

Environment, Food and Rural Affairs Committee

Oral evidence: Beef Grading Price, HC 430

Wednesday 13 July 2016

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Members present: Neil Parish (Chair); Chris Davies; Jim Fitzpatrick; Dr Paul Monaghan; Rebecca Pow; Ms Margaret Ritchie; Rishi Sunak.

Questions 1-153

Witnesses

I: Steve Conisbee, Beef Group Chair, National Farmers' Union, Dr Phil Hadley, Head of Global Supply Chain Development, Agriculture and Horticulture Development Board (AHDB), Chris Mallon, Chief Executive, National Beef Association.

Examination of Witnesses

Witnesses: Steve Conisbee, Dr Phil Hadley and Chris Mallon.

Q1 **Chair:** Thank you for coming to our inquiry into the beef grading system. We very much appreciate you coming. I made a comment when we started that Prime Ministers may come and Prime Ministers may go, but the EFRA Select Committee continues its work. It is great to see you, because we are particularly interested in where we are on the grading system and the effects it is having on the value of cattle and we are very keen to hear from you today. Phil, if you would like to start from your side and introduce yourself, we will go across the table please.

Dr Hadley: I am Phil Hadley. I am with AHDB and I am Head of Global Supply Chain Development.

Chris Mallon: I am Chris Mallon, with the National Beef Association, a membership organisation owned by beef farmers and suppliers to the beef industry.



Steve Conisbee: I am Steve Conisbee. I chair the beef committee for the NFU. I am also a ninth-generation farmer and butcher, and worked extensively in both the butchery trade and agriculture.

Q2 **Chair:** Thank you very much. First of all, to the NFU and NBA in particular, can you describe the changes that have happened to the cattle grid and the reasons for them? I have a list here: we have seen the dairy steers dropped by about £70 a head, some suckler continental steers by possibly £132 a head and then suckler continental 16-month bulls by £20 a head and lean suckler continentals by £20. It seems to be a real mixed bag here. I do not know who wants to start off, to explain what is happening.

Steve Conisbee: Back in the end of year/January, we saw the implementation of a new grid. We have been paid on a Europe-style grid now for quite a while, and it is widely recognised that it probably was not fit for purpose any longer. It reflects the confirmation and also the finished level of cattle. Certain types of cattle were probably being overvalued for what the trade wanted. I think the processors were keen to change this.

At the same time we had visual image analysis coming in, which was seen as being a more fair and subjective method as it was done by a machine and not a person. I have always been a little worried that when the grid changed we would see the processors use it as a means of devaluing the market. Now the processing industry had always stated that they would be rewarding certain specifications in spec, but penalising those that they did not want, to encourage more animals produced to specification. When it actually happened we found that the penalties were far harsher than the rewards. There is a piece of work that we have here today, which will show about £1.1 million a month has been wiped off the face of the value of British beef as a result of these implementations.

Q3 **Chair:** You think that is directly because of that, do you—the changing in the grid system and then deciding to make the payments in a different way?

Steve Conisbee: Personally, yes. It is not the total extent of what we have here, because the price has fallen. When you take the price fall out of the equation and then look at it, it still leaves a further £1.1 million a month missing, which is what the processors are no longer having to pay for their beef but the public are still paying in the supermarkets.

Q4 **Chair:** We are going to go on and talk about price in the next question, so I will stop you there. As far as the grid system itself is concerned, there is nothing really wrong with the grid system, I suspect. It is probably about the way the payments are then made with the new system, is it? This is what I am trying to get my head round. I do not know whether, Steve, you want to answer that or whether Chris wants to come in.



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Chris Mallon: Companies will make deductions based on the grid system to come up with the final price and value of the animal. For things that were deductions, such as a lean animal, that deduction was taken when there was a large quantity of cattle coming through. One of the meat companies this week that was doing that, because they are short of cattle, have now changed that deduction and no longer do it, which makes me consider that the reason for doing the deduction in the first place was to devalue the cattle; it was not for proper reasons of selling on that product.

When it comes to things such as the VIA grading on cattle that were similar, such as continental cattle, I have worked with members of the NBA and we have analysed quite a few coming through. Previously, on a bid price, they would have averaged approximately plus five pence on these continental cattle, which are seen as a better type of cattle. Now the same cattle will be averaging minus 10 pence on a bid price. This is just actual farmers' cattle compared prior to the VIA.

Q5 **Chair:** I agree with you. I do not disagree with you. We are going to talk about price in a minute. What I want to try to get clear in the first instance is that I think we are probably not opposing the actual grid system; what we are interested in is the way that the slaughterhouses and processors have used this grid system. Do you actually believe the grid system can work and the new scanning, provided they make the right payments afterwards?

Chris Mallon: We need something to differentiate so that we can reward people on the quality of the animal; that is without a doubt. The basics of that is a grid system. All systems will have their naysayers and yes-sayers. That is the reality, but the feeling among farmers is the grid system is used as nothing other than a way to penalise them, to devalue their animal and to put an upper limit on the value of their animals, so that their ability to make an income is being restrained by that, artificially.

Q6 **Chair:** That is right. The issue that I have got with it is if a steer or a beef cow was worth X before the new system came in, why is he or she worth Y afterwards when they are the same cattle, produced to the same standard? Most of the people who were grading cattle for sale on the hoof before the new system came in then could not grade them on the hoof for the new system. This is where we seem to have a real problem.

Chris Mallon: Very true. One of the things with some of the grading systems we have also noticed is when cattle are in short supply, the grading is more lenient; when cattle are plentiful, grading is a lot more difficult. Your ability to negotiate with the processor on your grading depends on his supply of cattle at the time, which takes away from the grading system being independent and from the reason for grading.

Q7 **Chair:** As far as the AHDB is concerned, are you neutral on this issue? Where are you on the whole issue of the grading?



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Dr Hadley: I just want to get the terminology right from the outset, because people do tend to use the terms classification and grading interchangeably. To be clear, what we are talking about in terms of a Europe grid is a classification system. A classification system, the Europe grid, has been in place for a number of years to create a common language across Europe, so we can have some transparency from country to country based on price reporting requirements. Grading, in our terms, is that we are trying to attribute a value to the product, and create more than just a language of exchange. In terms of the Europe grid, it is designed to create a common language for price reference reporting across Europe; that is its function. It is used as a proxy measure for value, so it attributes a price afterwards, but there is a difference between classification and grading.

Q8 **Chair:** What is happening across Europe? I know that some countries introduced this some time ago, but my knowledge of the French farmers suggests that they are not going to accept a knocking off of €100 or €150 per animal very lightly.

Dr Hadley: It is in place in France. It is also in place in the Republic of Ireland and Northern Ireland, and it is approved in the UK, so we are seeing a steady increase in its usage across the UK. It has been in place in France for some time.

Q9 **Chair:** Where it in use was not my question. What was the effect of it when it was introduced in France? Did the slaughterhouses and processors decide to knock a lot of money off the value of a carcass when they brought it in? This is what has been happening in this country.

Dr Hadley: I am not aware of that.

Q10 **Rebecca Pow:** I wanted to know, just for a bit of information, who is policing it in the abattoirs?

Chair: Yes, who checks?

Rebecca Pow: Just for a bit of background. I assume that all of you had input in drawing up this grid in the first place, and that all your farmers had input that it was going to operate and that they were happy with all the pricing systems and what was going to be asked of them and what it could deliver in prices for them. Who oversees it at the abattoirs?

Steve Conisbee: The grading of cattle is done by the MLC, Meat and Livestock Commission, by independent graders within the abattoirs. The new machines that grade are looked over by the RPA and they are responsible for making sure that they work uniformly in all of the plants.

Q11 **Rebecca Pow:** The Rural Payments Agency?

Steve Conisbee: Yes.

Q12 **Rebecca Pow:** What has it got to do with them? Why?



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Dr Hadley: They are the reporting body. You have effectively two systems. You have independent carcass classification by Meat and Livestock Commercial Services Limited, or you have the VIA system, but both are overseen—

Q13 **Rebecca Pow:** Which stands for what, sorry—VIA?

Dr Hadley: A visual image analysis.

Q14 **Chair:** That is the actual system they are now using.

Dr Hadley: You either have a human classification against the grid, or the electronic camera system, which again grades to the grid. Both give you an outcome based on the grid, but they are both overseen by the Rural Payments Agency.

Q15 **Rebecca Pow:** That seems odd. Can I just finish my line of questioning about policing? You have just told us that in times of short supply they are very lenient and the price seems to be controlled by the abattoirs according to the amount of supply. It is irrelevant, really, to the grading system. I am asking who is policing it; is that not an important issue?

Chris Mallon: It is policed, but your ability to go back to a processor and say, “I do not agree with my grade,” and to have that looked at and changed depends on the supply of cattle they are getting. When they do not need to do that, they will not be as open. Whether or not it is independently staffed, et cetera, that is a fact. It is something that happens to farmers on a day-to-day basis. It is something that is taking income from them.

Q16 **Rebecca Pow:** Are you saying that you agree with it or disagree with it?

Chris Mallon: I completely disagree with it.

Rebecca Pow: Exactly. I am trying to point out that I think this is not being policed properly.

Q17 **Chair:** The Meat and Livestock Commission used to be a lot bigger at one stage, didn't it? I thought a certain amount of it was answerable to the AHDB, wasn't it?

Dr Hadley: I have a couple of points just for clarification here. The RPA's role is to check that the classification attributed to the carcass by either the MLC classifier or the VIA machine is accurate. That is their role: to ensure that the classification associated with the carcass is accurate. The price paid is commercial terms of trade between the farmer and the abattoir, so the RPA are not intervening in the price paid. What we are talking about here is two things: one is the accuracy and robustness of the classification system against the price paid. The RPA's role is not to police price; it is to police the accuracy of the grade associated with the carcass.

Q18 **Rishi Sunak:** Just to understand this idea of independence and making sure it is all working, who pays for the classifiers, or the classification



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system if it is the VIA? Is it the processors, or the industry through a levy?

Steve Conisbee: The farmer directly pays. We are charged a classification and a weighing price as part of the deductions we receive in this country. That is how that is paid for.

Q19 **Rishi Sunak:** Just to follow up, I am just trying to understand the competitive dynamic—

Chair: We are going to talk about price in a minute.

Rishi Sunak: If you are not happy with what you get in terms of the classification, it seems that there is not an appeals process as such but what is the ability for farmers to shop around? How concentrated is the processing market in a typical area?

Chris Mallon: It is completely concentrated. It is mainly dominated by a handful—even a handful is an exaggeration—of Irish companies. Therefore, competition is limited because of that. Also, only one company, as far as I am aware, is using the VIA system at the moment. Not all companies are on it. Some are still using manual classification. One of them is putting it out. Before it would be used throughout the country, I think that system would need to be robustly checked to make sure that the farmers' worries that are given to me, which seem real enough because they are showing grade to grade—

Q20 **Chair:** Is there a difference, then, between the price being paid by those processors who are not using the new system and the price being paid by the one that is?

