained period. Yogurt is a truly exceptional market, with no end in sight for projected increases. Figure 4 shows the evolution of the market volume and value for yogurt and yogurt drinks between 1999 and 2004.

Figure 4: UK retail sales of all yogurt (drinks and yogurt pots/tubes), by volume and value, 1999-2004

	m units	Index	£m	Index	£m at 1999 prices	Index	€m	Index
1999	2,169	100	643	100	643	100	977	100
2000	2,449	113	735	114	737	115	1,205	123
2001	2,663	123	789	123	766	119	1,270	130
2002	2,860	132	832	129	802	125	1,323	135
2003	3,270	151	989	154	941	146	1,434	147
2004 (est)	3,442	159	1,071	167	1,013	158	1,596	163

Source: Mintel

The total yogurt market is estimated at £1.07 billion in 2004. Consistent year-on-year growth has been demonstrated. In 2003 the market leapt forward, increasing by nearly 19% on 2002, and by an estimated 67% between 1999 and 2004. When measured in real terms, at 1999 prices, the market has grown by an estimated 58%.

Organic yogurt, including child-targeted products, grew by 153% between 1999 and 2003. Valued at £48 million, the sector accounted for 5% of the category in 2003. Yeo Valley is the dominant brand which has focused effort into attracting 'foody consumers' into the sector, through messages of superior taste and minimal processing, believing that the number of 'organic purists' within the market has peaked. Trade contacts report that loyalty to child-targeted organic products is high, particularly amongst first-time mothers and affluent adults. Mintel believes that organic will continue to grow, but that rates of growth will slow. The price difference between organic and non-organic products is likely to be a barrier to many shoppers.

Sales of **natural yogurt** are steadily rising, from £24 million in 1999 to £49 million in 2003, to account for 6% of the category, despite many of the products within this sector being resegmented into the organic and functional sectors. The natural yogurt sector, characterised by its 'acidic' taste, also includes Greek-style yogurt, which has a creamier, more indulgent taste. Increased use of yogurt in cooking, both savoury (Indian food, dips) and sweet recipes (desserts, ice cream), may help to explain the 104% increase in volume over the review period. Once seen as a rather dull sector, natural yogurt is vibrant and strong.

Retail distribution of yoghurt. Dominated by multiple grocers, the shape of the UK distribution market is changing as the impulse channel is infiltrated by the multiple grocers. Figure 21 explores the changing distribution pattern in the UK market.

Figure 21: UK retail sales of yogurts and yogurt drinks, by outlet type and value, 1999-2003

	1999		2001		2003		% change 1999- 2003
	£m	%	£m	%	£m	%	
Multiple grocers	525	82	652	83	821	83	+56.4
Convenience and Co-ops	55	9	65	8	79	8	+43.6
Marks & Spencer	38	6	43	5	45	5	+18.4
Other*	25	4	29	4	44	4	+76.0
Total	643	100	789	100	989	100	+53.8

* including Boots, sandwich shops, CTNs, garage forecourts, delicatessens

Source: Mintel

The **multiple grocer channel** is evolving as the leading multiples continue their strategy towards developing smaller high street and forecourt stores, in an attempt to optimise their presence in the convenience channel. The boundaries between channels are starting to merge. Mintel has collected data for the leading multiple grocers according to their store group rather than try to split their sales according to store size. As such supermarket, forecourt and convenience sales are aggregated under the heading 'multiple grocers'.

With the number of new stores proliferating within the multiple grocer sector, Mintel estimates share to have been around 83% in 2003, a value increase of 56% over the period 1999-2003. This growth is likely to be driven through the main supermarket store, with multipacks facilitating a faster selection in both yogurt and drinks. The convenience store format, with distress purchasing and top-up shopping driving growth, is likely to support single pots and indulgent products more favourably as consumers seek impulse indulgence. Yogurt drinks are increasingly being merchandised in the chiller cabinet alongside carbonated beverages and within the sandwich cabinet, helping to maximise on impulse sales. For similar reasons, sales within the **convenience sector** are also in growth, at an estimated 44% across the period 1999-2003 at 8% value share (£79 million) in 2003. Dominated by single-portion packs and pots, higher price points are achieved as consumers are less price-sensitive when 'distress purchasing'. Muller has been particularly effective in securing

distribution in this channel, in part due to the relevance of its packaging format.

WelfareQuality yoghurt could do well since the yoghurt market is growing steadily and consumers are attracted to buying a healthy option in the convenience sector.

