

‘Product Origin – Scotland’: A Review of Industry Practice and Evidence

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1. EXECUTIVE SUMMARY

Introduction

- 1.1 The information presented in this report was gathered from a number of sources. Firstly reviews were made of reports and information on the Scottish, UK and wider food and drink sectors. Secondly interviews (either face-to-face, telephone or by correspondence) were undertaken with some key players in all sectors of the industry.
- 1.2 Richard Lochhead, the Cabinet Secretary for Rural Affairs and Environment, announced in June 2008 the plans for Scotland's first National Food and Drink Policy. One theme in the development of the policy is 'Supporting Better Food & Drink Choices', which includes understanding what "Product Origin – Scotland" actually means and how this supports the goals of quality, health, affordability and environmental sustainability. This research project aims to clarify the current position with respect to labelling of food and drink products as 'Scottish'.
- 1.3 The objectives of this project are:
 - i. To set out the statutory regime within Scotland, the UK and EU for product origin labelling.
 - ii. To investigate industry practice on 'Scottish' labelling and branding initiatives.
 - iii. To review evidence on consumer understanding and awareness of 'Scottish' labelling and branding.
 - iv. To identify current practice internationally with regard to national origin labelling schemes.

Statutory controls on labelling

- 1.4 The labelling of food and drink is covered by a plethora of food law designed to ensure the consumer is not misled. Additionally EU competition laws require that national legislation is not worded so as to favour its own State over others to allow for competition.
- 1.5 There is specific EU legislation that requires country of origin information for various food and drinks, including beef and veal, poultrymeat, eggs, fish, fresh fruit and vegetables, honey, olive oil, wine and spirits.
- 1.6 In 1993, EU legislation came into force which provided for a system for the protection of food names on a geographical or traditional recipe basis. Under this system, a named food or drink registered at a European level will be given legal protection against imitation throughout the EU. Producers who register their products for protection benefit from having a raised awareness of their product throughout Europe.

EU Protected Food Name Scheme

1.7 The EU Protected Food Name Scheme came into force in 1993 and provides for a system for the protection of food names on a geographical or traditional recipe basis. Under this system, a named food or drink registered at a European level will be given legal protection against imitation throughout the EU. The designations are:

- Protected Designation of Origin (PDO) - open to products which are produced, processed and prepared within a particular geographical area, and with features and characteristics which must be due to the geographical area.
- Protected Geographical Indication (PGI) - open to products which must be produced or processed or prepared within the geographical area and have a reputation, features or certain qualities attributable to that area.
- Traditional Speciality Guaranteed (TSG) - open to products which are traditional or have customary names and have a set of features which distinguish them from other similar products. These features must not be due to the geographical area the product is produced in nor entirely based on technical advances in the method of production.

FSA Guidance

1.8 In order to try to clarify the rules on labelling the Food Standards Agency has produced guidance on Country of Origin Labelling. The stated aims in producing this advice are to help:

- Manufacturers, producers, retailers and caterers to comply with the law and avoid misleading labelling;
- Enforcement authorities to identify and act on misleading origin labelling; and
- Consumers through the provision of more consistent, informative and transparent labelling practices.

Definition of “place of origin”

1.9 There is no statutory definition of “place of origin or provenance” in the Food Labelling Regulations 1996 or of “origin or provenance” in EC Directive 2000/13/EC. But both in Codex and the World Trade Organisation Rules, the country of origin is deemed to be the place of “last substantial change of the food”.

1.10 There is no legal definition of *Scottish* in regard to how it is used to label foodstuffs but guidance from the Scottish Government on the labelling of beef states that:

‘If the term Scottish is to be used [in the labelling of beef] the animal must have been born, reared and slaughtered in Scotland.’

1.11 In January 2008 the European Commission issued a proposal for a new food information Regulation. The proposal aims to update and simplify food labelling legislation by bringing together into a single Regulation

rules on general and nutritional labelling as well as some other horizontal texts covering additional labelling requirements. Where the origin, or provenance, of the product is different from that of any primary or characterising ingredient(s), the origin, or provenance, of the primary ingredient(s) should additionally be provided.

1.12 The negotiations on this topic have become protracted and the latest position (March 2009) is that further substantive discussion has been shelved until after the June 2009 European elections, at the earliest.

Enforcement of Labelling Regulations

1.13 There have been no recent prosecutions taken in Scotland with regard to mis-labelling of food and drink products as regards Country of Origin.

Nutrition Labelling and Health Claims

1.14 Nutrition labelling of food and drink is only mandatory if a nutrition claim is made. The European Food Standards Agency (EFSA) is collating health claims submitted from member states.

