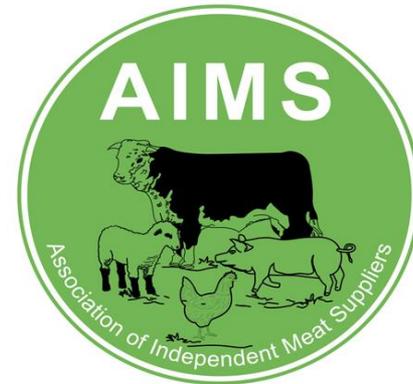


The Role of the Independent Abattoir/Meat Processor in England and Wales

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What is AIMS?

- AIMS is a trade association representing over 280 independent abattoirs and processors in both the red and white meat sectors, small, medium and large.
- We deal with both the regulatory and political issues and particularly the practical impact they have on the ground. This is done by having four veterinary advisers, one of whom is also a barrister who deal with all the day to day issues arising out of the enforcement of regulations by FSA, DEFRA and local authorities. It can be a very confrontational environment!

A tall, narrow wooden tower with a gabled roof, situated in a wooded area. The tower has two doors, one on the upper level and one on the lower level, both with diamond-shaped windows and horizontal latches. A wooden ladder is attached to the side of the tower, leading up to the upper door. The tower is surrounded by trees and a wooden fence is visible in the background.

FSA

ABATTOIRS

Veterinary Advice

- We use a network of four experienced senior vets from the UK to provide advice individually and nationally
- We advise on up and coming legislative changes
- We try to be one step ahead of the regulators
- We use six highly experienced lawyers to represent members in potential prosecutions, up from one five years ago

FSA Attitude to Industry

Campylobacter

FSA in Ireland

- “The symptoms are usually self-limiting and complications are rare”

Ministry of Primary Industry in New Zealand

- “They usually recover in less than a week”
- “In rare cases it may cause long term consequences”
- “It can be fatal and fortunately deaths are rare”

FSA Attitude to Industry - Campylobacter

FSA in UK

- “It can kill you”
- “In some cases it can affect you forever”
- “Most of them survive but not all”

Is this balanced communication to consumers relative to risk compared with other countries or is it bordering on scaremongering?

How Big is the Independent Sector?

In terms of slaughtering?

- Cattle; 50% in England and Wales
- Sheep; 75% in England and Wales
- Pigs; 28% in England and Wales
- Poultry; 40% in England and Wales

Significantly up on 10 years ago against all predictions

What do AIMS Members do?

- A major change has taken place over the last ten years which has seen most abattoir businesses relying less on wholesaling of meat and more on becoming “service providers to the farming and food industry” through contract slaughtering, cutting and packing.
- This has been driven by many businesses wishing to get further up the food chain without the huge investment in an abattoir.

Customer Base

- Export
- Ethnic
- Catering and Institutional
- High Street Butchers
- Retailing meat themselves from abattoir or cutting plants

Star AIMS Member – GEORGE BOLAM FOODS

Small abattoir and processing plant in old Durham coalfield area.

But with 45,000 sq ft of meat supermarket, bakery, fish counter, deli island, vegetables, sausage and burger production, pet food and restaurant serving over 500 three course lunches a day at £4.50!

Retails through that single outlet 70 bodies of beef a week, 300 pigs and 250 sheep, all sourced locally and mostly outside supermarket spec and which would be heavily discounted by large processors.

Customer base is heavily working class with many on benefits who traditionally eat more meat.

Employs 75 people and is very profitable.

Serving the Toffs

Daylesford Organic

- Hugely impressive farm shop in Cotswolds and shops in London
- Lost millions for years
- Why?
- Most of them buy some fillet steaks for an occasional dinner party and disappear for another three weeks buying mince at Tesco in between
- Organic is high priced and benefits overblown

What Type of Cattle do my Members Want

- Put simply; anything the supermarket suppliers don't. Why compete with them? From the 240kg small heifer to the 400kg young bull and cow beef of course to compete with cheap imports at value end of market
- Not much more than 40% of production meets their specification leaving 60% either penalised by them or offered elsewhere
- Angus/ Hereford? Why when supermarket suppliers already giving big bonuses
- A complete variety to suit their customer base whether butcher, caterer, ethnic or export

Horsegate

- Prices through the roof ?
- Lasting return to local butchers
- Big increase in direct sales
- Local the new organic
- The dash for “British” in Tesco et al

Six Months Later?

