



# Kite flying: the role of marketing in the post-BSE British beef export industry

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**Abstract** *Outlines the role of the Meat Livestock Commission in dealing with the BSE/CJD crisis in the UK meat industry. It covers the re-launch of British beef, the history of the BSE crisis, the decline of the export market for beef and the increasingly political nature of the world beef and meat markets. In addition, the article assesses the impact of supermarkets, government and environmental concerns and the development of this key industry. The issue of reputation alongside natural products is considered and the complexities of a fragmented market. Suggests that there is no quick and easy fix to the re-establishment of UK roast beef as a premier brand.*

## Introduction

The role of the Meat and Livestock Commission in helping to re-establish the UK domestic market for British beef after the BSE crisis has been considerable. Established under the 1967 Agriculture Act to promote greater efficiency in the UK livestock and livestock product industries, the MLC sees its corporate mission as “to provide help and leadership for a beleaguered industry” (MLC, 1998). The MLC has concentrated on trying to restore consumer confidence in beef products, as well as trying to ensure that lamb and pigmeat products capitalise on the opportunities offered as substitute products in the meantime. Its activities are financed through a statutory levy placed on animals slaughtered or exported and supplemental income is derived from commercial contracts within the livestock industry.

The MLC launched a minced beef initiative where prime minced beef cuts displayed a rosette to illustrate their quality. This initiative arose out of the realisation that consumers were more worried about minced beef, than they were about steaks. This was typified by a comment from a consumer in a focus group who, when asked what minced beef was made of, stated “it’s the ears, tails and eyelids and anything else they can’t sell” (see Irvin, 1999). The result was a spirited campaign by the MLC which sought to reassure consumers that prime cuts of beef used in mince production were safe to eat and, thus, they launched their rosette quality kitemark on mince with the words “offal-free”. This initiative boosted domestic sales of minced beef by 18 per cent. One of the key performance indicators used by the MLC is the uptake by meat processors (and others in the beef industry) of its blueprint

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techniques for production and distribution. These blueprint techniques are designed to ensure that meat quality is optimised prior to its distribution. MLC has had a consistent target of trying to ensure that 60 per cent of its target companies comply with its procedures (MLC, 1999).

### **The UK beef industry and its supply-chain stakeholders**

Shaoul (1999) argues that the food industry is “generally fragmented” and controlled by a few large vertically integrated companies. The market has seen a lack of growth with changes of ownership in this mature market occurring as companies refocus on their core food businesses. The beef supply chain, consists itself of several major components comprising farmers (who raise and maintain beef herds), retailers and the meat processing industry and, within this, the slaughtering and rendering industries, and the knackers’ yards.

The beef farming industry is highly fragmented with farmers maintaining herds of relatively small sizes over a wide range of locations (Shaw and Gibbs, 1995). Farmers have the option of either selling their cattle to meat processors (which often buy at a set dead-weight cost) or selling them via auction markets (where prices fluctuate) which can allow farmers to obtain significantly higher prices per head of cattle. Since the switching costs from maintaining a relationship with the meat processor to auction houses is low, farmers often alternate between the different sources of income.

The meat processing industry has been characterised by defensive horizontal mergers between companies and vertical integration between the slaughtering and the wholesale meat market (Shaoul, 1999). Sainsbury’s operates abattoirs to supply its own beef through one of its subsidiaries, Newmarket Foods, while the Sims Food Group, a leading British meat processor, operates its own abattoirs for beef processing, supplying European retailers with pre-packed, added-value products (Shaw and Gibbs, 1995) and supplying Safeway with its high-quality “Heritage” beef from selected farmers with whom it had fostered strong mutually-reinforcing relationships.

The slaughtering industry in the UK comprised around 491 abattoirs in 1992, though this had declined to around 402 by 1996. Their role is to kill the animals and ensure that certain aspects of the carcass are removed prior to the despatch of cuts to the meat processor. Many of these abattoirs had not altered their procedures and practices sufficiently to comply with existing EU directives. The Meat Hygiene Service (MHS), set up in 1996 to police the BSE controls and modifications to procedures in slaughterhouses (which had previously been regulated by Local Authorities’ Environmental Health Departments), has the power to close abattoirs for non-compliance with the new regulations. The slaughter industry is responsible for the removal of specified bovine offals (SBOs) – the material most likely to contain BSE-infected tissue – and the MHS was set up to ensure that this is conducted

satisfactorily. Shaoul (1999) states that while 55 per cent of the bovine carcass passes into the human food chain, 45 per cent must be disposed of, by law, within 48 hours by incineration, burial or rendering. Since the first two options incur costs, rather than profits, abattoirs deliver bovine carcasses to operators in the rendering industry who pay a fee to the abattoirs for each carcass.