Chris Mallon: You will end up with a lot more deductions on the new system. The new system was based, I was told, around yield. They are not being paid on yield. They are still being paid on taking a VIA and converting it to a grade of the old Europe system. It is paid on classification. The VIA was made as a system to be paid on yield.

Chair: The biggest problem is that once you take your animal to the slaughterhouse, it has then been slaughtered. Therefore, if there is an argument about the grading, you cannot say, "Put that head back on that animal and I will have it back alive and I will take it somewhere else." I used to do this much more with lambs than I did with beef animals, but that is the problem. Some would grade one day; some would not. As far as I could see, they were the self-same animals in the same condition. That is the problem we have. That is where there is a weakness in the system.

Q21 **Jim Fitzpatrick:** Apologies, gentlemen, for being late. I just want to pick up on something Mr Conisbee just mentioned when he was answering Mr Sunak about the RPA's role in the validation. You said that is how it is done in this country. Is it not done the same throughout the EU? Is their system worse or better? Have you had a chance to compare?



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Steve Conisbee: Speaking to some French farmers last week, they do not have the same deductions when they market an animal that we do. The processors will pay the price and absorb the costs.

Q22 **Jim Fitzpatrick:** Do you mean difference in terms of you as farmers pay a lot more?

Steve Conisbee: When we sell an animal, we will have a published price that we get, and they will pay us. At the end of that we will have a list of deductions. Some are for the weighing and the classification. They will then charge us meat inspection fees. They will also have a deduction for SRM.

Chair: Specified risk material.

Steve Conisbee: Yes. From that I would expect—and this varies as well, from plant to plant—a deduction of somewhere between £18.50 and £20 a beast to be coming off what you are paid, and this is variable.

Q23 **Jim Fitzpatrick:** How does that compare with your French colleagues' experiences? Are they paying more or less than British farmers?

Steve Conisbee: Less.

Q24 **Jim Fitzpatrick:** A lot less?

Steve Conisbee: Yes. Also, several of their abattoirs, they are telling me, also pay for the haulage—they will pick up the animals—whereas somebody supplying a processor, they then deducted haulage or otherwise you would arrange your haulage, which is also another cost for you.

Q25 **Jim Fitzpatrick:** Forgive me, just to pursue this, who is levying the extra charges? Is it the RPA? Is it the abattoir? Is it the transport company? What percentage is £20 for a beast, for an animal?

Steve Conisbee: If you took a beast being worth around £980, something like that, that puts it in perspective. The MLC would be charging the abattoirs, recouping their costs for the grading and weighing. The inspection charges do vary, depending upon the size of the plants. Small plants are subsidised by a system that is in place so that they are not penalised, because they have not got the same economies of scale. Ultimately the individual plant will decide upon what it deducts from its producers.

Chris Mallon: We will be very similar to the Irish. The UK experience will be very similar to the Irish. It comes down to the dominance of the same companies in the same market.

Q26 **Chair:** When you say the Irish, you mean the Republic.

Chris Mallon: The Republic of Ireland. The Republic of Ireland will actually have the same worries and the same things that we are seeing. They will be experiencing the same companies, they will be experiencing



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the same deductions, et cetera, coming through, and they will be experiencing the same pricing. It may be different in euros and sterling at different times but the reality is their experience is very similar to ours. In Europe there is a different scenario so therefore we see the change. It is the dominance of companies that actually makes that.

Chair: That is some of the problem—the very big dominance of these big companies.

Q27 **Dr Monaghan:** Good afternoon, gentlemen. I would like to talk about the impact on prices just a little bit more specifically, perhaps with yourself first, Steve. What impact do you feel that the changes to the cattle payment grid have had on the price farmers receive for their cattle?

Steve Conisbee: We have seen in a year the price base drop from somewhere in the area of £3.50 a kilo down to about £3.15 a kilo. That is market forces but at the same time, when you take some animals and you take out the percentage equation for the same bunch of animals and put them on the new grid, they will then drop further because of these harsh penalties imposed. When you look at the grids, you will see that as the carcass falls away, there are huge penalties, but as they get a better confirmation, the bonuses are small. You would be looking at going up the grid in increments of five pence, but coming down the grid in increments of 10 pence, so it is a disproportionate method.

Dr Monaghan: You are using quite a lot of technical language there, so go through the process again, keeping it as simple as you possible can for the Members of the Committee.

Chair: Probably the overall value of the animal would be useful.

Q28 **Dr Monaghan:** I think what you are saying is that first of all market forces apply and there has been a drop in the price of meat in any event, from £3.50 a kilo to £3.15 per kilo. So that has happened. On top of that, the new grid system is having an impact as well. Is that your point?

Steve Conisbee: Yes.

Q29 **Dr Monaghan:** Explain to us the impact that the grid system specifically is having on the price of the cattle.

Steve Conisbee: I can pass this round or leave it with you, perhaps; it is a selection of cattle killed from somebody, one month for one kill and a year apart. They are very similar cattle and you can see the significant drop in there. However, when you apply a percentage on there, you are finding that you are getting a further 10% fall in price down to deductions.

Q30 **Chair:** Which you would not have previously had, you believe, under the old system.

Steve Conisbee: With the grid. The grid as such is a necessity. We need a method of measuring animals.



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- Q31 **Dr Monaghan:** Just before we get to that, just go back a little bit if you can, we have got the grid, and you are saying that the price of a carcass today, measured against the grid, relative to the price of a carcass one year ago, is approximately 10% lower.

Steve Conisbee: Of the deductions.

- Q32 **Dr Monaghan:** What we are trying to establish is what has changed. Is it the price of the carcass or the value of the carcass, or is it that the deductions have increased?

Steve Conisbee: The value of a carcass has fallen. The published value of a carcass has fallen, but when you apply that price to your animals, under the new grid, there is a further fall, which is down to the harsh specifications on the new grid.

Chair: What you had better explain is that when you go to send you animal you will be quoted a price that that animal is worth. That is what the slaughterhouse quotes. After that you get these deductions, and this is what the argument is about.

Dr Monaghan: I get that; I was just trying to get that from the witness.

Steve Conisbee: That is the biggest gripe. You send an animal in: you had previously been able to look at an animal, visualise where it would have fallen on the new grid and then you would get pretty much the price you expected. Now you look at an animal and it is very hard to tell, because there are so many different pockets it might fall into, where it sits and what price you are going to get.

On top of that, the deductions for animals that are in the chain are very harsh. The published price is one thing. I question the published price a lot, because there are so many sweetheart deals going on within the industry that the published price is not very reflective.

- Q33 **Dr Monaghan:** Maybe I can summarise. I think what you are saying is that market forces apply. Meat is worth less today than it was last year. That has gone down by £3.50 to £3.15 a kilo.

Steve Conisbee: It did at the worst.

- Q34 **Dr Monaghan:** That is the first point. You are then saying that the carcass is measured by the grid system and it might be downgraded relative to where the carcass was a year ago, so you get a lower price for that. There is then a third impact, which is the deductions that are levied against the carcass, and they seem to be increasing as well.

Steve Conisbee: The deductions have been static. Those deductions I was speaking about—the weighing, et cetera—have been static.

- Q35 **Dr Monaghan:** Okay. There are 56 elements of the grid; is that correct?

Steve Conisbee: Yes.



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Q36 **Dr Monaghan:** Does this impact apply equally to each element of the grid, or are there certain pockets of the grid where the impact seems to be more significant?

Steve Conisbee: It affects people finishing dairy cattle significantly. We have to remember that 50% of our beef in this country comes from the dairy herd.

Q37 **Dr Monaghan:** So the impact is variable across the grid.

Steve Conisbee: Yes.

Q38 **Dr Monaghan:** So it is affecting some farmers more than others.

Steve Conisbee: Far harsher than others, yes.

Q39 **Dr Monaghan:** That is helpful, thank you very much. Chris, is there anything that you would like to add?

Chris Mallon: Forgetting about bid price, the changes in grids, which that are actually the payment system, impact on dairy-type cattle. Just for me looking at members' financial returns, they would have taken maybe an extra £90 to £150 off them per head. On their beef cattle they would have been down £60 a head on the grid. It is nothing to do with the price that they are quoted, but what they are actually getting taken off the price when it is put on to the grid. The market will go up and down, the bid price will go up and down, but that is what is happening to them.

Q40 **Dr Monaghan:** What is influencing the bid price and the market?

Chris Mallon: For the bid price, it is the number of cattle available at the time and the demand, so it is seasonal variations, demand from the consumer, the price of imports—those things all come into the bid price. We cannot actually demand anything about bid price. That is the market, so there is only a limited amount you can do about that. It is the bit that is taken off after that that has hit us. Now we have deductions that are made on the number of movements an animal made in its life. It is a small number of animals but it does affect some. Again we have deductions on heavier cattle, over 400 kilos. Those cattle a bit over 400 kilos more or less will not be paid for. If you look at our declining herd of cattle, to actually keep up with beef consumption for years we were told to produce heavier cattle to make sure we still had a supply of beef. Once we had done that we were told, "We want smaller cattle." Those things come into it, and it is taking profits out of cattle, without a doubt.

Q41 **Dr Monaghan:** Which I think we all understand. You have highlighted a number of areas where there is variation that has got nothing to do with the grid. There is supply and demand first of all. What we are interested in today use of the grid. We accept the variation that creeps in because of supply and demand and what-have-you. When it comes to the grid, you are also suggesting, or Steve was, that the grid applies in a variable way to various carcasses, depending on where they have come from, what



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they have done and where they have been, how heavy they are, et cetera.

Chris Mallon: Yes, all of this matters.

Q42 **Dr Monaghan:** They slot into the 56 elements of the grid.

Chris Mallon: Parts of that are; other parts are actually separate deductions. You would get a price sheet more or less, come down to the bottom, "And for this you lose this and for this—"

Q43 **Dr Monaghan:** So there are deductions.

Chris Mallon: Yes, deductions outside that box.

Q44 **Dr Monaghan:** Indeed. Have you got any comments specifically about the deductions? Are they fair? Are they reasonable? Are they applied properly?

Chris Mallon: If I was a farmer who had cattle that had actually done four moves, and I was suddenly getting a deduction of 10 pence per kilo on those cattle, but I did not know that was going to happen when I was buying those cattle, I would be very angry that I had not been informed prior to that. This did happen in the last year. It has now been through the system, but the reality is that was brought in too quickly and people did not have the time to deal with it.

Q45 **Dr Monaghan:** Who brought it in?

Chris Mallon: Processors, the abattoirs.

Q46 **Dr Monaghan:** Slaughterhouses. On what basis?

Chris Mallon: That consumers, when they buy a piece of meat, are worried about the number of moves that animal had made in its life.