1.15 Certain claims are outside the scope of the EFSA Regulation, for example:

- Government messages for example '5 a day';
- Charity endorsement; (FSA is developing guidance on this area)
- Specific disorders for example 'gluten free';
- Ingredient claims such as 'no hydrogenated fat'

1.16 The Regulation also allows for transition periods, for example:

- Trade Marks in use before 2005 can continue to be used until January 2022.
- Nutrition claims in use before January 2006 (and not included in the Annex) can continue to be used until January 2010

Assurance Schemes

1.17 In 2006 the European Commission produced an inventory of 386 food assurance schemes operating within the EU. For most of these schemes the scope is food safety and quality, but many also include requirements for good agricultural practice, sustainability etc. However none embraces all four of the issues identified by Scottish Government - quality, health, affordability and environmental sustainability.

1.18 Sustainability schemes such as Marine Stewardship Council, Responsible Fishing Scheme and the Carbon Trust's Carbon Footprint are expanding in membership and influence, but have some way to go before being as widely adopted as schemes on food safety and quality.

Findings from survey of industry practice in Scotland

1.19 A telephone survey of 113 food and drink businesses was undertaken across 11 food and drink sectors. The sample was not designed to be representative of the 2,500 food and drink businesses estimated to operate in Scotland but it did achieve a good spread by enterprise type and region. There were considerable differences in different sectors.

1.20 A total of 100 of the 113 respondents reported that some or all of main product carried origin labelling e.g. country, region or local. In terms of images used 12 used the Saltire, 12 a Tartan design, 11 Scottish landscape and eight a Thistle logo.

Benefits of Origin Labelling

1.21 The perceived benefits were listed as:

- Product attracts a higher sale price/adds value.
- Sales volumes increased.
- Advantage over UK or English products.
- Helps to identify the product for target consumer groups:
 - Scottish consumers (local purchasing).
 - Tourists/visitors to Scotland.
 - Overseas consumers (including expatriates).

1.22 One third of respondents estimated that 100% of the ingredients of their main product could be regarded as being of Scottish origin.

Improvements to Current Practice

1.23 Respondents were asked to suggest improvements with regard to current practice in terms of origin labelling. Responses tended to focus on aspects of traceability and concerns about the potential to mislead consumers. Suggestions included:

- The source of products should be made clear.
- Scottish imagery can mislead consumer.
- Tighten up on supermarket origin labelling.
- Need to avoid confusing the consumer with too many terms.
- More effort needed regarding food labelling within food service sector to follow traceability and food origin through to menu

Government Guidance

1.24 When asked if they thought that there should be more Government guidance on the use of terms such as 'Scottish', 'Made in Scotland', 'Product of Scotland' etc., half of all respondents answered yes.

Response from Multiple Retailers

- 1.25 The move to Scottish labelling could become more comprehensive but inclination by each retailer varies as to the size/nature of their business. Several of the retailers indicated they would be happy to extend Scottish labelling of food and drink products in Scottish stores but there would need to be a strong commercial reason for doing so, i.e. sales increase. For some retailers, Scotland and the Scottish market is probably not large enough to warrant a lot of the additional cost/expense required setting up dedicated supply chains.
- 1.26 Some retailers believe consumers are confused by the plethora of food logos/assurance labels and the relative qualities they confer.
- 1.27 Traceability through the retail chain is considered to be robust because of the initiatives led by the British Retail Consortium, set in place because of the need to demonstrate Due Diligence, initially introduced by the Food Safety Act 1990.

Response from Food Service Companies

- 1.28 A consistent view across the foodservice providers interviewed is that caterers do not typically promote origin on their menus. Because of this caterers do not typically demand country of origin labelling. If such labelling is used then it tends to be with regards to fresh products such as fruit, vegetables and meat and not necessarily specialist products that may already have their own very specific provenance, such as a brand of cheese. If any reference is made to Scotland then it tends to be within the name of the product, such as Scottish Salmon. The nature of Foodservice is that it does not lend itself to elaborate packaging design although it was stated that marking country of origin labelling on the boxes will help the chef if the item on the menu requires that item.
- 1.29 The Scottish-based foodservice business focused on the West Highlands and Islands and in their case they will specify region on certain products such as Argyll Pork or Argyll Venison. They also make reference in the packaging of the product through the use of Tartan or "Highland". This requirement for specific labelling is driven by the location of its customers (i.e. Scotland) as opposed to the other foodservice providers interviewed whose supply chain is servicing a broad range of customer across the UK.
- 1.30 The foodservice businesses interviewed were adamant that the traceability systems in place are adequate and changing labelling would not make a significant improvement to this aspect of their operation. Foodservice providers generally audit their suppliers and test the traceability of their products so claims are not taken totally on trust as the reputational risk to their businesses is very high, although this was less evident with smaller scale operators.

- 1.31 The larger foodservice providers all mentioned the Red Tractor scheme as a standard that they included on some products and looking to include on others.
- 1.32 A commonly held view across the foodservice consultees is that customers are looking for Provenance rather than Country of Origin Labelling i.e. a story behind the food of the specific producer. One of the dangers identified of going down the route of over-labelling or branding as Scottish is that customers could become fatigued and it could also dilute strong brands associated with provenance.
- 1.33 Another issue highlighted is that local, regional or specific country of origin branding can confuse the customer as to the sustainability of the product and there is a natural assumption that local is automatically more sustainable, which may not be the case.