The bovine carcass, however, contributes a number of by-products including material for petfood, gelatine, sausage skins, animal feed, and material for use in the production of glue, soap and fertilisers. Renderers ensure that the material required for the manufacture of these by-products is removed from the animal carcass. It is as a result of material sold to the animal feed industry that the BSE crisis is said to have originated since infected tissue is thought to have been sold by the renderers to bonemeal manufacturers who in turn sold this to farmers who fed it to cattle.

Knackers' yards are responsible for the disposal of diseased and dead animals from farms by incineration and burial; however, this role was also being played by officially-approved rendering plants with the responsibility for the separation of pathogenic material (in this case BSE-infected tissue) from the carcass prior to the carcass being sent to operators in the rendering industry. It is likely that this unclear definition of the roles between government-approved renderers and knackers, and the lack of government regulation – and of its enforcement – contributed significantly to this crisis.

The high degree of fragmentation within the industry clearly contributed to the development of the BSE crisis. Loader and Hobbs (1996) have stated that as a result, there will be a “movement towards closer management of the supply chain through partnerships or contracts between farmers, processors and retailers” effectively altering the pricing structure of the industry, as cattle auctioneers become increasingly left out of the equation. In the aftermath of the BSE crisis, it seems increasingly likely that consolidation of the supply chain will occur as supply-chain stakeholders increasingly seek partnerships which allow them to add value to their product (e.g. Safeway's Heritage beef range) and which seek to differentiate their product from British beef produced before and at the time of the BSE crisis.

### **The BSE crisis in Britain**

BSE (bovine spongiform encephalopathy) was thought to have been caused by polluting cattle feed with infected tissue. By 9 September 1998 (Jenkins, 1998), 27 human deaths had been attributed to Creutzfeldt-Jakob disease (CJD), the human equivalent of BSE, considered by scientists to have crossed the species barrier through the food chain. The key problem, and the surrounding furor, could be considered to be the result of the failure of the communication of scientific information to the public (Harris and O'Shaughnessy, 1997). After all, previous food scares such as those associated with salmonella in eggs (late 1980s) and e-coli (early 1990s) had

not produced the same level of public hysteria, although in the case of eggs, it took many years for the market to recover its lost ground. Jenkins argues that the root cause of the crisis was that a group of UK scientists changed the risk of contracting CJD through eating beef from “an inconceivable risk” in 1995, to “a very small one” in 1996. The timeline of the events leading up to the BSE crisis is represented in Table I.

The impact of the crisis, and the subsequent ban, has been considerable. Estimated costs to the UK taxpayer vary depending on the time of reporting but press reports estimate the cost of the crisis to have been between £3-£3.5bn, with a further cost to UK exporters of between £1-2bn. The cost to the government represents payments to farmers to destroy cattle over 30 months old (OTMS scheme) which had cost the UK government £1.2bn in payments up to the end of July 1999 (MAFF, 1999).

Date	Events
~ 1985	Clinical signs of bovine spongiform encephalopathy (BSE) are found
June 1986	UK government scientists make first official diagnosis of BSE
August 1988	The government orders the slaughtering of BSE-infected cattle with compensation provided for farmers
November 1989	Specified Bovine Offals (material most likely to contain BSE-infected tissue) from cattle over six months of age banned from human food
April 1990	British Government chief veterinary officer criticises Russian ban on British beef
March 1993	First humane death of CJD: Creutzfeldt-Jakob Disease
March 1996	UK Health Secretary admits possible link between BSE-infected cattle and CJD
March 1996	EU imposes world-wide ban on British beef
April 1996	EU Agriculture Minister, Franz Fischler, and EC President, Jacques Santer both state that they would personally eat British beef. The British Prime Minister refers the ban to the European Court of Justice insisting that the ban is operating on political rather than public health grounds
May 1996	The UK government initiates its Over Thirty Months Scheme (OTMS) where cattle over the set age (those most likely to have contracted BSE) are destroyed
August 1999	World-wide ban on British beef lifted
October 1999	The French government continue to operate ban (illegally) on British beef despite EC ruling provoking UK consumer boycott of French products, led by leading UK supermarket groups including Budgens, leading itself to port protests by French farmers. Some German state governments also retain their own bans, although they have stated that legislation will be enacted to remove them at a later date
October 1999	EC scientific committee considers new French evidence, ruling that removal of the trade ban on British beef is still justified, paving the way for the re-establishment of its export markets
January 2000	French and German bans still operating