Q47 **Dr Monaghan:** Were the producers, rather than the processors, consulted about this new deduction?

Steve Conisbee: I think it was McDonald's who were the first ones to bring this in. The processors then picked up on it, because many processors sell to McDonalds and they use that to clear up the forequarter meat. When McDonald's insisted on this, everybody looked at it and thought, "Well, if it's what McDonald's want, we will all want it." It then just sweeps over. You find that that happens with all the processors. If somebody ups the ante a little bit to be a bit different, everybody is very quick to do the same.

Chris Mallon: The consultation to the producer farmer was being told, "Those cattle are now worth 10 pence a kilo less." That was the consultation process.

Q48 **Dr Monaghan:** Just on the basis of movements?



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Chris Mallon: That was one aspect that has come in, of things that have happened like that in our trade over the last 24 months, which have caused—

Q49 **Dr Monaghan:** Would you consider that deduction integral to the grid system?

Chris Mallon: No, but it is integral to the value of those cattle. It is a deduction of 10 pence, so your animal on, say, an R, which is a classification—

Q50 **Dr Monaghan:** I understand that, but is it integral to the payment grid?

Chris Mallon: I say it is, yes. It is taking money off cattle. It is a payment grid. Therefore, anything that is taking away payment is integral to that grid. Even if it is sitting on the side, the appendix is still integral to the grid.

Q51 **Dr Monaghan:** Okay, so we have the grid, and then we have a number of addendums that seem to be flexible and added to, which impact upon the way the grid is applied when cattle are being graded.

Chris Mallon: They do.

Q52 **Dr Monaghan:** Very quickly, Phil, do you have anything that you would like to add?

Dr Hadley: Just again for a point of clarity, really. It is a requirement that if an abattoir kills more than 75 cattle a week across any plant in Europe they have to classify those cattle according to the Europe grid, and if they kill more than 20,000 a year, which is 385 a week, they have to report the price that they have paid for those animals.

You are obviously getting to the heart of the question, which is that the grid is there to enable the communication of price paid across Europe from a transparency point of view. The questions that are more pertinent are how it is applied in commercial terms, what terms of trade are applied in the current system by individual processors, and what the relationship is between the individual processors and their farmer suppliers.

Q53 **Dr Monaghan:** I think we will come to those issues. Specifically with the cattle payment grid, do you have anything that you would want to add to what Steve or Chris have said?

Dr Hadley: No, they have covered everything.

Q54 **Rebecca Pow:** Picking up on Paul's point, just for a bit of history, whose idea was the grid?

Dr Hadley: In the early 1970s the Meat and Livestock Commission as it was then was looking at a design that would enable communication of price and a way of assessing animal carcasses to establish a common language. It was adopted further across Europe in 1981. It has been a



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pan-European message since 1981. It was always based on a visual assessment by a trained classifier, based on the images that now form the grid. In 2003 with the increasing interest in doing that in an objective, mechanical method, visual image analysis systems started to come into place. They are now used in countries to a greater or lesser extent. That is the history of why the grid exists.

Q55 Rebecca Pow: The system is being used around the country in different abattoirs. How consistently is it being applied across the country? Do we know that, or is each abattoir varying in what it is giving farmers?

Dr Hadley: How it works is there is either the visual image assessment or there is the independent classification when we are talking about cattle where there are mandatory requirements. There are not for sheep, so there is a difference between cattle and sheep; sheep is entirely voluntary. Where a plant is required to classify, they are classifying either using a camera or Meat and Livestock Commercial Services Limited independent classifiers. Those individual classifiers in an individual plant are supervised by a regional manager who assesses the quality of their work and the accuracy of their classification. The RPA in turn oversee both the individual human classification and the machine classification to make sure that they agree that the classification associated with an individual carcass is within their acceptable tolerance. There is some independent verification of its accuracy.

Q56 Rebecca Pow: Mr Mallon, representing the beef farmers, are you hearing from beef farmers around the country that the prices are consistent around the country?

Chris Mallon: There is very little competition in certain areas, so the price in an area will be the same. When it comes down to things to do with grading—and I am not saying it deliberately happens—it can happen that it can be influenced by their demand for cattle at a certain processor. It is just evidence of when people are putting their cattle through what they are getting their returns on, how it improves at certain times of the year when cattle numbers are short, and demand is high.

Q57 Rebecca Pow: So even if it is a grade A, super-duper, the best carcass, and your overseers have checked that it has been checked in the right way, they still might not be getting the price that they ought to get, because there are too many cattle. Is that right?

Chris Mallon: Those top cattle that you are talking about are not the ones it is affecting. It is affecting that middle range where a drop of half a bit down will hit you maybe about £45 a head on the animal. It is a very small fraction, so therefore it comes down to almost a personal interpretation of that. When things are going one way, the personal interpretation is usually on the better side, so you end up with more level. When it is not you will actually see the interpretation goes to the harder—

Q58 Rebecca Pow: I thought Dr Hadley was saying that that could not



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happen because the whole system is being overseen and checked by these different layers of bodies?

Chair: I think it is open to interpretation by—

Chris Mallon: We have humans involved. It is open to interpretation. We have a visual analysis by humans.

Q59 **Rebecca Pow:** You have made that clear. Is that good? Is that working well for you?

Chris Mallon: It is not working well for the farmers at certain points of the year, and sometimes it is. Overall it is not a perfect system because anything that comes down to the human side is open to interpretation.

Q60 **Rebecca Pow:** What option does the farmer have if he is not happy with the system?

Chris Mallon: He can ask for it to be looked at again, for someone to go in and have a look at it. The problem that comes with that is it does not often get a change with it. The only way you can really get things to change is you decide not to send cattle.

Q61 **Rebecca Pow:** You have no option. Did you mention just now there is only one main company? Is it a monopoly issue?

Chris Mallon: We have a small number of companies. A small number of companies are probably killing 70% of cattle in the country; there will be four or five of them. When they are in certain areas, they are the dominant force in that area. It happens sometimes but it rarely happens that they actually compete on pricing. If I am offering £3.10, there is a very good chance the other company will be offering £3.10, or maybe £3.11, unless something has happened where a demand has been stimulated. It is very rare.

Q62 **Chair:** Are you saying there is collusion between the different companies?

Chris Mallon: It is a big word to say but I would not be surprised, if two procurement guys happen to meet in the road, that they actually discuss prices for the following week. It does happen that, if it is the south-west, or if it is the north, there is very little difference in those prices.

Q63 **Rebecca Pow:** You gave some statistics. Do you think that this system of grading is working against the few smaller abattoirs there are left?

Chris Mallon: In some ways it could be working for them because they are being seen as an alternative. They are dealing with cattle that are outside the specification of these larger abattoirs and processors, so they will be taking cattle that are, for example, heavier; they may be taking cattle that are of a certain dairy grade. The reality is they are very small in the game, so those little companies have seen a niche—they have looked and said, "You have not been treated well in that way. We can take those." However, there is only a certain amount that they can take.



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Q64 Rebecca Pow: Yes, sure. Is there anything good about this whole system? Is there any good news? Is it encouraging farmers to produce the very best type of carcass?

Chris Mallon: I believe it is actually encouraging people to go to average, rather than encouraging them to go better. The farmers that are our members have spent decades improving their animals, and part of that improving of your cattle did lead to an increased weight for some of these bigger cattle. They have done this over decades, and now they are being penalised for what they have spent their lifetime doing. Therefore, they are feeling very hard done by with that, in that they have listened to a market that told them, "This is what we want," and when they gave it, they went, "We do not really want that. We would just like average."

Q65 Rebecca Pow: Mr Conisbee, you are a butcher as well; is that your experience?

Steve Conisbee: I would say, slightly differently than my colleague here, that the farmers have been encouraged to produce better and forever growing cattle, as my colleague is saying here, but probably not what the industry wanted. Sizes have got too large and it goes back to supermarket pack sizes. I am not saying there are not niche markets for larger animals; there are, and the food service industry will use them. However, the supermarket pack size is now leading the grid in where they want to go and where they are aiming the price. When they purchase an animal out of spec they will take that meat; it will not actually be worth that much less. They will pay you less for it but they will then sell that meat into a market that would want it. At the moment you would see the larger cut animals, the out of spec ones, would be going for the food service industry. There would be a discount to the value, but probably not by the amount that they are actually discounting it when they purchase it. That is what we are up in arms about. The system is not fair. It is stacked against the farmer at the moment.

Q66 Chair: We want to try to get some of these processors and big retailers in, to get them to answer these questions. I am not convinced. You were saying just now, Chris, that an animal moved four times so they knock money off. I am sure that when that processor or slaughterhouse sells that meat to Tesco or wherever, they do not say, "Well that animal moved four times, so we are going to charge you less for it." When I go into Tesco or any other big supermarkets, will I be able to see how many times an animal moved or not? These are the sort of things that the big processors are using to drive the price down. This is what we are trying to get to this afternoon, really.

Chris Mallon: You cannot go in and ask, "Could I have my steak from an animal slaughtered in the south-west of England, please, because I believe that the price down there is 10% cheaper than an animal from the north?" You cannot do that, yet that is what we are dealing with. It is very difficult if you are a farmer to understand that. You were talking about quality; to create quality costs. It costs in time and it costs their



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assets. They are really tying up their lives with this. To then turn around, when you have that animal ready, and be told, "Well, we do not really want it, we are going to deduct it but we will still take it," is an awful feeling for them. It is unfair.

Steve Conisbee: The price paid by one particular company varies throughout the country. There is not true competition for our animals anymore. The area I am at, not far from here, in Surrey, we only have one processor and they, although they are a multinational company, where they have their abattoir there they will be paying sometimes five pence less there than anywhere else, because they know it would cost me about £15 per head to transport the animal elsewhere.

Q67 **Rebecca Pow:** So it is about monopolies. I do think we have got to address this issue of monopolies, which are something that we are supposed to have got rid of. It seems to me we have introduced a system that can allow monopolies.

Steve Conisbee: We have. We have 11% of the abattoirs slaughtering nearly 50% of the animals.

Q68 **Chair:** What you argue to start with is that you have economies of scale so therefore these large slaughterhouses are excellent because with economies of scale they should be able to deliver the slaughter more cheaply and the processing more cheaply. That in one way is an argument. Of course if they get too big, and you cannot really go anywhere else, because of your haulage costs—and also the animal welfare issue as well; you do not really want animals having to charge all across the country—this is a real problem that Rebecca has hit upon.

Chris Mallon: I did read one of your previous meetings with the Minister. His solution was that we could actually just say to the abattoir, "I am not selling it to you. I will go and get a better price elsewhere." That will mean a lot of transport, which you will not be able to do. It will add a lot of cost. If you are seen to do that, you actually will find it very difficult to get an abattoir who will want to deal with you, because you have gone against the system. You cannot say no. Also, if you say no, your animal suddenly becomes heavier and you will suddenly get the 10 pence deduction. It becomes fatter. You can get a 25% deduction on top of the 10%. So you are now looking, going, "Can I say no?" No, you can't.