Findings from literature review of consumer awareness and understanding

- 1.34 For origin indication to have an effect on consumer purchasing patterns two features are needed:
- positive images of country or place; and
 - origin clearly and consistently portrayed to trigger recognition.
- 1.35 Many consumers store positive images about Scotland but there is consumer confusion over Scottish origin labels. Origin indication is only one of many attributes that appear on products and often other attributes (e.g. price, brand name, quality) play more important role in consumer choice. Survey research shows that price and product intrinsic attributes are higher priorities for most consumers. Origin is generally middling to low relative importance.
- 1.36 There are three main types of consumer response to origin labelling: ethnocentric, affective and cognitive. Overlaps exist between the types.
- 1.37 **Ethnocentrism** whereby individuals make judgements and attributions using their own cultural perspectives. These include situations where consumers have:
- innate preference for products from their home country
 - gut feeling that home produce is superior to foreign
 - a strong sense of national loyalty
- 1.38 However evidence from Market Research in 2003 indicated more ambivalence regarding standards in Scottish agriculture, with New Zealand perceived as superior, and Denmark and USA seen as comparable.
- 1.39 **Affective** responses refer to situations where origin labelling information conjures up images and associations that arouse specific emotions

within the consumer. Consumers react with specific emotions to origin labelling information in connection with:

- family
- belonging
- self-identity & status (domestic consumers)
- fun, fantasy and adventure (recalling travel or holidays)

1.40 Scotland possesses numerous powerful images, symbols and other stimuli which consumers may respond to in affective way, some of which are stereotypical e.g. tartan, kilts. However some evidence suggests consumer weariness towards such symbols, finding them patronizing and inauthentic and existing to serve commercial interests, particularly tourism.

1.41 Landscape images viewed more positively - connect more with consumers' own experience. Some research notes a tendency of natural and historical symbolism to reinforce a backward-looking, folklore-ish identity - unhealthy and problematic for certain industries.

1.42 **Cognitive** responses refer to situations where consumers infer physical quality characteristics about products from a country, based on their store of beliefs about the abilities of that country to provide a quality product.

1.43 If consumers believe country has favourable contexts and skills to produce products in a given category they are likely to believe the resulting products will be of high quality (and vice versa).

1.44 These come into play when origin labels are quality assurance labels e.g. Protected Designation of Origin (PDO) and Protected Geographical Indications (PGI). The ability to distinguish from similar labels is extremely important – if not costs of assurance unlikely to be recouped.

1.45 Survey research repeatedly shows consumer awareness and understanding of quality assurance labels is poor, although an exception is the Scotch Meat labels. However the Consumer Focus Scotland Report in 2008 showed poor levels of discrimination amongst consumers in relation to Scotch and 'Scottish' beef labelling.

1.46 In the limited number of existing studies on consumer perceptions of Scotland and Scottish products, two topics do not appear to have been explored. Firstly, the negative images or associations consumers link to contemporary Scotland (i.e. not the traditional stereotypes) such as urban deprivation and poor diet and health records. Secondly, no studies to date appear to have investigated consumer awareness and perceptions of origin and symbols at a sub-national level in Scotland. This is in spite of the fact that different regions of Scotland have very distinctive identities and reputations for particular goods/products, and that place brands from some areas are already well established, e.g. Orkney beef, Harris tweed, Islay whisky. Overall, there is a need to

know what role country branding plays in consumer choice when regional identity (or indeed private brand) is strong.

International practice

- 1.47 Regulations concerning protection of designations have a long and complex history. The countries of southern Europe (France, Italy, Spain, Greece and Portugal) have historically accorded greater importance and means for the support of products of certified origin, while northern countries have neither accorded specific aid nor appointed institutions, being happy to act as simple administrative intermediaries between the producers and the European Community.
- 1.48 The *Label Rouge* movement began in the 1960s in the Southwest of France, in the forested Landes region describing a system of slow growing broiler poultry. Besides broilers, standards now also exist for layers, turkeys, ducks, geese, guineafowl, and capons. There are also *Label Rouge* ham, sausage, eggs, rabbit, and cheese products. The scheme emphasizes quality attributes such as taste and food safety, and free-range production practices.
- 1.49 Government agencies are responsible for setting and maintaining certification standards accrediting the certifiers and protecting against label infringement which protects *Label Rouge* from being copied by store brands or private labels. *Label Rouge* is farmer-created, consumer-driven, and government-supported.
- 1.50 Catalonia has its own Quality Marque (Marque Q) overseen by the Catalan Regional Government. Products are deemed to have different characteristics which vary depending on the type of product, and they may affect composition, production process or presentation format. The scheme is not recognised by the EU.
- 1.51 Switzerland, which is not a member of the EU, is developing legislation to define “Swissness” and has two main goals:
- To reinforce the protection of 'Made in Switzerland' designations and of the Swiss Cross at a national and international level
 - To create greater clarity and legal security for their utilization.
- 1.52 “Australia Made, Australia Grown” scheme was established by the Australian Government in 1986 to promote Australian made products in local and export markets. The scheme is now managed by a public company - run by business for business. To be able to use the Australia Made logo on their products companies must meet stringent rules on origin of products and ingredients.
- 1.53 The case of New Zealand lamb is especially interesting as an unsubsidized commodity product competing against subsidized lamb in some of the most competitive and sophisticated retail markets in the world. New Zealand has used country-of-origin labelling as a “country