**Table I.**  
Chronology of the  
events leading up to  
the BSE crisis

A further scheme, the calf processing aid scheme, was also introduced, (though ended in July 1999), in order to provide farmers with support for their sudden loss of markets. Nevertheless, at least in the UK, consumer confidence in beef had recovered somewhat. Total GB household beef consumption for the four-week period ending 31 July 1999, was only 6 per cent down on the same period in 1998, and 2 per cent down on the same period in 1995. Similarly, the number of UK homes purchasing beef during the same four week period dropped from 47 per cent to 46 per cent, 14 per cent down on 1998, and only 2 per cent down on 1995 (MAFF, 1999).

### The market for British beef

The ban on British beef and the erosion of consumer confidence in its safety ensured a heavy fall in domestic sales. This was particularly pronounced after McDonalds and other high street food retailers announced their own boycott of British beef, with some sourcing their beef from as far away as New Zealand. In 1995, total beef consumption in the UK was 901,000 tonnes. By 1998, after a significant initial drop, it had risen back up to 884,000 tonnes. Safeway plc, however, continued to sell its Heritage beef range, launched in 1994, with confidence since it had full control over production protocol and traceability back to individual farms, and could be confident that it was selling meat sourced from animals aged under 30 months (Robertson, 1999). Prior to the BSE crisis, France and Italy represented substantial markets for British beef exports representing almost 50 per cent of total exports in 1995. However, since 1990, significant growth had been achieved in exports to South Africa and Italy over the five years between 1990 and 1995. Table II illustrates UK beef exports by tonnage.

Table II illustrates a substantial increase by tonnage over the five years with exports increasing 116 per cent. However, in 1999, this export trade had been completely eroded as a result of the EU's world-wide ban on British beef exports. Table III illustrates the substantial loss of revenue to the UK beef industry as a result of the ban on exports with significant

Destination	1990	1995
France	67,000	80,000
Italy	4,000	42,000
The Netherlands	9,000	17,000
Spain	1,000	7,000
South Africa	3,000	27,000
Other EU	16,000	45,000
Other non EU	14,000	28,000
Total	114,000	246,000

**Table II.**  
Beef exports (tonnes)  
for 1990 and 1995

**Note:** Figures rounded up to nearest 1,000

**Source:** Harris and O'Shaughnessy (1997)

Importer	1995 value (£m)	1999 value (£m)	Post-BSE British beef export industry
France	179.0	0	
Italy	126.0	0	
Ireland	52.0	0	
The Netherlands	49.4	0	
Spain	17.4	0	
Denmark	12.0	0	
Belgium	10.0	0	
Portugal	7.0	0	
Sweden	3.0	0	
Greece	0.6	0	
Germany	0.6	0	
Finland	0.0	0	
Austria	0.0	0	
South Africa	23.8	0	
Mauritius	4.0	0	
Ghana	2.5	0	
Angola	1.5	0	
Malta	2.2	0	
Saudi Arabia	1.7	0	
Hungary	1.8	0	
The Philippines	1.5	0	
Gabon	1.7	0	
Hong Kong	1.8	0	
Other non-EU	20.5	0	
Total	520.0	0	<b>459</b>

**Table III.**  
Revenue obtained from  
UK beef exports by  
country

**Source:** Meat and Livestock Commission

proportions of this loss coming from outside the EU. The combined revenue lost represents £520m at 1995 prices. Potentially significant non-EU markets include South Africa, Australia, the USA and Japan. However, the USA has banned British beef since 1991 as a reaction to BSE and in retaliation for the European ban on US meat treated with hormones. Japan, which has traditionally only imported Aberdeen Angus for sales of sushi, also stopped its limited imports.

Palmer (1996) argues that BSE and its impact on consumption was not restricted to the UK domestic market or British beef export markets alone. In the four weeks ending 5 May 1996, “the effect of the crisis on consumption was equally dramatic on beef from all sources ... Italy reported a 50 per cent fall in consumption during this period, Germany a 40 per cent fall and France a 30 per cent fall”. He argues that it is for this reason that French and German opinion toward the world-wide ban hardened. Continued French and German intransigence could, therefore, appear to be a protectionist measure rather than a genuine concern for food safety. Nevertheless, other countries have reacted similarly.