B.6. Beef (Red Meat –UK – October 2002b Mintel Market Intelligence reports)

Sales of beef (and veal) have enjoyed the largest rise of any red meat, in terms of both volume and value. Assurance schemes, promotions, a return of consumer confidence in beef and the availability of reduced fat and convenience cuts have all been important factors. Beef is the bestselling meat, with more space given over in-store as a result. The range of cuts is much more diverse than for other meats, which has been an effective driver of sales.

The **multiples** have taken a bigger role in the meat sector since the mid-1990s. In many cases they are involved in all aspects of the supply chain. However, their biggest contribution to the meat sector has been through the widespread introduction of branding. Sub-branding to indicate premium quality, healthy eating, organics and greater convenience have effectively boosted many meats from their commodity status to offer a real differential in the eye of consumers and added value to the market as a result.

Research commissioned exclusively for the Mintel 'red meat' (2002) report found that minced beef is the most popular red meat. Overall men tend to favour more easily prepared cuts such as steaks and roasts, while women are more likely to buy meat which requires more active preparation. Convenient cuts also hold greater appeal for younger consumers. Lamb and pork both show a strong bias in sales towards older consumers, suggesting that suppliers need to take a proactive approach to build their future market.

The red meat sector will continue to evolve. Volume sales will lag behind values as more convenient products dominate new product development. However, ongoing innovation will play an important role in drawing and retaining consumers in the market and ensuring the longer-term viability of sales.

There are a number of **quality marks** which can be found on red meat in the UK retail market. They were initially set up in the aftermath of the BSE crisis in a bid to assure consumers about the integrity of the meat they were purchasing and have subsequently been expanded.

The National Farmers Union, together with the MLC among others, introduced the **Little Red Tractor** mark for British-produced products in June 2000, to assure and build consumer confidence in food production. The mark means that meat has been produced to standards set out under the farm assurance schemes for beef, sheep and pork. For beef and lamb, the inspected schemes are Farm Assured British Beef and Lamb (FABBL), Farm Assured Welsh Lamb (FAWL) and Northern Ireland Farm Quality Assurance Scheme (NIFQAS). The MLC also has its own Quality Standard Mark for some meats. The **Minced Beef Quality Mark** was introduced in 1996 during the BSE crisis to reassure consumers about this meat. The mark assures that minced beef is made only from regular cuts of prime beef from cattle under 30

months old and is offal-free. **Quality Meat Scotland (QMS)** narrowed the criteria for its quality mark in 2002. Following the move, cattle and lambs born outside Scotland were disqualified. This raised some concerns on the part of suppliers who had traditionally imported young stock from breeders elsewhere in the UK for finishing, with the view that this meat could no longer command the premium price paid for Scotch-labelled product. However, QMS defended the move, stating that consumers felt strongly that the meat should be 100% born, raised and slaughtered in Scotland to justify the label.

In volume terms, beef and veal have made substantial gains since 1996. However, that particular year marked a low point in the beef market due to the headline issue of BSE. Since then, however, beef has managed to re-establish itself in terms of consumer confidence, leading to increasing consumption and spending. Trends in mutton, lamb and pork are in many ways more indicative of longer-term behaviour in the red meat market, with a gradual decline, particularly in carcass meat sales.

Figure 4: Consumption and expenditure on selected meat in the UK, per person per week, 1996-2000

	Consumption (grams)			% change 1998-2000
	1996	1998	2000	
Beef and veal	101	109	124	+13.8
Mutton and lamb	66	59	55	-6.8
Pork	73	76	68	-10.5
Poultry, uncooked	233	218	201	-7.8
Poultry cooked, not canned*	-	33	35	+6.1

	Expenditure (pence)			
	1996	1998	2000	
Beef and veal	49.0	53.6	59.3	+10.6
Mutton and lamb	28.7	25.6	25.6	-
Pork	30.4	24.0	25.8	+7.5
Poultry, uncooked	68.7	62.7	67.6	+7.8

Poultry	cooked, not - canned*	17.5	18.1	+3.4
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* includes sliced and cooked poultry

Source: National Food Survey, 1996, 1998, 2000/Mintel

Figure 8: Retail sales of beef and veal, 1997-2002

	000 tonnes	Index	£m	Index	£m 1997 prices	at Index
1997	339	100	1,639	100	1,639	100
1998	336	99	1,591	97	1,571	96
1999	339	100	1,670	102	1,644	100
2000	385	114	1,854	113	1,830	112
2001 (est)	376	111	1,850	113	1,766	108
2002 (est)	372	110	1,861	114	1,749	107

Source: MLC/Mintel

The introduction of quality marks and assurance schemes including traceability went some way to boosting confidence in the market and led to a restoration in sales. By 2002, consumer volumes had reached an estimated 372,000 tonnes, while the value of sales had grown to £1,861 million, up by 14% on 1997. In real terms, growth remained at 7%. While volumes have declined slightly since 2000, values have actually remained stagnant, suggesting that consumers are eating less beef but paying more for convenient and added-value cuts.