brand” to differentiate New Zealand lamb in international markets and increase consumer awareness of this lamb as a high-quality imported product.

1.54 Mandatory Country of Origin Labelling (COOL) became effective on 30 September 2008 in the USA. COOL is regarded as a retail labelling law that provides additional information to consumers at the time of purchase. Commodities included are:

- Muscle Cuts of Beef (including veal), Pork, Lamb, Goat, and Chicken
- Ground Beef, Ground Pork, Ground Lamb, Ground Goat, and Ground Chicken
- Wild and Farm-Raised Fish and Shellfish
- Perishable Agricultural Commodities (fresh and frozen fruits and vegetables)
- Peanuts, Pecans, and Macadamia Nuts
- Ginseng

Key Recommendations

1.55 The Scottish Government, Food Standards Agency and the Food and Drink Sector in Scotland should:

- Investigate potential impacts of requiring the different food and drink sub-sectors to label by origin the main or characterising ingredient in their products – changes that may benefit one sub-sector may well be prejudicial to others.
- Investigate the “Australia Made” scheme to see if there is scope to use this in the Scottish context including whether a similar scheme would be considered legal under EU rules.
- Consider how the four issues of quality, health, affordability and environmental sustainability can be pulled together into one coherent labelling scheme. Researchers and practitioners appear to work independently within their own disciplines and do not always share common goals.
- Investigate the negative images or associations that consumers link to contemporary Scotland such as urban deprivation, poor diet and poor health record compared with other parts of the UK, to understand if this is inhibiting more uptake of Scottish products.
- Sponsor empirical research to better understand consumer attitudes to local/regional marketing campaigns and to further develop this form of branding. Many smaller producers believe that this is their best way to expand but the evidence is currently not in place.

2. INTRODUCTION

- 2.1 The information presented in this report was gathered from a number of sources. Firstly reviews were made of reports and information on the Scottish, UK and wider food and drink sectors. Secondly interviews (either face-to-face, telephone or by correspondence) were undertaken with some key players in all sectors of the industry. We wish to thank those approached for their helpful and honest comments.
- 2.2 It should be noted that this study was undertaken in a period of economic uncertainty. Some of the comments made by contacts within the industry reflected these short term impacts.

Objectives

- 2.3 Richard Lochhead, the Cabinet Secretary for Rural Affairs and Environment, announced in June 2008 the plans for Scotland's first National Food and Drink Policy (<http://www.scotland.gov.uk/News/This-Week/Speeches/Greener/food>). One theme in the development of the policy is 'Supporting Better Food & Drink Choices', which includes understanding what "Product Origin – Scotland" actually means and how this supports the goals of quality, health, affordability and environmental sustainability. This research project aims to clarify the current position with respect to labelling of food and drink products as 'Scottish'. The objectives of this project are:
- v. To set out the statutory regime within Scotland, the UK and EU for product origin labelling.
 - vi. To investigate industry practice on 'Scottish' labelling and branding initiatives.
 - vii. To review evidence on consumer understanding and awareness of 'Scottish' labelling and branding.
 - viii. To identify current practice internationally with regard to national origin labelling schemes.
 - ix. To consider the need for further research to fill any identified gaps in knowledge.

Background to the Scottish Food and Drink Industry

- 2.4 The Scottish food and drink processing industry, generated sales of £7.4 billion in 2006 (The Scottish Government, 2008a) and the stated aim of Scotland Food and Drink is to grow the value to £10bn by 2017 (Scotland Food and Drink, 2007a). The food and drink sector is a major contributor to Scotland's economy. One in five people employed in Scottish manufacturing work in this sector, and it is the top exporting industry from Scotland (The Scottish Government, 2008b). In addition

about 21% of the annual tourist spend in Scotland is on food and drink. Researchers at Visit Scotland have predicted that Scotland's eating-out market will grow from £3.0 billion in 2005 to an estimated of £3.8 bn in real terms (i.e. excluding inflation) by 2015 (Visit Scotland, 2006).