Q69 **Rebecca Pow:** Would you say between the processor and the abattoir they have got it sewn up, and you, the farmer, are stuck in the middle, having to accept it?

Chris Mallon: Whenever there is a problem with revenue for shareholders of a retailer, they probably look at their supplier, and they say to the processor, "Look, guys, we need a deal." Those guys go, "Well, we cannot afford a deal because of that. What we will do is we will look at the one lowest down the chain who has the least power." We are a diverse number of people. There are not five of us selling thousands of



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cattle. It is small numbers. They look and get that from us. They will take the revenue out of those cattle. If somebody has 200 cattle and you decide not to do that next year, they are not going to care. You do not matter to them. That is the problem.

I spoke to a gentleman this week who had been one of the largest finishers in the country. At this time of the year he would normally have thousands of cattle on his farm. He has now got 36. He was saying he would not put another animal on until somebody came to him, sat down in his kitchen and started to discuss business with him that was fair. Until they do that he will not do it, because there is no point.

Chair: I think that sums it up very nicely.

Q70 **Ms Ritchie:** This is to the National Farmers' Union and the National Beef Association. What concerns do you have about the current voluntary code? If I could take Mr Conisbee first.

Steve Conisbee: The code was long overdue and we welcome it. We need to put pressure on more people to sign up to it. As we saw with weight changes and the implication of the four moves, although many of the processors had in place the penalties for the four moves, they did not choose to use it. For a long time they did not, and then they applied it just like that. That is when it hit hard. They might say, "It has always been there," but the fact that they never used it and then they brought it in overnight was most unfair.

When we saw the introduction of a new grid come in, Dunbia brought a change in and they actually did backtrack and change and allow for the change of the heavier cattle to come in. However, three months in the production time to make a change to your whole growing of cattle is nowhere near enough notice. You have to think that if you are a breeder, those calves would have been conceived for nine months, they could be two years in finishing, so you have three years to change your cycle. If somebody changes their specifications on three months' notice, and the fact that some people do not even want to sign up to three months' notice, it is insufficient time, really.

Q71 **Ms Ritchie:** Do you believe—and I will come to Mr Mallon in a moment—that the voluntary code should be made mandatory?

Steve Conisbee: Yes.

Chris Mallon: There is no point in having a voluntary code. Not everybody signs up. You have no enforcement powers. What you are really hoping is that they will be nice to you. That is what you are hoping. It is like a bullying code; it is like saying, "Please do not hurt me too badly because we are all in this together," when in reality at the moment we are not. Unless we have something that actually has—I am not saying complete enforcement because I know the Groceries Code does not have that, but what I would say is that they tried a voluntary code with the



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retailers. Was that a success? No, we have the Groceries Code Adjudicator, because a voluntary code does not work.

- Q72 **Ms Ritchie:** What recourse do producers have if you believe a processor has breached the voluntary code? I do know that two—Dunbia and Dawn Meats—have not signed up to it. What recourse do producers, the National Beef Association and the National Farmers' Union have if there has been a breach of the voluntary code?

Steve Conisbee: All you can do is name and publically try to shame and hold them to the agreement. If there is not any agreement, you cannot even do that with them. That is all you can really do.

Chris Mallon: Yes. I am Mr A Farmer and I complain about you. I put my name in the paper about you. What do you think my trade is going to be in the future? What do you think it is going to be like for me? Do you think the competition to that company are going to be interested in me either? How many farmers come here and go, "This is terrible"? Not many, because they are frightened of what will happen to their businesses. It is a serious thing. I know the word "monopoly" is a strong word again, but to a farmer that is what it feels like they are dealing with. Your choices are so limited. The choices that we have therefore have to be fair.

- Q73 **Ms Ritchie:** What recourse would you like to see?

Chris Mallon: Where we identify things that are unfair, that company has to at least put a proper explanation together. When we talk about time, you are right—this thing of having a few months where we can bring in changes. If you are getting an animal ready to be slaughtered at 24 months, you are putting a bull to a cow nine months before that 24 months. This is a long thing to do so we need to think about that.

We also need to look at the future. Do we want to have future contracts? To have a contract, you need to have trust between the two that enter into it. It is like a marriage. You are not going to marry someone you do not trust. For us to enter contracts we have to have trust. There is none. If we have contracts for the future—there are some contracts at the moment, but more contracts—who is going to ensure those contracts are fair? Who is going to arbitrate on those, and ensure that what we are doing and are entering into is enforced in some manner? I have seen positions where supposed contracts that were cast-iron were not at all. Those cattle prices changed because there were issues with it. It is a very difficult matter.

- Q74 **Ms Ritchie:** Maybe you have already answered this but we need further clarification. Why has Dawn Meats and Dunbia not signed up and what discussions have you had to encourage them to join? Is that possible in such a business scenario when you are working between farmers, producers, representative organisations and processors?



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Chris Mallon: I will tell you the reason they will say they have not signed up. It is because they have such a good relationship with their farmers; they do not need a code: "We are so close together and we are working so well together, we do not need a code." If you ask the farmer, he may disagree with that, but that is what you would be told.

Q75 **Chair:** He does not want to come out in the open and say it because the price may get driven down?

Chris Mallon: Yes.

Q76 **Jim Fitzpatrick:** This all sounds so very similar to the arguments that we heard a couple of years ago in dairy, with the dairy farmers saying they were not getting a fair price. The Groceries Code Adjudicator was one of the ways that that was going to be solved. More importantly, the big retailers stepped into the breach and accepted their responsibility and said, "Processors should not be taking advantage of the farmers. Therefore, we are having direct relationships, guaranteeing the price," and that started to create a level playing field.

I notice in the evidence we have got in front of us that Woodheads is a Morrison's subsidiary. Is there a similar direct relationship with the retailers, in guaranteeing price, or do you not have that kind of relationship that was established for a number of the dairy farmers to try and stabilise the milk and the cheese prices?

Steve Conisbee: Processors at the moment are sometimes held by the short and curlies of the customers they are serving, which are the major supermarkets. Some of the supermarkets, although they will deal with a processor that deals with another supermarket, they might not have anything at the same plant, so they are quite draconian on them.

Q77 **Chair:** There are some direct contracts, are there not? Waitrose and other have direct contracts.

Chris Mallon: Waitrose, Sainsbury's, et cetera, have direct contracts.

Q78 **Chair:** On the whole they work fairly well, do they not?

Chris Mallon: Yes, they do.

Q79 **Jim Fitzpatrick:** What percentage of the market does that apply to? Would that be 10%

Steve Conisbee: Very small, very small.

Q80 **Jim Fitzpatrick:** Not even 10%?

Dr Hadley: I would think it would be in the order of around 10%. I would not have hard facts.

Q81 **Dr Monaghan:** You have used the word "monopoly" twice.

Chris Mallon: I was repeating what I have heard.



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Dr Monaghan: Yes, that is fine. You were just reporting. I do wonder if it is the right word, though, because, in relation to pricing, we have heard the suggestion today that it might not be unusual for processors to talk to one another, to effectively establish the price for the week ahead. If that is the case I think that goes beyond a monopoly into what we might call a cartel, I would think. Would that be fair?

Chris Mallon: That is something that has often been mentioned; it has often been put forward as a cartel. If you were to, for example, take and read some of the *Irish Farmers Journal*, and look at them, you will see they mention a cartel. However, the legality of that is difficult, I presume, to prove.

Q82 **Chair:** I do not think you necessarily can be sued for giving evidence here, so you can answer the question.

Chris Mallon: The reality is I know for sure that in certain areas of the country they will not be telling you the price until they have all had a chat and then they will tell you the price for next week. I am not saying the price is going to be the same; we are not talking mirror images. We are talking pennies of difference.

Q83 **Dr Monaghan:** But the price has been fixed.

Chris Mallon: The price has been fixed by having a chat together.

Q84 **Dr Monaghan:** Yes, indeed. We need to be very clear, and I am sure that Steve and you will want to confirm this individually, that the whole purpose of the purchase grid is not to establish the price for the week ahead. It is to establish a grading system so that beef carcasses are graded consistently. Is that fair?

Chris Mallon: It is, and to actually have a reward for quality. That would be the basics.

Q85 **Rebecca Pow:** I have a general point. Do you think this whole system, starting with the grading system, this new electronic system, is affecting the whole chain of people that work and operate and run businesses between the beef farmer and the abattoir and the processor? You have got hauliers; you are saying you are being penalised for more movements; you have got people are buyers and fatteners. The whole chain that keeps the agricultural industry and the markets—is this affecting all of them in that, really, it is trying to just have one farmer, one processor, one retailer and the abattoir.

Chris Mallon: That would be, I am sure, their ideal: that there was the animal there, the animal went to the abattoir, it was processed, and then it went to the supermarket shelf. The reality is this country is not made like that. We have areas here that produce store cattle, young cattle and bring them up. We have areas that are good for feeding cattle, for fattening cattle. These areas are not side by side. Some are but they are not all the time. We have to be used to that. Look at Scotland: cattle from Caithness would go down to the north east of Scotland to be



finished. Before that, they also may go to a store producer on the way down to have that done. That is part of our food chain of actually getting that animal through. We are very regulated. These cattle are kept to high welfare standards at every stage through that. You are right: one of the things we would like is just that chain to be shortened. We cannot actually always do that. If you could only finish the cattle on the farms they were born on, we are going to have very few cattle.

Q86 Rebecca Pow: I was trying to bring it back to the grading system, which is what we are talking about. Do you think that is triggering a change?

Chair: I think it has emphasised what was going on, has it not? It is systematic of what has been happening and I think this has brought it to a head.

Chris Mallon: What you have said is correct.

Q87 Rebecca Pow: My point being that it will have a knock-on effect in the rural areas. That is my point.

Chris Mallon: Yes, of course it does. It will affect the haulier; it will affect the auction mart. It will have an effect.

Q88 Chair: Just as far as the voluntary code is concerned or whether we go to a mandatory code, what I am particularly interested in is, as far as I am aware, big retailers like Tesco say, "Right, we have a dairy contract. You have to keep your dairy bull calves." Those dairy bull calves are then fattened, and then they turn around and say, "We do not particularly like Holstein beef." What I am saying is that if you are going to have a voluntary code of any sort that will work, surely farmers have to be given time. If you can have sexed semen, you can change the calves you have, but you have to do that over a period of two to three years. You cannot do it in five minutes. Is this not partly the charge with the codes: that they bring them in and they do not give enough time for farmers to adapt. Would that be fair?