- From our British and Irish farms!
- Irish is the new British but at least they acknowledge you!

Post Horsegate

After 18 months, three enquiries and millions spent on police investigations.

How many criminal charges that relate to the substitution of horse meat for beef?



z e r o

Then the Price Drop

- June 2013—the high water mark
- Angus pushing towards £5 per kg
- Ordinary cattle upwards of £4.25 per kg
- From summer last year the drop was inevitable
- Retailers had hit the brick wall

Current Market Conditions

- Retailers fighting
- Exports under pressure creating very soft domestic market
- Cheaper imports
- Domestic demand slow

Defra Beef Summit

- Called a few months ago to address falling prices.
All the great and the good
- Defra's answer to the future? Rare breeds!
- No understanding of the problem and even less the answer
- Environmental issues top production
- The “green blob” are in charge
- Not an ounce of vision

Did the Beef Price go too High?

- It appears so for prevailing market conditions
- More prime cuts on open market as supermarkets concentrate on mince leaving processors with high value cuts
- Imported beef cheaper
- Glass ceiling turned out to be iron!

Are Beef Prices Now too Low to Deliver Critical Mass?

- Critical mass for what? Mince production!
- Producers say that without support even £4 per kg is not profitable
- Production therefore is set to continue its recent fall over next few years (AHDB)
- Numbers fallen 3-4% per year for last seven years with forecasts predicting similar for next seven
- Slaughtering for 2014 predicted to be up a bit but no use if breeding heifers being killed
- Producers delivering their own answer

Supermarket Woes

- Booker Foods-- Websales
- 2008 £109m
- 2009 £250m
- 2010 £407m
- 2011 £525m
- 2012 £635m
- 2013 £704m

It Gets Worse

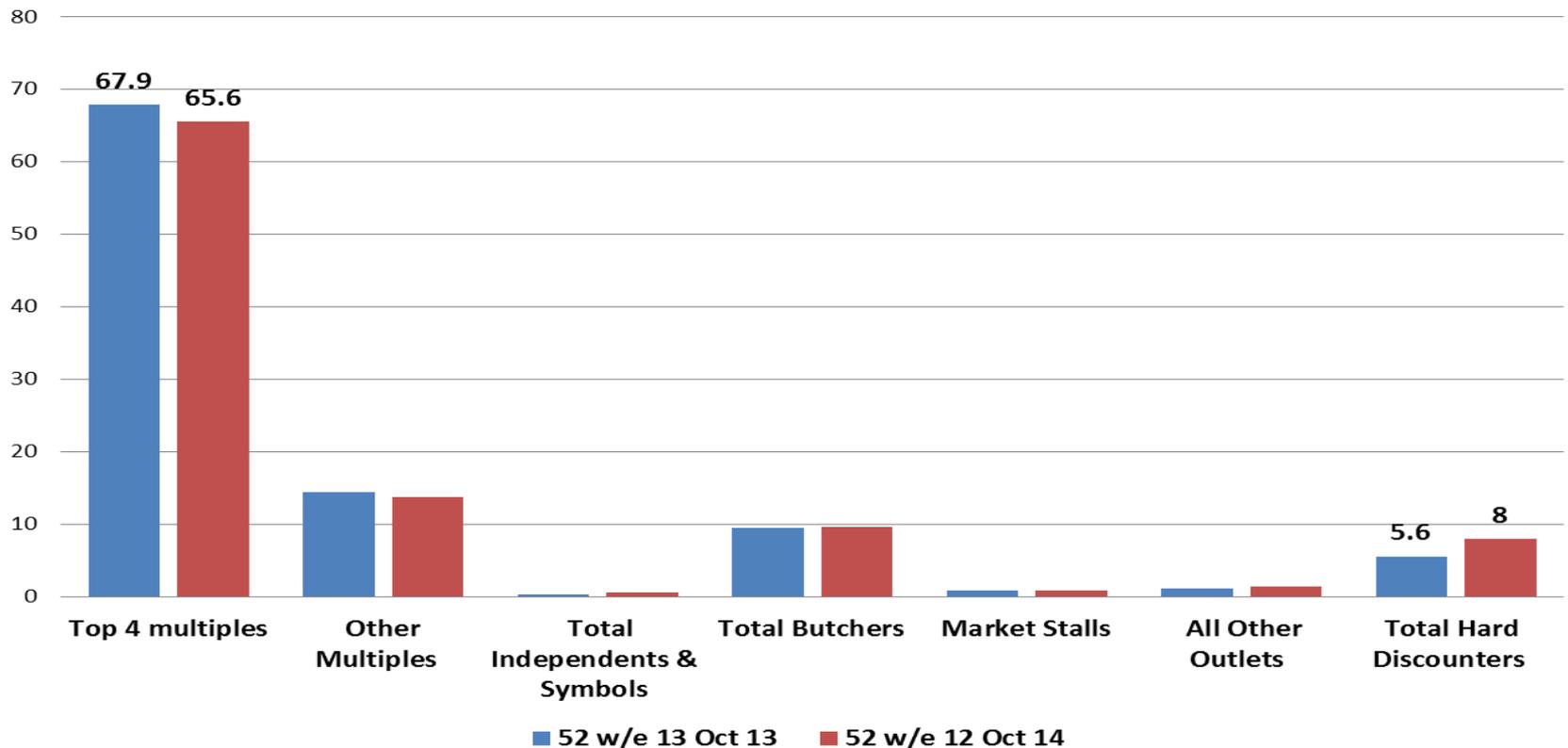
- After 60 years of supermarket expansion, growth switching to other formats
- In last five years
- Out of home; up 18%
- Convenience; up 29%
- Discounters; up 65%
- On line; up 98%
- Supermarkets only up 8%