2.5 According to the Office for National Statistics Report (ONS, 2008), in Scotland there are 16,285 agricultural businesses, 1,210 food and drink manufacturers and 15,380 hotels and restaurants, broken down as follows by employment size categories:

Table 1: Scottish Food chain businesses

Sector	No of employees								Total
	0 - 4	5 - 9	10 - 19	20 - 49	50 - 99	100 - 249	250 - 499	500 +	
Agriculture	14,020	1,670	495	85	10	5	0	0	16,285
Manufacture of food products and beverages	395	270	195	165	90	55	20	20	1,210
Hotels and restaurants	7,415	3,635	2,495	1,400	330	85	15	5	15,380

2.6 As well as being a major contributor to Scotland's economy, food impacts on many other aspects of Scottish life - health, education and the environment.

Food and Drink Sector Details

2.7 The following information has been taken from various sources – DTZ reports to Scottish Government, NFU Scotland website, Scottish Government Food and Drinks Key Facts 2008.

Scottish food and drink processors sell:

- 21% of their output in Scotland
- 42% to rest of UK
- 37% outside UK

Sales in Scotland are highest in the dairy sector (59%), followed by soft drinks (55%) and beer brewing (44%).

2.8 Beef

- The beef industry is the single largest sector of Scottish agriculture.
- Scotland had just over 1 million beef cattle in 2007, including almost 472,000 breeding beef cows.
- Total production in 2007 was 189,000 tonnes of beef worth £408 million.
- Beef cattle are kept on almost 10,000 holdings in Scotland.

- Scottish abattoirs slaughter almost all Scottish cattle – 60% of Scottish-slaughtered beef is further processed outside Scotland.
- 94% of beef production in Scotland is assured through the supply chain from feed to slaughter.
- Quality Meat Scotland (QMS) markets beef under the “Scotch Beef” brand which is recognised as a PGI (Protected Geographical Indication - see page 24).

2.9 Sheep

- There are around 7.5 million sheep in Scotland in 2007.
- 3 million finished lambs produced 56,000 tonnes of meat worth £122 million in 2006.
- Breeding sheep were kept on around 13,600 holdings.
- Scottish abattoirs slaughter around 50% of Scottish lamb, with the remainder slaughtered in England and Wales.
- 87% of lambs in Scotland are assured through the supply chain from feed to slaughter.
- QMS market lamb as “Scotch Lamb” which is recognised as a PGI (Protected Geographical Indication - see page 24).

2.10 Pigs

- Scotland had over 450,000 pigs in 2007 of which just under 37,000 make up the breeding herd.
- 59,000 tonnes of pig meat was produced in 2007 worth £60 million.
- 700 holdings had pigs. A third of these holdings are in the North East of Scotland.
- Animals are produced to high welfare standards.
- 97% of production in Scotland is assured through the supply chain from feed to slaughter.
- QMS market pork and pig meat products under the “Specially Selected Pork” label.
- There is a high level of processing of Scottish pig meat in Scotland but dominance of one abattoir & processor (85%) so relatively little Scottish pig meat is available for other processors.

2.11 Poultry

- In 2007, there were approximately 13.7 million poultry in Scotland of which 4 million comprise egg-producing hens and around 10 million chickens are reared for meat production.
- 90,000 tonnes of chicken valued at over £75 million was produced in Scotland.
- Poultry sector relies almost entirely on two dominant highly integrated processors.
- As with other parts of the UK there is strong competition from imports.

2.12 Dairy

- Scotland had 198,000 dairy cows in 2007. 1.273 million litres of milk were produced worth more than £260 million.

- 1,830 holdings had dairy cattle. With 44% of the holdings having more than 100 head of cattle.
- Scotland is self-sufficient in liquid milk, which is all processed in Scotland.
- There is a continuing decline in number of producers and much price volatility.
- There is a concentration of production in South West Scotland with much movement between Scotland and England.
- Branding of cheddar has been very successful but there is a lack of differentiated and high-value niche cheese products that rely specifically on Scottish milk.
- There is a need for more added value and branded products.

2.13 Eggs

- Scotland's egg production is at a high - 931 million eggs were produced in 2007 with a value of over £30 million.
- However Scotland is still not self sufficient in fresh eggs.
- There are two egg processing plants based in Scotland.

2.14 Fish

- Nearly all pelagic fish is processed in Scotland.
- 85% is exported outside the UK.
- Most white fish landed in Scotland is processed in England.
- There has been a decline in catching and landings at Scottish ports due to quota restrictions.
- Farmed Atlantic Salmon receives some Scottish processing but much exported elsewhere in UK for further processing.
- Imports from Scandinavia may be smoked in Scotland and labelled as Product of Scotland.

2.15 Shellfish

- All Scottish shellfish is processed in Scotland.
- The perceived strengths of Scottish shellfish is purity and taste – the level of processing is minimal.