Steve Conisbee: The code has to go through retailer, processor and farmer—all stages of the chain—and make it open and fair, and at the moment it is not. What you have just said there is highlighting where I think it was Tesco that were happy to buy the milk, then unhappy if the bull calves were just slaughtered at birth. They were then putting them through St Merryn, which was slaughtering the beef. They then turned around to St Merryn and said, "I am not having any black and white beef from you, any Friesian or dairy-bred beef from you." Therefore that was highly unethical of a company that has signed a voluntary code.

Q89 Chair: Don't worry; we are going to try to get them in here to answer those questions. That is why we are trying to drill down to get the question we need to ask them.

Chris Mallon: If you are not willing to ensure that there is a market for that coming through, you will actually then put a very low value on those



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animals, which could eventually lead to welfare problems with their low value. In reality, this is good beef, going through mincer processing, and it will end on a shelf as a minced product. There is very little wrong with it. Maybe the carcass will not be as high a grade, but we are already being deducted for that anyway, so that is not a worry. It is a vital part of our food chain. As Steve said to start, around 50% of our beef is coming from dairy, so we cannot just say that we do not want beef from dairy.

Q90 Rishi Sunak: Dr Hadley, first, please, do you mind explaining for us in more detail the advantages and the disadvantages of the two types of grading: the human and the VIA?

Dr Hadley: Both of my colleagues here have flagged up farmer concerns around the manual grading system in terms of a perceived variability, and that is an often commented statement. However, there are checks and balances in place, including the divisional manager that checks carcasses and the RPA, which oversees the whole system. There are mechanisms in place. It is a subjective system based on a pre-described set of standards.

In terms of the recourse, if a farmer has serious concerns that a grade delivered has not met his aspirations then he can call the divisional manager or call in for an RPA team to intervene on his behalf. However, there are a very limited number of incidents where that actually happens. It may be that farmers are not aware of that option or they elect not to because of some of the issues that the gents to my left have raised.

The next system, the visual image analysis, the camera-based system, that camera takes an image of the carcass and those are stored so they can be challenged. Equally you have the RPA assessing the grade, assessing the classification associated with that carcass on a random basis as well. So the oversight mechanism is the same in both cases, and that is through the Rural Payments Agency, which of course is completely independent of the commercial world.

Q91 Rishi Sunak: I know you have touched on it in the past, but to get to this idea of why there are not more challenges, appeals, or whatever the right word is, how much of it do you think is down to awareness of the ability to appeal, or is it something else, such as fear of retribution?

Chris Mallon: If you have a very good relationship with your processor, which would usually be due to the simple fact you have got a lot of cattle and give them a lot of business, you will be more aware of how to appeal. If you are a smaller farmer, your ability to appeal and the fear of the retribution that will come back because it will be seen that you have caused a bit of hassle is actually quite high. It depends on the farmer. I have spoken to a few farmers over the last week specifically about that and only one of them had appealed, and his ability to appeal was mainly because of the size of his business. He was the person that put the words in my mouth; his response was, "It depends when they need the cattle, Chris."



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Steve Conisbee: Small farmers are severely disadvantaged in this marketing system. They really are.

Q92 **Chair:** Yes, because the slaughterhouses need those big numbers of cattle.

Steve Conisbee: They will basically have sweetheart deals going, where you are touching on how they choose to implement the grid, basically. The grid and the classification stands, but what will happen is they will not apply the draconian penalties on a larger processor who sends to them regularly. Ringing round people prior to this to try to get some examples from large producers that I could actually use was very hard. They were all scared of the relationship they had, when they are putting X thousand cattle worth £1,000 each in, that if it became public knowledge that they get a little bit extra, and they were prepared to give this information out, they would then be penalised and not have access to their market. I had a hell of a job getting this information out of them. The small guys, unfortunately, do not have the volume there so they cannot get it, and they are always exposed to the harshness of the grid.

Chris Mallon: For example, smaller famers in places like Northern Ireland really do suffer when it comes to that. They are finishing very few cattle, so their units are not big feeding units. It is not their main business but when they come to sell them, they get an incredible poor price for those cattle. One of the reasons is, coming back to the farmer as well, he is maybe not the greatest at marketing because it is not what he does, but there should be some way for him to be represented fairly to make sure that will not happen to him. I have seen that so many times.

Chair: Yes, it should be a fair price paid for those cattle, irrespective of whether you are selling five or whether you are selling 50. This is what we are drilling down on.

Q93 **Rishi Sunak:** Just quickly before we finish with that last thing, Phil, does the RPA have a systematic, random audit process where it is systematically doing its own double checks on X% of both visual and manual grading?

Dr Hadley: Yes, it is effectively the competent authority and has an oversight role within that.

Chair: Yes but how often would it actually go and inspect?

Q94 **Rishi Sunak:** Is it public? Are they transparent about how much random auditing they are doing?

Dr Hadley: I do not actually know the answer clearly to that question. However, the RPA is the agency that is tasked with providing the price reporting information, and they are the competent independent authority. They may structure their audit visits on a random unannounced risk-based or perceived risk-based mechanism. They must, as a



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government organisation, have some transparency in that system and transparency about their findings.

Q95 **Chair:** Can you give us that in writing, the number of times they inspect and how they do it?

Dr Hadley: I do not have that information but I am sure a senior RPA person would be able to provide you with at least some more clarity around what it is they do, when they do it, how often, and their recent findings.

Q96 **Rishi Sunak:** Again, for a lay person, presumably with the video analysis that is something that can be sent and done remotely, can it? Is that something that could be double-checked? The carcass would be scanned, given a classification, and then someone a week later sitting in the RPA office can look at the same scan, see what grade they would have given it and say whether it has been given the right grade. Is that roughly how that would work?

Dr Hadley: In principle, the VIA machines store an image, so you could look at thousands of images and you could do that either on site or remotely. When they are assessing the carcasses they will go and take a representative sample within the fridge and they will classify those carcasses and check the classification that has been given to that carcass to make sure they are in the band of what would be acceptable for their carcasses.

Q97 **Rishi Sunak:** Is that process possible without the processor or the inspector knowing that they are about to do it? Obviously, if you know someone will be standing over your shoulder you are going to maybe nudge it up or whatever it is.

Dr Hadley: So from the RPA perspective, my understanding is that they do a series of announced and unannounced audits. With the MLCSL, the divisional managers have a random mechanism where they will go to a processor on any given day and take a representative portion of the carcasses. The classifier employed or engaged at that plant will not know when that is or how often, so each manual classifier is benchmarked on a rolling programme of a random unannounced type to make sure that their perception is within the bounds of the normal tolerances.

Chris Mallon: A lot of farmers that have actually been selling cattle through this VIA would be going back in their minds from years of experience seeing their own cattle, and would feel that there is something wrong with what is coming back. Whether it is the calibration or whatever, they feel that there is something wrong. That is just their evidence from 30 years in the trade, and they feel that something has happened when that has come in that has taken £45 off some cattle, £95 extra off another. They felt that there is something wrong with the calibration. I know it is done by RPA, so it is independently done, but one of things I would suggest to the Committee is that you look at checking



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to make sure that that has been done properly the whole way through, to take away farmers' concerns.

- Q98 **Rishi Sunak:** Is that VIA the way to address that? Would you not just audit the VIA against a human classification to make sure that the machine is calibrated properly? Presumably it has been through some kind of process where they had a human inspector do 50 inspections, had the machine do 50, and make sure they match? Has that not been done? It must have been done.

Dr Hadley: There was an assessment trial prior to approving the camera mechanism as being within the accuracy range required. Initially in the Republic of Ireland, three camera systems were investigated and they all met the boundaries of tolerance, and one was accepted as the benchmark standard. That was in Republic of Ireland and under the legislation, each member state must conduct its own trials and approve its own mechanisms. In Northern Ireland, in 2006 or 2007, this particular version of a camera was tested, it met the required parameters for accuracy and was approved, and when it was taken up in Northern Ireland, as a UK test, it obviously became available in GB as well. It is that particular machine that is now prevalent in the Republic of Ireland, in Northern Ireland and is now becoming prevalent in GB.

- Q99 **Rishi Sunak:** Chris, would a way to restore confidence in the system be for the RPA, or whoever it is, to say, "Oh, we are going to revalidate this technology"?

Chris Mallon: Something needs to be done like that to bring confidence in that system, because at the moment guys who have been selling have no confidence in it at all. All they have seen is the value of the cattle come down.

Dr Hadley: Can I just make another comment, from a clarity point of view? We need to be clear on two things here. The first question is: does the camera, or in fact any mechanism, represent the correct classification according to the normal boundaries of tolerance? Perhaps the more important question is whether that classification is being paid for in the correct fashion.

The trial tells us that the camera system met the accuracy requirements and was equivalent to the manual grading system. I do not think the camera's accuracy is in question, although Chris suggests there may be a mechanism by which you could re-test that. The initial trial said that it met the boundaries of tolerance. The question is whether the price associated with that particular grade or that particular square on the classification grid a relevant and fair price.

Chair: I think the issue is that they have used this new system to downgrade the cattle and downgrade the price.

- Q100 **Chris Davies:** First of all, sorry, Chairman, for being late. I have to go again shortly unfortunately.



Thank you for your evidence so far, gentlemen. I am very concerned about our farmers and the possibility of bargaining and complaining and the repercussions that may occur. The National Beef Association and the NFU are representative bodies—representative of your members. I am just wondering what you have done to date to make approaches to processors and to Government on this particular matter. You are giving good evidence to us today, but what have your organisations done to date to improve the lot of the farmer?

Steve Conisbee: When the implementation of it first came in through my organisation, I was very unhappy about it and I started shouting quite loud. It took a while for the ripples to gain a bit of momentum. It was really as the farmers started seeing it affecting their pockets that they too started shouting. We have been quite vocal in challenging the processors. We would have to agree with the processors, who have always said that maybe how they were paying for the beef did need to be revisited. We produce a lot of a lot of out-of-spec carcasses, unfortunately. We are slowly getting better but we could do better. What should have happened was that the implementation of a new grid should have greatly rewarded the animals that they wanted. If you kept the same value in there but just distributed it differently, then it would have been fair.

Q101 **Chris Davies:** You have put that to them; what did they come back and say to you?

Steve Conisbee: It is, "This is what you have got. That's it," unfortunately.

Chris Mallon: I would agree. The NFU did bring about the voluntary code, working with meat processors. We do not really see the voluntary code as having enough teeth about it. Also because it is voluntary, people have not signed up to do it. We have been speaking to processors; very little comes back and changes. That is not going to happen.

They are quite content to ride a little bit of bad press. The only part that does not like the bad press is the retailer. Whenever we have mentioned, for example, Tesco and bulls, I suddenly have a meeting with Tesco. When I mentioned Boswell Farm—this is like an artisan product but really it is cheap mince—I suddenly had a meeting again. Therefore, we have that sort of reaction. I do not think I want to base the future of farming on us putting out nasty press releases about people further up the chain. I would like us to do something—and this is how we have spoken to Neil previously—that brought about a change in the way we manage the relationship that builds trust back into that, so that we are not sitting year after year going, "Who is going to shaft who this year?" It is a crude way of putting it, but that is the reality. One year it is the farmer; one year it is the processor or the retailer.