Percentage Year on Year Growth—or Not!

	2013	YOY to Oct 2014
Tesco	1.5%	-3.6%
Asda	2.2%	1.0%
Sainsbury	4.2%	-3.1%
Morrisons	0.7%	-1.8%
Aldi	31.0%	27.3%
Lidl	12.8%	18.1%

The Hard Discounters Continue to Gain Market Share within the Red Meat Category.

Red meat share of spend %



Market Capitalisation

- Sainsbury; founded 1869. £7bn
- Tesco; founded 1919. £27bn
- Alibaba; founded 1999. £50bn
- Amazon; founded 1994. £117bn

Is the party over for the big four UK supermarkets with their outdated model shot to pieces?

Big Four from 2011-2013

- Capital expenditure 2011-13? £12bn!
- Change in market share -1%
- Change in operating profit -£82m

That's right £12bn spent in three years to go backwards and now they are all attacking the bottom line with £bn's in price discounting to ward off Aldi and Lidl. Some business plan

Where Does this Leave Farmers?

- ROI; a supportive government at least
- England; rare breeds the only hope!
- Wales. Production falling fast. 8% in 2013
- Scotland. Fallen significantly and still falling
- The big four supermarkets no longer provide the security for farmers to invest or survive as they are too interested in their own survival. Loyalty from them is worth a farthing a tonne
- Long term exports will have to drive the market upwards in response to increased worldwide demand or the UK beef industry will decline much further as farmers vote with their feet.

An opportunity for Ireland?

Where does this leave the Large Processors?

- The VION debacle was a salutary lesson for all, especially those who believe farmer coops are the only answer
- Has the rationalisation done its course?
- Fighting to sell two thirds of the carcass as mince to four retailers cutting prices to survive.
- It's called a rock and a hard place
- Large processors now faced with finding customers for the big lumps of meat supermarkets don't want at seriously discounted prices. Not pretty

What About the Independents Processors?

They have increased market share over the last ten years against all expectation

Why?

A combination of quality, price, flexibility in their operation and consumers becoming much more interested in where their meat comes from.

Can I be sure?

Yes because the level of investment in the sector has been staggering and continues apace. I know as I have seen it first hand and their supermarket competition is in disarray which increases confidence in their future.





MANY THANKS

NORMAN BAGLEY

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AIMS



Association of Independent Meat Suppliers