2.16 Cereals

- In 2007, 400,000 hectares of cereals were grown in Scotland.
- 278,000 hectares of barley were grown and 100,000 hectares of wheat.
- 1.6 million tonnes of barley were produced worth £222 million and 832,000 tonnes of wheat worth over £96 million.
- Acreage devoted to barley has declined recently. Most of the Scottish crop is sold to feed compounders outside Scotland. Much of the remainder is used for malting in Scotland or England. An increase in Scottish malting capacity is planned for next few years.
- Scottish climate not well suited to growing wheat, new varieties may improve picture. Return on wheat production higher than other food crops so production may grow.

- Half of wheat production goes to distilleries; the remainder is milled in Scotland, often with imported grain due to insufficient quality and supply.
- Oats give low return to producers so there is now a shortage of Scottish oats.
- There are two major oat millers in Scotland which have the capacity to process more Scottish oats.
- Scotland's farmers produced over 137,000 tonnes of oilseed rape in 2007 from 36,000 hectares of oilseed rape.
- There are no truly commercial oilseed rape processing facilities in Scotland.

2.17 Fruit

- Scottish producers produced 2,400 tonnes of raspberries and 4,600 tonnes of strawberries in 2007.
- 80% of Scottish strawberries are bought by the multiples for sale as fresh fruit.
- Growing in polytunnels has extended the season and improved quality.
- Raspberry acreage in Scotland has declined but increasing Class 1 fresh sales to multiple retailers at expense of Class 2 threatens jam processors who wish to brand their product as Scottish. There has been a squeeze on returns to producers by multiple retailers which is damaging future prospects.
- 95% of blackcurrants are grown on contract for juicing in England. Remaining 5% is used for jam production.

2.18 Vegetables

- One pre-packer dominates the vegetable sector, but there are limited processing facilities.
- There are reported to be increasing sales of vegetables through Farmers' Markets, farm shops and box schemes, but accurate figures could not be found.

2.19 Potatoes and Sugar Beet

- About 75% of the seed potatoes for the UK potato industry are grown in Scotland.
- In 2007, just under 29,000 hectares of potatoes were grown in Scotland with an output of over 1.4 million tonnes.
- Potatoes were grown on more than 3,200 holdings in Scotland.
- Five potato pre-packers in Scotland and fresh product is significant.
- However there is a lack of processing facilities for making volume potato products.
- There has been no sugar beet processing in Scotland since 1970s – the nearest factory is at Newark, Nottinghamshire.

3. OBJECTIVE (i) TO SET OUT THE STATUTORY REGIME WITHIN SCOTLAND, THE UK AND EU FOR PRODUCT ORIGIN LABELLING AND HEALTH CLAIMS

Product Origin

3.1 The labelling of food and drink is covered by a plethora of food law designed to ensure the consumer is not misled. Additionally EU competition laws require that national legislation is not worded so as to favour its own State over others to allow for competition.

3.2 The regulations include:

- **Directive 2000/13/EC** (Food Labelling), in particular, Article 2
'labelling used must not be such as could mislead a purchaser to a material degree, particularly as to its origin or provenance ...'
- **Food Safety Act 1990 (as amended)** which applies to Great Britain, in particular Sections 14 and 15
'it is an offence for anyone to sell, offer or expose for sale food, the presentation of which is likely to mislead as to its nature, substance or quality' also *'it is considered that the origin of a food could, in certain circumstances, be relevant to its nature, substance or quality and will therefore be relevant to the offences described'*
- **Trade Descriptions Act 1968; (as amended) Section 36**
'it is an offence for a trader to supply or offer to supply any goods to which a trade description is applied which is false or misleading to a material degree. This includes the place of manufacture, production or processing'
- **Food Labelling Regulations 1996**, regulation 5(f), read with Regulation 4, requires food that is ready for delivery to the ultimate consumer or to a catering establishment to be marked or labelled with:
'....particulars of the place of origin or provenance of the food if failure to give such particulars might mislead a purchaser to a material degree as to the true origin or provenance of the food'.
- Regulation 38 of the **Food Labelling Regulations 1996** contains a general requirement for such particulars, as with all labelling, to be:
 - *Easy to understand, clearly legible and indelible;*
 - *When the food is sold to the ultimate consumer, marked in a conspicuous place in such a way as to be easily visible: and*
 - *These and other particulars required to be given by these Regulations must not be in any way hidden, obscured or interrupted by any other written or pictorial matter.*
- **Regulation (EC) No 178/2002** ("the General Food Law Regulation") which includes requirements for traceability
'Without prejudice to more specific provisions of food law, the labelling, advertising and presentation of food or feed, including their shape, appearance or packaging, the packaging materials used, the manner in which they are arranged and the setting in which they are

displayed, and the information which is made available about them through whatever medium, shall not mislead the consumer.'