This is just not sustainable. We are looking at food security. We want to feed a nation. Is it going to be that the NFU and the NBA, until we retire,



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are going to have to complain, "Oh, this is not good; this is not good"? The EFRA Committee may always be here, as we have been told, but I am saying, "Do you want me to be coming in year after years saying, 'This is the same, this is the same'"? We watch a declining population of farmers. We watch our ability to produce meat decrease. A lot of our processing is not in the country anyway. We need to get the change now, and that is why we are here. Really, I do not want to have to continue to bang my head. I would like us to be thinking about the future. I would like us to be talking about genetics. I want us looking at changing management styles. I do not want to be sitting continually in that trench, fighting the processor that side, with a no man's land in between, which you are sitting in.

Q102 Chair: Chris's is a good question, and I will tell you why. We had the Minister in front of us and I put some questions to him on this, and he was almost unsighted on it. Therefore, from the centre more has to be got to the Minister because, like many of us are, I am pretty well connected locally. My regional guys wind me up big time, but there is a real reason to be wound up. I think it is a very fair question and you as an organisation have also got to get more in nationally.

Chris Mallon: I am surprised the Minister was surprised. I know in his local constituency, when is there, he has farmer after farmer coming up to him and telling him. I know that is happening all of the time. I know ourselves have had meetings. I know the NFU have had meetings. That is the reason the voluntary code was brought in—because he was made aware of the point that things were so bad. To then be surprised, after bringing in the voluntary code, is surprising in itself.

Q103 Chair: Before I bring Rebecca in, you made an interesting point about this Boswell Farm. This is what the big retailers are now doing: they are referring to fictitious farms—they are not real farms but they market their meat from these particular farms. These farms do not actually exist. Now I am sure that their clever lawyers within their marketing department have worked out that it is legal, but I reckon only just legal. Those farms do not actually exist. I think people go in and think, "Oh, this has come from the Boswell Farm." You cannot find a Boswell Farm anywhere in the country. Again, I promise you these points will be made to the retailers when we get them in here, but what is the situation? Has anybody checked whether it is legal or not?

Chris Mallon: In my meetings with Tesco they have told me that it is. The reality is it is using a British meat product to make things such as meatballs, et cetera. A lot of it will be bull beef that they say they do not want. They will be going through on that. From a farmer's side, they are walking in and they are a real farmer. We talk about people being worried about four movements of an animal. I think if a consumer looks and says, "Oh, that is Boswell Farm," they will think that is like the many farm brands we have now that are real farm brands. I think it is going to make you think that it is from Mr Boswell or Mrs Boswell's farm. It obviously is misleading.



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Q104 **Chair:** Perhaps in our recess all of us go into individual Tesco's and say, "Take us to Boswell Farm".

Chris Mallon: We want to meet Mr Boswell.

Chair: It would be an interesting thing for us to do.

Rebecca Pow: That is the kind of thing, Mr Chairman, the Women's Food and Farming Union used to do, but that is not running anymore because it was superseded by some other great body. Anyway, that is an aside.

Chair: Even we men might be able to do it, Rebecca; you never know.

Q105 **Rebecca Pow:** I am going to talk about the retail industry. I just wanted to ask: this is an EU grading system, and in the brave new world do we need to adhere to it anymore? Could we reinvent it or rewrite it?

Dr Hadley: That is a very pertinent question. Unfortunately I cannot answer it. It is a pan-European language. What that will look like further down the line I do not know.

Q106 **Chair:** You see it is a very modern grading system. I do not believe it is the grading system that is really the problem. I think it is the fact that they have brought in a new system and then they have managed to pay significantly less for the cattle when they have done it. They have used it as an opportunity and I think that is what we have got to try to drill down on.

Chris Mallon: It is like having an axe. You can use an axe to cut wood, or you can use it to put it in someone. They are using their grid at the moment to punish us, not to properly reward.

Q107 **Dr Monaghan:** Gents, we are interested in developing some clarity around trading conditions in particular. We wondered if issues such as grading, carcass specification and penalties could be improved within your industry.

Steve Conisbee: The grid we have is okay—we need some form of classifying what we do—but clarity is not there. We need further clarity. We need it from the end consumer, the supermarkets, through to the processor. We want sensible fore-thinking and clarity from them, not kneejerk reactions and broad policy statements. We actually need a joined-up approach there, because we allow them to become very big and super-efficient, but some of this super-efficiency has actually generated inefficiencies. I see these huge cutting halls, and they are designed to produce stuff quickly and uniformly, but they are not very reactionary. When I look at something like my own small business, I will be looking at animals and I will cut them up according to how the weather changes and market them to my best ability, whereas in some of these great big processing types now, they remove the supermarket manager who orders the meat he wants so far away from an actual animal that you get disparity in carcass utilisation, and that puts a lot of



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pressure on the processor, and they are stuck in the middle. We do not have enough clarity through the whole chain, and joined-up thinking about the marketing of it.

Q108 **Dr Monaghan:** That is the question, really, is it not? Where should the clarity come from? Should it come from the top down, the retailer, back through the processor to the producer, or should it be from the producer, through the processor, to the retailer?

Steve Conisbee: I feel the processor, as the middle person, has a key responsibility for the clarity. At the moment I think the processors are quite worried about the retailer power. That hinders all discussions, so they feel they have to kowtow to the processor.

Q109 **Dr Monaghan:** You think the processor is the key to this.

Steve Conisbee: I think so.

Q110 **Dr Monaghan:** Where should we focus our efforts then? In terms of improving clarity, should it be on the grading, should it be on the specification of the carcasses, or should it be on the penalties, or all three?

Steve Conisbee: All three. We want clarity over the reasons for it. It would not surprise me that the end supermarket would say that it has not real knowledge about the penalties and the harshness of them. They would just put their hands up and say, "We do not buy animals. We buy specific cuts of meat."

Q111 **Dr Monaghan:** We need to look at all three of these elements and we need to look specifically at the role of the processor.

Steve Conisbee: I would think so.

Q112 **Dr Monaghan:** That is good, thanks. Chris, anything to add?

Chris Mallon: I think it is a case of, "It was the big boy who ran away who did it." When you speak to the processor, they will say it is because of the retailer. You speak to the retailer, they will say it is because of the processor. For example, when I spoke to Tesco about black and white bulls, they said, "No, we are still taking them, but St Merryn have made the decision not to do another contract." That is the reality. There needs to be some clarity there about that.

Coming back to me, the farmer, I spoke to one farmer who made a management decision based on this thing to do with bulls, where he went and he castrated a lot. That took away his efficiency, which was automatically gone. He was efficiently feeding these animals and finishing them around 13 months. They will now be finished as 24-month-old steers. That is because of a lack of clarity coming through. One story would be enough coming through. You could make a management decision. You might not like it, but we are not getting that.

Q113 **Dr Monaghan:** Where does the clarity need to come from?



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Chris Mallon: Literally the whole way through. It is one blaming the other. Someone has to take responsibility.

Chair: Do not worry. We are going to have them in sitting where you are now to try to drill down on who is responsible. I think the questions you are asking, Paul, are very useful because we get this down in evidence today.

Q114 **Dr Monaghan:** Absolutely. Steve suggested that from his perspective the processor is key to this and we need to look at the other three elements of grading, carcass specification and penalties. Do you have a different view? Would you place a different emphasis?

Chris Mallon: We are in this supposedly together; it is a chain. I believe that the retailer has to take responsibility. They are the people who are marketing that product and selling what to buy, whether it is a certain meat cut, whether it is mince, whether it is Boswell Farms or whatever. They are the people who are doing that. They need to take responsibility for what they are giving to the consumer and, to take responsibility for that, they have to tell us, right the way through that whole chain, so that we all know what we are doing. At the moment we do not all know what we are doing.

Q115 **Dr Monaghan:** So the whole chain lacks openness and transparency.

Chris Mallon: Completely; there is no trust. The processors that deal with us, the large Irish firms, to us are like giants. There is a person who is a big giant to them as well. I would love to see how often they feel comfortable enough to make a complaint through the Groceries Code Adjudicator about the retailer. I do not think it is that often. I am sure behind the scenes they will say things. They will say it is their fault. How many times do they make the complaint? How secure do they feel about being able to make a complaint?

Q116 **Rebecca Pow:** Do you mean the processor?

Chris Mallon: The abattoir processor, to the retailer.

Q117 **Rebecca Pow:** Because I thought you were saying it was the retailer who should take responsibility.

Chris Mallon: I think we all have to. Somebody has to make the decision. Who has the responsibility that is telling my farmers that what they are producing is not correct and is not to specification? Somebody somewhere has taken that as the line we have crossed.

Q118 **Rebecca Pow:** Why can you not all sit round a table and sort it out?

Chris Mallon: That would be a lovely world.

Chair: That is what we are trying to help achieve.

Chris Mallon: There is no trust.



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Q119 **Dr Monaghan:** I think we have got it, okay. Phil, do you have anything you would want to add?

Dr Hadley: Just on those three points, the classification grid is the grid; I do not believe that that as a mechanism is flawed in as much as what it is supposed to do is allow a cross-European language. The issue where it requires perhaps more discussion is around the transparency and the penalty—

Chair: And the pricing structure.

Dr Hadley: Because every processor—and Steve has one in front of us now—has a grid with a number in the appropriate box. That would be true of plants in the UK, the Republic of Ireland and further across Europe. The transparency is there in terms of what the price for an animal of a particular classification is; perhaps the other element is what that is actually going to result in as a final payment.

Q120 **Dr Monaghan:** So it is the penalties.

Chris Mallon: Yes.

Q121 **Rebecca Pow:** I think we have touched on most of my question. It was really dealing with the retail angle. I do not know whether you just want to go on and add to it. Have you approached them? Have discussions been had? Has any progress been made?

Chris Mallon: It does not seem to happen in that way. As I say, there is a real lack of openness, transparency or whatever you want to call it, the whole way through that chain.

Q122 **Rebecca Pow:** You are the beef association. We have got Mr Conisbee here from the beef department of the NFU. Do you not hold any power with these people at all? You are the supplier of the raw material on which they rely.

Chris Mallon: If every beef farmer put their cattle through me, I would have a lot of power. The problem is we are representing the issues of our members, but our members are individuals who actually trade as individuals and who are picked off as individuals. We will actually raise this, because they will not come in here and sit in front of you, because they do not want to be seen to complain, so we will come and do that for them. However, their decisions at home, when their cash flow is stuck and they have to sell cattle—if the only abattoir they can go to is the one down the road—are ones that they make as members. If I could say to the members, and you could say to the NFU members that they only sell to this processor or to this contract, we are sorted. We would not be here. That is not how it works.