The BSE crisis has effectively become a global issue. Japan, which has not allowed imports of UK beef since 1951 out of fear of foot-and-mouth disease, has announced plans for the banning of all UK beef products including pet food. Taiwan has announced a ban on canned beef, sausage and ham to supplement its original ban placed on British and Irish beef in 1990. In the Middle East, Iran and Egypt have both turned away Irish beef shipments (USMEF, 1999).

The Meat and Livestock Commission has developed plans for a world-wide marketing campaign to promote British beef and is expected to focus on quality breeds (e.g. Aberdeen Angus). It is expected that, in the short term, only small quantities of British beef are likely to be exported, aimed at the catering trade rather than supermarket shelves (*The Independent*, 1999). The beef export scheme for the UK (excluding Northern Ireland which has a computer tracking system and has been able to demonstrate that its herd has been BSE-free for more than a year) imposes restrictions on the preparation of the meat. The meat must be de-boned from 1 August 1996 (when the meat and bonemeal feed restrictions that were argued to be the source of the infected meat came into place) and has to be aged between six and 30 months. UK politicians have been attempting to argue that British beef is now the safest meat in the world as a result of the considerable restrictions placed on its production *vis-à-vis* our European and non-EU competitors.

The MLC's stated export objective is to assist the (British) government in the recovery of lost markets for British beef. In order to ensure that it achieves this, MLC aims to influence opinion formers through its European offices (MLC operate an office in Brussels for lobbying purposes and an office in France), and through agents in other EU countries. In addition to this, MLC has also previously taken part in overseas trade missions including visits by the international manager to countries such as South Africa, China, the Philippines and Japan (MLC, 1999). The British Prime Minister and the Secretary of State for the Ministry of Agriculture, Fisheries and Food (among others) have been active in trying to ensure that the ban on British beef still operating in some German states, and in France, is lifted as soon as possible (in line with the EC directive released in August 1999). This should then pave the way for the restoration of confidence in British beef in the rest of Europe and beyond.

### **The political nature of the European beef market**

The production of beef in the EU is largely governed by the political and administrative arrangements of the EU and the General Agreement on Trade and Tariffs (GATT) and by competition policy in both the UK and the EU. It is also affected considerably by the value of the pound within and outside the EU. Thus, when the pound is strong, UK beef exports become expensive to our European partners making domestic supply more profitable. In the UK, Sainsbury's, Asda, Tesco and Safeway control more

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than 60 per cent of the food retailing industry with considerable implications for the balance of power of supermarkets concerning their suppliers. Shaoul (1999) states that, under the Food Safety Act 1990, companies could avoid conviction for safety offences if they could demonstrate that all reasonable precautions had been taken to avoid infringing a requirement of the act. This was the reasoning behind the introduction of traceability of products by supermarkets, he argues; to ensure that the supply chain for products could be determined and that responsibility for faulty products could be apportioned.

In a statement given to the BSE Inquiry Dr Alastair Robertson, Director of Technical Operations at Safeway plc, stated that Safeway already had “good systems of traceability from the market place back to the processor” although the company had to rely on ear tagging and manual documentation systems (Robertson, 1999).

The EU provides support to the beef industry through import levies, import quotas and export refunds on products traded outside the EU to ensure that European beef production stays at prices above world market prices. The Common Agricultural Policy effectively governs this support regime and was designed to protect the EU farming sector from external competition although it has been criticised because of its apparent bias towards the French and German farming industries.

Prior to joining the EU, the UK beef sector operated as a fresh meat industry and had not traditionally exported to other countries because they had operated chilled meat industries requiring compliance with the importing country’s regulations (which Britain was not geared up to comply with). However, in order to join the Common Agricultural Policy, Britain was obliged to upgrade its slaughterhouses, although Shaoul (1999) argues that not one UK slaughterhouse could meet the EEC’s requirements as an approved slaughterhouse at the time of Britain’s membership of the EEC. In the wake of the BSE crisis, “abattoirs that wish to supply the European market will have to be dedicated to that market, making the economics of the export business more problematic” (*The Independent*, 1999). Loader and Hobbs (1996) were prescient with their suggestion that “the export trade may rely more on regional initiatives (such as farm-assured Scotch livestock) which are less obviously identified with the original source of the problem (and may carry genuine food safety guarantees), with the ‘British beef’ tag taking longer to recover”.