- **General Food Regulations 2004 (as amended)** (UK Statutory Instrument 2004:3279), which create offences in respect of certain provisions of the General Food Law Regulation
- The **Consumer Protection from Unfair Trading Regulations 2008**, which apply to the UK

3.3 There is specific EU legislation that requires country of origin information for various food and drinks.

Beef and veal

3.4 Origin labelling for fresh, chilled and frozen beef and veal is governed by Regulations (EC) No 1760/2000 and (EC) No 1825/2000. Processed beef (e.g. roast beef and corned beef) and products containing beef (e.g. pies, sausages and burgers) are not covered by these rules. Compulsory labelling rules apply to all fresh, chilled and frozen beef and veal, including mince.

3.5 These rules require all of the following indications to be shown on the label:

- A reference number or code linking the meat to the animal or group of animals it came from;
- The member state or non EC country of birth
- The member state or non EC country of rearing
- The member state or non EC country of slaughter
- The member state or non EC country of cutting
- The approval numbers of the slaughterhouse and cutting plant(s).

3.6 Where beef is sold loose at retail level, the approval numbers of the slaughterhouse and cutting plant(s) do not need to be shown. Where meat is derived from animals born, reared and slaughtered in the same country, the separate labelling indications on birth, rearing and slaughter may instead be shown as "Origin: [name of country]".

3.7 Where all the compulsory information is not available for non EC country meat, the minimum indications "Origin: Non-EC" and "Slaughtered in: [non EC country]" must be shown on the label, along with a reference number or code when the beef is cut or repackaged after import.

3.8 The arrangements for mince are slightly different because it is generally derived from meat coming from a number of sources. Mince must be labelled with:

- A reference number or code linking the mince to the animal or group of animals it came from, or to batches of meat used for mincing
- The country where the mincing took place
- All the countries where the animal or group of animals lived from birth to slaughter (if different from the country of mincing) or, if all those countries are outside the EC, "Origin: Non-EC"

- The country of slaughter.
- 3.9 Additionally, compulsory labelling for meat of bovine animals aged 12 months or less requires the age of the animal at slaughter and also the relevant sales description for the UK, 'veal' or 'beef' to be shown depending on the animal's age.
- 3.10 Operators are required to obtain prior approval for any additional labelling information they may wish to give about the origin, method of production or characteristics of the beef or animal.

Poultrymeat

- 3.11 Regulation (EC) 1906/90 requires fresh and frozen poultrymeat to give an indication of country of origin only when it has been imported from outside the Community.

Eggs

- 3.12 European Council Regulation 1028/2006 (implemented by EC/557/07) requires egg packs to give an indication of country of origin only when the eggs have been imported from a third country. Eggs sold to or through retail and catering outlets must bear a producer code.

Fish

- 3.13 Specific origin labelling requirements for fish sold at retail in certain presentations (i.e. live, fresh, chilled or frozen fish, fresh, chilled or frozen fish fillets and other fish meat; smoked, dried, salted or brined fish; crustaceans and molluscs) are set out in Regulations (EC) 104/2000 and 2065/2001. Processed fish products are excluded.
- 3.14 For products caught at sea, the origin must be indicated by reference to one of twelve catch areas. For products caught in freshwater, the origin must be indicated by reference to the member state or third country of origin. For farmed products, the origin must be indicated by reference to the member state or third country in which the product undergoes final development.
- 3.15 These requirements do not apply to small quantities of fish sold directly to consumers either by fishermen or by aquaculture producers; the term "small quantity" is taken to mean sales not exceeding 20 Euros.

Fresh fruit and vegetables

- 3.16 Certain fresh fruit and vegetables, which are covered by EU Marketing Standards, are required to indicate their country of origin at all points in the marketing chain. (Council Regulation (EC) 2200/96 and Commission Regulation (EC) 1580/2007).
- 3.17 The products covered by these standards (which have their own individual Commission regulation) are apples, apricots, avocados, cherries, grapes, kiwifruit, lemons, mandarins (and similar hybrids),

melons, oranges, peaches and nectarines, pears, plums, strawberries, walnuts in shells, hazelnuts in shells, water melons, artichokes, asparagus, beans (other than shelling beans), brussels sprouts, cabbage, carrots, cauliflowers, celery, courgettes, garlic, leeks, onions, peas, spinach, aubergines, chicory, cucumber, lettuce, endives and batavia, sweet peppers, tomatoes and cultivated mushrooms.

3.18 There are certain exemptions, including:

- Products displayed or offered for sale or marketed in any other manner by the grower on wholesale markets, in particular on producer markets (farmers' markets) situated in the production area.
- Products sold or delivered by the grower to preparation and packaging stations or storage facilities, or shipped from his holding to such stations.

Honey

3.19 The Honey Regulations 2003 (which implement Council Directive 2001/110/EC) require labelling of the country or countries of origin. This will be the country or countries in which the honey was harvested. Where the honey is a blend of honeys from more than one country, then as an alternative to listing the various countries of origin (e.g. "A blend of German and French honeys"), one of the following statements may be used, as appropriate:

- "A blend of EC honeys";
- "A blend of non-EC honeys";
- "A blend of EC and non-EC honeys".