Q123 **Rebecca Pow:** Could you suggest what would you like done? What would you say? What would make relationships better?



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Steve Conisbee: I think the key buyers of the meat in the supermarket—

Q124 **Chair:** Do you want some sort of adjudicator? I do not quite know how we can achieve that, but we talked about the Groceries Code Adjudicator. Not to put the AHDB on the spot but somebody needs to be an arbitrator, but it is how we achieve this. Have you got any ideas?

Steve Conisbee: We need to get the people who make the decision in the supermarkets involved more, and give them more understanding about what effect their decisions have on the industry, like the four moves, for instance. Whoever adopted that probably had no thoughts about the repercussions at all. Unfortunately this happens. Sometimes the people making decisions and the buyers are too far removed from the production method. They need to be brought back down through the chain, shown what is involved in it, and shown how their decisions actually have a strong effect on people within the industry.

Q125 **Rebecca Pow:** I, and I am sure other Members of this Committee, have met with head buyers, heads of agriculture for all the supermarkets. They pick us off one by one. A number of them assure me—I think Tesco was the latest one, and he had been a farmer once—that they go right down the chain, they send out their buyers to have an experience on a farm because lots of them have not, which amazes me. They assure you that they will set up groups so they will have their own suppliers of beef and they are following it right through the chain. They are tell me they are doing it.

Chris Mallon: Those producer groups are not like producers' co-operatives. They are not an independent organisation that is turning round saying, "We send you 50,000 cattle a year. We want a 20p premium on it." These are groups that are used for the management of Tesco, to manage their idea of supply to the processor, so they know, "We have this number of farmer groups; they produce X number of cattle coming through to us." That is not for the benefit of the supply chain to the farmer. That is a great benefit if you are Tesco.

Q126 **Rebecca Pow:** I know, exactly. So what are you saying? Are you saying you do not like those groups, because that is actually only a small proportion?

Chair: I think what you are saying is they are not effective.

Chris Mallon: If you want to be a member of those groups, I would say become a member of those groups. It is a great thing if you wish to be. I would not say you are going to end up with much more return on your cattle. You may get to go to a few nice meetings and have a barbeque in the summer where you will get a piece of your meat back to you, and that will buy you for the year.

Q127 **Rebecca Pow:** Is the word "monopoly" or "cartel" coming up again here?



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Chris Mallon: That is what it comes down to. How would you suggest that you deal with a monopoly or a cartel?

Rebecca Pow: We are asking you.

Chair: I think you have given us some quite good evidence. We have enough to get stuck into a few people.

Q128 **Jim Fitzpatrick:** I may have missed this earlier on, Chair; I apologise for that. When I mentioned the parallel between the direct relationship between the retailers and the dairy farmers, and whether or not that existed, you said it did but it is 10%. A question to you: 10% for beef farmers as a direct relationship; what is it in dairy? Is it 10%, 15%, 20%?

Chair: It is more like 30%, I think.

Jim Fitzpatrick: So would an extension of a direct relationship help? Would that put some of the processors in a more defensive position and the farmers in a better bargaining position to ensure a price, or is that not a way forward?

Chris Mallon: Anything that puts a price in the future is a way forward for us. It is a great thing to do. It allows you to look at your cash flow in your business and make your plan. However, before you make that decision to have that relationship, you have to be sure that there is trust in it, that the contract is a proper contract, and that it allows you to make a living. At the moment, a lot of these contracts will benefit a few that are members, but a lot of people look at them and say they are not allowing you to grow your business, they may be allowing your business just to tick over and exist. However, if you want to improve or you want to reinvest, the contract is not really going to allow that. So these cost-plus contracts will not really have that built in. You are not going to be building new sheds.

Q129 **Jim Fitzpatrick:** So the transparency thing is critical.

Chris Mallon: You need transparency.

Steve Conisbee: They shot themselves in the foot with transparency over this introduction of the grid, because they said it was coming and they said at the time it would not be used to wipe value off the amount that they are paying. It does not matter which processor or which supermarket you approached; they all said the same thing. As farmers' groups we agreed that probably the old classification wanted replacing, and they said repeatedly that they would be paying the same value; it was just the distribution of the value within it. We now sit down and find that this is incorrect to the tune of £1.1 million a month that was taken away in penalties. That has not led to improved relationships in any way at all, and we need to get clarity. We need trust. We do need to build some contracts. We definitely want that as an option. We want to



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encourage a short supply chain. An efficient supply chain all the way through would be great, but we need them to take the lead.

Q130 **Jim Fitzpatrick:** Who kept the money? Did it go to the processors, did the retailers get it or did they cut the price to the consumers—the money that is taken from the farmers—or is that not clear?

Steve Conisbee: On this occasion, I think the processors would probably have had it, because I do not think the meat price has fallen on the supermarket shelf.

Chris Mallon: Our percentage share of retail price has dropped. The retail price really has not shifted that much, comparably. So somewhere in between there is this much money floating around. Maybe nobody has got it and we are going to find it one day down the back of the sofa.

Q131 **Chair:** AHDB, you have done some figures on the retail price of beef, have you not? This is fascinating now, because an animal that has moved four times goes straight into the supermarket or wherever at exactly the same price as the animal that did not move four times, because you cannot buy meat that has moved four times. Somebody is making the profit, and I do not think the retailer is paying any less for it. So somebody in the middle is getting that money. What figures have you done on this?

Dr Hadley: The retail price has stayed fairly static, really, and Chris is right that the farmgate price has dropped as a proportion of the retail price. We will more than happily send you that report for the Committee to look at.

Chair: That is the simple answer, Jim, is it not? The retail price has stayed roughly the same, but the price to the farmer has dropped. Somebody in the middle is making a little more money.

Q132 **Dr Monaghan:** Just a very quick question: with these animals that have moved four times, Steve suggested that it was perhaps McDonalds that had started it. Is it the case that McDonald's will only take carcasses that have only been moved less than four times —

Chair: It is not the carcass; it is the animal.

Dr Hadley: It is the stated number or less, so it is four or less in that respect. The retailer or the recipient will put their own parameters on that. The reasons behind why they would request that are in relation to the perceived animal welfare benefits and it is about efficiency in the supply chain as well. Obviously, any time an animal changes hands, there is a cost in the transport involved. There are a number of reasons why they would consider something like that to be a useful thing to have discussed, or to institute in your specification. The question is about whether farmers find that easy to achieve and whether it disadvantages them.



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Q133 **Dr Monaghan:** My question was not about the farmers. My question was about McDonald's. Do McDonald's only purchase or use cattle that have moved less than four times?

Chair: Surely they would not know, would they?

Dr Hadley: Well they would know because they would write it into their spec for their supplier and processor and they would have to meet that requirement. We know that with cattle because of the—

Q134 **Dr Monaghan:** I think you are speculating now. You are suggesting that they would write it into their brief. Do we know that for a fact? Are McDonald's, who have initiated this penalty, only using cattle that have moved less than four times?

Steve Conisbee: I would say definitely, from conversations I have had with the person who is in charge.

Q135 **Dr Monaghan:** Okay. So it is a quality standard that they have insisted on and they are abiding by it?

Steve Conisbee: Yes.

Q136 **Jim Fitzpatrick:** Do they not have a direct relationship? Do they not own farms and own their own beef, or do they have a direct relationship with farms that supply that directly, so they would have more control over that, would they not?

Chair: Probably a bit of both, is it not?

Dr Hadley: Both. They have a relationship with the processor and a relationship with the farm.

Q137 **Chair:** If the processor is left with animals that have moved more than four times, they will then move those into the general retail market, which will be Tesco, Sainsbury's or whoever. At that stage I do not believe they sell that to the supermarket for any less than they sell other beef that has not moved four times.

Chris Mallon: A movement is a strange thing. For some processors, when you are speaking to a procurement guy, they will think about the number of ownerships the animal has had. Some will be the number of movements. A movement could be going to grazing and coming back, but staying in the same ownership. That could be done for the reason that that is how your farm works. Therefore, you have an extra movement on it but actually it did not go out of your ownership. That could affect the price of that animal. Nothing has happened.

Steve Conisbee: It is very hard to define movement, because there are planned moves within your own business; if some of your grazing is outside of 10 miles you will now have to report the move as a move, so you would send it away to graze somewhere for the summer and that is move one.



Dr Monaghan: It would be useful if the Committee got the definitions of moves.

Q138 **Chris Davies:** It would be very interesting to hear how long a contract you think would be useful. Evidently longer than 12 months. Is it two to three years, or five years? What are we talking about?

Steve Conisbee: It depends upon where you are and what part of the chain you put your contract in. If you put the contract in with your finishers, they would be living to a shorter time-span. A lot of finishers would be having animals in there for, say, six months. It would be nice to see very long-term contracts but I think it would be a step too far on all parties.

If you could get something just into the finishers, to give them some stability so they know when they purchase an animal what they are going to get out of it, because at the moment we have the ability to fix our feed price, with the futures. We can go to market and buy our beef price but we have no idea what we will be selling it for. It would be very handy to create some certainty and stability in the agricultural world if you could fix a selling price in six months' time. It would be a tremendous thing to be able to achieve.

Q139 **Chris Davies:** That has not really answered the questions. If you want politicians to be asking the processor when they come in, they will probably come back and give us the answer. Then you will feel as if we are taking the processors' side, not yours. So what are we talking about? Are we talking 12 months? Are we talking two years? What would be a realistic contract, from a farmer's perspective?

Chris Mallon: Contracts and futures are different things. A contract, you will produce a certain number of cattle and because of that you will get a premium on price at the time for producing a certain number of cattle. You can make it as long or short as you want it to be. It can be from the cow getting inseminated right the way through to that animal coming and being finished. That could be considered a contract and that could be 13 months.

You could get a shorter-term contract for feeding, which would be cattle being brought on and those guys could either, for example, maybe bid for a price in the future or whatever they are doing with a contractor or with an independent arbiter. Those cattle could be on 90-day contracts. It depends; we do not just need one type of contract. We could have a contract that is from a farmer to a farmer to produce store cattle, to produce calves for them. We already have a lot of farmers who have people who are bringing calves up to a certain stage for them, then they take them and then they finish them. They have that contract; that will be going on.

To come out and just say, "This is the number of days or this is the number of months," is not going to fit every system. For the individuals



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systems there would have to be a contract that would be suitable for that. It is all possible to come up with, but it would have to be different time periods of contracts depending on what you are doing.

Q140 Chair: What you are saying is that there is just not a close enough relationship between those that are buying the cattle from you, the farmer, and then processing it to the retailer. There needs to be a closer relationship with everybody. There is always going to be risk, there is going to be market risk, but at the moment you are saying that the risk is stacked against you.