Dr Jack Cunningham, the former British agriculture minister, made the following statement in the House of Commons, in December 1997: “there is an over-supply of beef throughout Europe, and a long-term decline in beef consumption . . . the [UK] government’s aim for agricultural policy is to change fundamentally the narrow producer focus of the present common agricultural policy, to decouple support from production, to work for sustainable farming and to give customers, taxpayers and the environment greater priority”. Loader and Hobbs (1996) suggest that the main benefit



from the BSE crisis may be some degree of re-orientation in the beef supply chain towards perceived consumer requirements. Ironically, however, Palmer (1996) regards the reaction to the BSE crisis as having turned the “epitome of a free enterprise capitalist trading system” into a “bureaucratic command economy”.

### **Marketing implications**

Palmer (1996) suggests that the “challenge facing the beef sector in restoring consumer confidence cannot be met by marketing promotion campaigns alone”. Indeed, it cannot. Nevertheless, promotional campaigns are but one (essential) part of the marketing mix. They (both trade and consumer promotions) should be incorporated and integrated with other elements such as pricing, distribution, a credible product proposition and underpinned by a wealth of market research and intelligence. In this context, an understanding of the political nature of the target countries’ beef industry is also necessary for the formation of a cohesive lobbying campaign (with removal of the French and German bans based on the principle of the sovereignty of EU law and the implications for the European Union of non-compliance) which itself is fed from market research and intelligence and which could later be used in a grassroots lobbying campaign, if necessary.

Pickernell and Hermyt (1999) have suggested that effective strategies employed by companies operating in the post-BSE UK meat, poultry and cheese processing and packaging industries have centred on: a focus on the consumer, a focus on adding value to the product and a focus on pursuing (process) improvements. Marketing, it would seem, does have a wider role to play.

Increasing consolidation (either through vertical integration or increased vertical communication) in the supply chain will probably further improve the efficiency of the traceability and farm-assurance schemes that are currently in place allowing the development of differentiated beef export products. This, together with the improved (and distinctive) procedures related to meat hygiene in the UK, ensures that British beef exporters have a considerable competitive advantage over other producers elsewhere inside and outside of the EU where such strict regulatory regimes are not in place. Such consolidation could take place at the industry level and would need to involve beef processors, EC-approved slaughterhouses, multiple retailers with a significant presence in European and other non-EU grocery markets, representatives of the Meat Hygiene Service, selected farmers and representatives of the Ministry of Agriculture, Fisheries and Food and the Department of Trade and Industry. Initially, such partnerships should concentrate on recovering lost key markets such as France (on the removal of the ban), Italy, Ireland and The Netherlands, with other significant markets being targeted once progress has been made in these.

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Further (market) research is necessary to determine whether a high-quality British beef product set at a premium price (to reflect the process improvements undertaken) would be a credible alternative to existing beef meal solutions in continental European supermarkets. If such research illustrates it to be so, marketing communication activity would need to take place over a considerable period of time. This would require considerable investment and can only occur as an industry level initiative.

### Conclusion

The world-wide ban imposed upon British beef, by the EU, has damaged its reputation abroad, although the domestic reputation has improved significantly since the onset of the crisis almost four years ago. The high degree of fragmentation in the British beef industry, and the lack of enforceable safety standards, were probably the most significant factors in effecting the BSE crisis. The crisis clearly had a devastating effect on the industry with many aspects of the supply chain badly affected (especially the farmers from whom the product originates). However, the crisis does provide the impetus, because of the strict food safety regulations imposed, to reposition British beef as being one of the highest quality meat products in the world. There is clearly an important political dimension to the problem of repositioning the British beef brand too and in this respect, the beef industry should work, at all levels, with the various government agencies involved.

Thus, the lost markets of the British beef export industry may not be recovered quickly unless a concerted effort is made by groups of like-minded supply-chain stakeholders to co-ordinate their efforts to improve product quality and distribution arrangements. This, alongside a vigorous co-ordination of communication strategies in conjunction with support provided by industry bodies and political agencies all working to an agreed set of strategies with pooled resources.

Only then will the beef export industry move from kite flying to re-establishing a quality real brand of British beef.

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