In the mid-1990s volume rises outstripped value growth due to factors including discounting of popular ranges such as minced beef, which was sold on promotions including BOGOFs and reduced price for multiple purchases. A reversal in this trend is now taking place as more added-value cuts are brought to the market including marinated and prepared joints and steaks. Products in sauces have also become more widely available. This has led to the creation of a new category in-store as previously consumers were more likely to find this type of product in ready meal format to be reheated rather than as raw meat, which has to be cooked as such, and is listed with primary meat in-store, rather than as a convenience product.

Figure 9: Retail sales of beef and veal, by type, 1999 and 2001

	1999		2001		% change
	000 tonnes	%	000 tonnes	%	1999-2001
Mince	136	40	147	39	+8.1
Steaks	73	22	83	22	+13.7
Roasts	75	22	80	21	+6.7
Others	55	16	65	17	+18.2
Total	339	100	376	100	+10.9
	£m	%	£m	%	
Mince	466	28	509	28	+9.2
Steak	554	33	575	31	+3.8
Roasts	342	21	416	23	+21.6
Others	307	18	350	19	+14.0
Total	1,670	100	1,850	100	+10.8

Data may not equal totals due to rounding

Source: Mintel

The **retail distribution of red meat** is dominated by the major grocery multiples. Research published in *The Grocer* in August 2002 found that nearly half of all grocery shoppers visited supermarkets weekly, up from a third five years earlier. This was viewed as supporting the evidence of a trend towards top-up shopping, further shown by the move of the multiples into the convenience market.

Figure 19: Retail sales of red meat, by type of outlet, 1999 and 2001

	1999		2001		% change
	£m	%	£m	%	1999-2001

Multiple grocers	2,349	72	2,535	73	+7.9
Butchers	652	20	660	19	+1.2
Co-ops	130	4	139	4	+6.9
Others*	130	4	139	4	+6.9
Total	3,262	100	3,472	100	+6.4

* includes market stalls, farm shops, the Internet

Data may not equal totals due to rounding

Source: Mintel

Due to storage constraints, **meat retailing is a specialist activity** and few general convenience stores or local retailers list fresh meat. An active interest is taken by the multiples in the supply line and bringing new products to the market. Added value has been an important part of the strategy used. The superstores and larger supermarkets have sufficient shelf space to stock sub-brands as well as standard lines. There are also tie-in promotions with other products such as sauces. Now that the origin of meat is receiving greater attention, the multiples are also in a strong position to offer assured sourcing as well as regional and organic meats.

The position of **butchers** is beginning to show greater stability. In the early to mid-1990s, there was some rationalisation in the retail meat trade, although this has now levelled out, with the number of businesses becoming more stable. The MLC and other trade bodies offer strong support to smaller meat retailers through POS and other information, including information leaflets. Suppliers also tailor products specifically for sale through butchers.

Other retailers include market stalls and convenience retailers. The latter may carry a small range of frozen meat. For the most part, the offer tends to be primary meat in a narrow range of cuts.

The major grocery multiples have been coming under increasing political pressure to use **home producers to source meat**, rather than import overseas product. One of the arguments put forward to encourage consumption of domestic products has been that of 'food miles' which relate to the distance over which food travels to reach consumers, and its implications for the environment and similar green issues. However, a decline in UK production followed foot-and-mouth disease, leading to a gap in supply, which was addressed by imports. UK production in 2002 is up on 2001, but is still lower than in 2000 due to cheaper imports and suppliers leaving the sector. Some of the multiples have attempted to work in harmony with domestic producers to secure home grown supply. At the beginning of 2002, Sainsbury's announced that it aimed to stock 100% British-sourced meat, organic meat and dairy products by

January 2004. The company planned to develop partnerships with UK farmers and suppliers as well as R&D organisations to increase the amount of British-grown organic food. **Regional branding** of meat has been a further innovation: in May 2002, Somerfield gained retail distribution rights for the new Celtic Pride Welsh Lamb Brand. The brand is a joint venture between the Welsh Meat Company (600 producers) and Oriel Jones, a processor.