Chris Mallon: The risk comes to us.

Steve Conisbee: Yes. If we had a fair and open market you would not have the need for a contract, but we do not. At the moment they have it all their way, so we just want some direction, really, that we can produce to.

Q141 Chris Davies: Going back to my point, you will have to forgive me but we had one of the deputy chairs of your organisation sitting where Mr Hadley is a few weeks ago. We are the politicians that will be going by your evidence. You cannot just then say, "You come up with the answers," because you are the industry. We want you to be telling us what we need to be putting forward on behalf of your members.

Chris Mallon: The first thing is to start off with the idea of a contract. Do not worry about the timeframe of it. Who is going to arbitrate that and make sure that contract is fair? We can then work out what type of contracts we want: do we want them from birth to finished? Do we want the short-term finishing contracts? Do we want them to produce the store cattle? Those are all different types of systems, specific to people who have their systems geared to do those things. That is a different thing. At the moment the problem with a contract is ensuring who is going to arbitrate it. The reason we need that is because we do not trust them.

Steve Conisbee: My colleague here said all along that we need clarity and we need fairness and an open market. That then creates the atmosphere to build contracts. At the moment I think you will find it very hard for parties to sign up to something when they feel they have been betrayed. People are just not going to want to get into bed in that sort of relationship.

Chris Mallon: They will not believe it.

Q142 Chris Davies: Can I just ask one last one? It is very hypothetical. We have sat here and we have listened to the retail sector sitting where you are sitting. We are sat here listening to you now. Evidently the next panel to discuss a matter like this will be the processor. What do you think the processors are going to be sitting there saying to us?

Chris Mallon: They are going to say, "It is a hard business. We have got very low margins. We have got a lot of competition. We are dealing with



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retailers who are very aggressive." They will be able to tell you, "We work on a 3%, 2% or 1% margin. Farmers are not giving us the cattle. Our supply is up and down. It is very difficult for us and it is lucky we are here at all."

Q143 **Chair:** I think you have summed it up. We probably will not need to bring them in now.

Chris Mallon: Hypothetically, I would say that would be a summary of the discussion.

Q144 **Chair:** I think you have summed it up extremely well. We will be asking them lots of these questions. The point that Chris makes is that it is almost a brave new world we are now into. A serious point is that as we move away from the common agricultural policy and as we put our own policies in place, I think there is then time to be very proactive, through your organisations, as to what you would ideally like to see. I am not saying Governments are going to always deliver what you ideally would like to see, but I think it is probably something that needs to be considered and looked at. That is more something for you to take away, but it is a serious point. I like your summing up of where the processors will be.

Q145 **Ms Ritchie:** My apologies for leaving and coming back again. If I could concentrate on the Northern Ireland problem, the issues in Northern Ireland are slightly different to those that exist in Britain. The grid is different to that that exists here and is used by all the companies in Northern Ireland. One area where there are problems is where processors change specifications within a short space of time, and that is around six to 12 weeks. Often, apparently, this is due to pressure from the retailers.

Chair: Yes, we have been talking a little bit about that while you were gone but it is a good point to make.

Q146 **Ms Ritchie:** How can that situation be corrected, particularly when animals that are exported from Northern Ireland to Britain receive a lesser price for the same weight and same type of cattle that is produced here?

Chris Mallon: Without a doubt, Northern Irish farmers would be speaking to me quite a lot about this.

Q147 **Ms Ritchie:** You probably would be aware of that, coming from Northern Ireland.

Chris Mallon: Yes, I am aware of it. They have the same problems that we are dealing with; it is the same thing, to do with there being no one to regulate and ensure that that does not happen—that the specifications are not changed on a whim without actually taking into account the production cycle we are dealing with.

I do not think that actually bringing the carcass over here will involve the expense of a 30 pence or 40 pence a kilo deduction, when it is coming to



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the same market. That seems completely unfair to me. I know we have regional differences because of trade, et cetera, but the reality is the meat coming from Northern Ireland is coming into a retailer here, it is coming on to the same shelf, it will be sold with the same assurance, and there should not be that difference in price with it.

When you look at it, you have a lot of small farmers who are, on their own, very small against the weight of those large processing companies in Northern Ireland. If you decide to speak out, I can guarantee in Northern Ireland your supply of cattle to those abattoirs will be affected. It is something that has been seen and documented.

Q148 **Chair:** So again in Northern Ireland you would suggest that there is not enough competition in the processing market.

Chris Mallon: It is like taking what we are suffering here in the UK and shrinking it down. It is the Ribena before you put the water in it. That is what Northern Ireland is. It has that problem. You have so many cattle being produced with so few people to eat that meat that actually the processor is in complete control.

Q149 **Chair:** It is same in the dairy sector, because Northern Ireland again suffers a lower price for the same product. Just a final question from me, really, which we largely covered in a way. It is about the breeding programmes, and is going back to the fact that, if Tesco suddenly decide they do not want Holstein beef, then they have got to give the industry a lot more time to change. I think you, from the farming organisations, would also accept that perhaps sometimes there is a bit more that farmers can do on the breeding. How do we get the retailer together along with the processor and the farmer to deliver the right beef animal? It is no good Tesco suddenly saying today, 'We want a different cut of meat'. They might want a different cut of meat, but that might take a couple of years to actually get there. How do we get everybody joined up, so that in the end the farmer, when you either use a bull or have artificial insemination, nine months later you get a calf, that is the right calf, the right cross, and that will produce the right beef that the big retailers want? It is not much of an ask, but how do we do it?

Steve Conisbee: First, I wonder what was so wrong with what we had. If you do have your R grade bullock and it is an R grade, once the skin comes off of it there is very little difference.

Q150 **Chair:** This is an R grade Holstein Friesian, is it?

Steve Conisbee: Yes a Holstein Friesian or a suckler-bred one, or a beef cross on the dairy. It should be paid upon the grid as it is. It is very hard to quite understand the logic in their thinking, really.

Chris Mallon: I am sure that the retailers have people who work within their businesses that are very good at forecasting their needs. I am sure there are. I am sure they do a lot of market research into what they actually want. That basis should be coming back to us to allow us to



produce what they want, instead of doing things where we are all encouraged to use native breeds, then there will be a premium on that to encourage you, until they have enough. Therefore you now have something that actually has no premium, and because of the weight you will end up with a less gross price, so you are stuck with that. The only way you can make that profitable is if you have a premium. That is because it is fed down.

Instead of doing that, they should be encouraging people saying, "We need X number of people who if their systems suit this, they can produce that for us. These people produce a certain type of Holstein beef in the south-west; let us encourage those guys. Let us not encourage them to become more inefficient by cutting their bulls. Let us encourage them to use those bulls properly and use that meat, because that is good meat. It is local and we can tell a nice story about it. I am sure we can even get a real farmer to put his name to it."

It is having that discussion coming back to us, because we are dealing blindly. When would go to buy a bull to bring home to the herd, that is when we need to be in our heads thinking, "They are wanting this sort of carcass. That animal will allow us to produce progeny that will fill that sort of carcass." At the moment we have not had that, which means we go and buy something that we think is a good animal. We often base that upon things we are then told are not what the market wants. However, we are buying what we believe to be quality. We are buying things that are muscular or that have good confirmation, which are things that we have traditional been told are what we want. A lot of our farmers who are making these decisions did not come out of college this year or last year. Some came out 20 or 30 years ago. They need information that is timely and up to date about what they are producing, or they will keep producing what they like.

Q151 Chair: If you take the top-ish end of the market, where you may have Waitrose, they have actually got contracts where they have put the calves in, they have put the breed in, maybe Hereford, Angus or whatever, and then they take those animals at the end from the farmer, do they not? They go through the whole thing. Do we need more of those types of contracts? You have argued quite rightly that you want flexible and certain contracts, but would it be better if we took say, 20% or 30% of the beef or more into that type of contract? Would it then give much more competition for the rest? What do you think?

Chris Mallon: With a lot of those sorts of cattle coming, talking about Holstein areas and things like that, contracts for those bulls would be an excellent thing. We always go on about efficiency, carbon footprint, et cetera. When it comes down to it, those are the most efficient ways of doing it and we are not seeing enough contracts coming through for them. There should be an encouragement to use them for mince, for dicing and for that sort of thing, definitely. We need contracts, as you say, for others. We have seen very successful contracts for Angus cattle—



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worked incredibly well, farmers have been happy being part of that and it has worked. It is just showing that there are more of them that are appropriate to what we need in the future, and getting signed into it.

- Q152 **Rebecca Pow:** Given that going forward we are being told that we have got to have a sustainable future, we have got to feed the nation, we have got to keep our high welfare standards, we are going to look after our soil and we are going to have more grass rotations, which are all good things to produce our food, is there any argument or any way that you farmers might negotiate with retailers so that you are ensured a percentage of the food price that you get? Is that a way of going about it, because you are the providers of the raw material. Without you they have no food.

Chris Mallon: I would be very worried about becoming part of a loss leader with that.

- Q153 **Rebecca Pow:** No, but a built-in factor so that the farmer has to have 20% of the cost of every sausage. I am really being very simplistic, but we have got to think of another way of doing it.

Chris Mallon: I do not think you are being simplistic. We do have to think of another way of doing it and maybe something along those sorts of lines is the future. At the moment, I am dealing with a membership that is encouraging their children to do anything other than be a farmer. What they are hoping is another farmer will be able to take on their land on a rent system. What you have to do is watch. At the moment, what we are doing is culling young farmers. It will eventually get to the stage where you will have the land in this country, you will be able to buy in the genetics and the cattle, but if you do not have people who know how to farm and who know how to keep cattle, it is too late.

Rebecca Pow: Yes, so I am asking you, should you start to discuss it that way with the retailers? Should you say, "I am doing you a favour. I am providing you with the raw material. I need 20% of the cost of that sausage".

Chair: Going back to Boswell Farm, there is no doubt that retailers believe that if you link that product to a farm, you can sell it better. Therefore we have got to drill down on what they are doing on this particular case, and, like I said, making sure that it is actually a real farm, and there is a mark-up on that price.

What you have done for us today, gentlemen, is really whetted our appetites to go deeper, and also actually explained to us what is happening. If I can sum it up, it is that the grid system and the new grading system are not necessarily wrong, but it is being used as a system to drive down the value of those cattle. There has got to be a system put in place where when the farmer breeds that animal and rears it, they know there is going to be a market for it at the end, not just suddenly changing that market halfway through when you have not got time to adapt to it. We have got plenty of questions to ask the retailers and processors. The last question I will ask when you have finished giving



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your evidence is whether we can agree a meeting in September to do precisely that.

Gentlemen, thank you very much. It has been very interesting. We have had quite a technical afternoon. I hope that by doing this short inquiry we just shed a bit of light on what can be considered a bit of a murky place. I hope this will help to bring about a change and a better price for you. Thank you very much.