B.7 PORK (From Mintel - Red Meat Market Intelligence 2002b)

Sales of pork declined in both volume and value between 1997 and 2002. More traditional cuts, such as chops, have seen the biggest decrease, while roasts and other cuts have performed better. Value sales of the former have grown due to the introduction of added-value products, such as pre-basted and pre-stuffed formats, offering convenient meal centres. British-produced pork has also made considerable progress in improving its welfare image, with many retailers now offering outdoor reared meat, for example. Pork shows a strong bias in sales towards older consumers, suggesting that suppliers need to take a proactive approach to build their future market.

The pork market in the UK was estimated at £781 million in 2002, a decline of 10% on 1997. Volumes in the market fell by 12% over the same period, as can be seen in Figure 13.

Figure 13: Retail sales of pork, 1997-2002

	000 tonnes	Index	£m	Index	£m 1997 at prices	Index
1997	229	100	863	100	863	100
1998	233	102	813	94	803	93
1999	215	94	751	87	739	86
2000	211	92	803	93	793	92
2001 (est)	205	90	784	91	749	87
2002 (est)	202	88	781	90	734	85

Source: MLC/Mintel

To some extent, the decrease witnessed over the review period was due to the rising market share taken up by beef in its post-BSE recovery. **Foot-and-mouth disease** in 2001 also affected sales of pigmeat products and contributed to the decline in production capacity in the UK. However, the main reason for the downturn is the marked contraction in the domestic herd over the last few years. For example, the national pig kill in May 2002 was around 200,000 weekly, compared to 330,000 five

years previously. In the year 2003, the availability of domestic pigs for production is expected to be at a 30-year low. This has led - and will continue to lead - to unused capacity in the sector and plant rationalisations.

As with other meats, the decline in volumes has been stemmed by the growth in **added-value products**. While at the end of the 1990s this meant quicker-cooking cuts and less fatty meat, the market has now moved on to include coated and ready-to-cook products which form an instant meal centre. Pork has also become a popular barbecue meat due to its leanness and firmness, which has encouraged the development of ranges including kebabs and marinated steaks. Ribs have also gained a higher profile for outdoor eating as well as other casual meals.

B.8 HALAL (From Mintel - Halal Foods –UK- January 2002a)

Figure 9 shows Mintel's estimates of the proportion of meat expenditure allocated to each type of meat for the population as a whole and for the Muslim population. As shown in the Market Size section. Mintel estimates UK retail sales of halal meat at £400 million in 2001.

Figure 9 UK Muslim and general population estimated consumption of meat by type, % of total, 2001

	Total population	Muslim population
	%	%
Poultry meat	29	43
Beef/veal	22	11
Bacon/ham/ deli	28	-
Pork	10	-
Mutton/lam b	11	39
Offal	1	8
Total	100	100

Source: Mintel

In 2001, Mintel estimates that halal meat accounted for around 12% of volume and 11% of value sales of all meat. Halal sales account for a slightly lower proportion of value sales because over 40% of halal meat sold is poultry, which is of lower unit

value than meats such as beef or lamb. Nevertheless, the ability of a 3.2% segment of the population to account for 11-12% of total meat sales is hugely significant to the food industry. Mintel has further estimated the proportion of consumption and spend accounted for by the various meat types among the Muslim population.

CONCLUSION

This report has positioned animal-based food products—eggs, chicken, beef, pork, halal, milk, cheese and yoghurt—within current retailing and consumption trends. It has paid particular attention to how products with higher production standards within these categories, for example free range eggs, organic (across all categories), special premium breed chickens/pigs/cattle are positioned within the marketplace. From this discussion it is possible to draw out broad characteristics about each category and a sense of the potential for increased segmentation along the lines of higher welfare and/or higher meat quality. One also begins to appreciate the orientation of the category within the retailing sector, in terms of whether the category is predominantly developed by the multiples (own-branding), as in the case of red meat, or whether it is large food manufacturing companies that are developing product ranges (branding), for example chicken, yoghurts, cheese, milk. The growth of the convenience sector is an important development across all categories. Yoghurts are the fastest growing of the animal-based food products discussed here; this is a result of the success of the yoghurt within the growing market for convenience goods. Any development of new product ranges with higher welfare or higher meat quality standards would need to reflect this growth sector in the food marketplace.

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