3.20 The Regulations (and the Directive) do not define "country". The FSA guidance states that "country" means the UK (i.e. the Member State) or the individual country (e.g. "England", "Scotland", or "Wales" etc.) where the honey was harvested. Similarly, the Regulations do not lay down a precise form of words that must be used for declaring the individual country (or countries) of origin of honey. Statements such as "Produce of England", "UK honey" or "Made from honey harvested in the UK", or similar forms of words provided they are not misleading, would all be acceptable. It is not sufficient to simply provide a manufacturer's address on the label as this is not recognised as a declaration of country of origin.

Olive oil

3.21 Optional provisions for designating the origin of Olive Oil can be found in Regulation (EC) No 1019/2002, as amended by (EC) No 632/2008. Only "extra virgin" and "virgin olive oil" may bear a designation of origin on the labelling under certain conditions. Designations of origin for "extra virgin olive oil" and "virgin olive oil" relate to a geographical area which is either:

- A PDO or PGI (see paragraphs 28 to 29 below)
- A member state

- The European Community
 - A third country.
- 3.22 If the designation of origin indicates the EC or a member state (and a PDO or PGI is not indicated), this must correspond to the area in which the “extra virgin olive oil” or “virgin olive oil” was obtained. An “extra virgin olive oil” or “virgin olive oil” is deemed to have been “obtained” in a geographical area in which the olives were harvested or the location of the mill where the oil was extracted from the olives.
- 3.23 In the case of blends of these oils, if more than 75% of the oil originates in the same member state, or in the EC, the main origin may be designated provided that it is followed by the indication “A selection of [extra virgin][virgin] olive oils more than 75% of which was obtained in [designation of origin]”.
- 3.24 In the case of “extra virgin olive oil” or “virgin olive oil” imported from a third country, the designation of origin will relate either to the country where the olives and the oil was obtained, or, where these are different, to the country where the product was last processed.

Wine

3.25 Regulation (EC) No 1493/99 covers the organisation of the market in wine. All wine sold in the Community must be labelled with country of origin information. EC 479/2008 established a single EU market for the production, labelling and trade in wines.

➤ **Table wines:**

- In the case of despatch to another member state or exporting state, the name of the member state if the grapes are produced and made into wine in that state;
- The words “mixture of wines from different countries of the European Community” in cases of wines resulting from a mixture of products originating in a number of member states;
- The words “wine obtained in ... from grapes harvested in ...”;
- Supplemented by the names of the member states concerned in the case of wines produced in a member state from grapes harvested in another member state.

➤ **Table wines with geographical indication:**

- The name of the geographical unit.

➤ **Quality wines produced in specified regions:**

- The name of the production area.

➤ **Imported wines:**

- The name of the country of origin and, when designated with a geographical indication, the name of the geographical area in question.

Spirit Drinks including whisky

- 3.26 Scotch Whisky has been defined for many years and is protected by law, most recently in The Scotch Whisky Act 1988 and The Scotch Whisky Order 1990. It is also protected at EU level by Regulation (EC) No 110/2008 which covers the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks, including whisky. “Scotch” is designated as a PGI to be used only for whisky produced in Scotland.
- 3.27 Defra is proposing new regulations on Scotch whisky. Five categories will be formally defined and it will be compulsory to use the appropriate category name as the sales description on every bottle sold. The proposed categories are as follows:
- Single Malt Scotch Whisky
 - Blended Malt Scotch Whisky
 - Single Grain Scotch Whisky
 - Blended Grain Scotch Whisky
 - Blended Scotch Whisky
- 3.28 In support of these category terms, it will be made compulsory that the description appears prominently and consistently on packaging. It will also be required that Single Malt Scotch Whisky is bottled only in Scotland.
- 3.29 New legal protection will be introduced for the traditional regional names associated with Scotch Whisky production, i.e. ‘Highland’, ‘Lowland’, ‘Speyside’, ‘Campbeltown’ and ‘Islay’.
- 3.30 A distillery name will not be allowed as a brand name on any Scotch Whisky which has not been wholly distilled in the named distillery. The misleading labelling of Single Malt Scotch Whisky under a name which, whilst appearing to be the name of the distillery, is not in fact the distillery, will be prohibited.

The EU Protected Food Name Scheme (PFN)

- 3.31 In 1993, EU legislation came into force which provided for a system for the protection of food names on a geographical or traditional recipe basis. Under this system, a named food or drink registered at a European level will be given legal protection against imitation throughout the EU. Producers who register their products for protection benefit from having a raised awareness of their product throughout Europe.
- 3.32 The designations under the EU Protected Food Name Scheme are:
- **Protected Designation of Origin (PDO)** - open to products which are produced, processed and prepared within a particular

geographical area, and with features and characteristics which must be due to the geographical area.

- e.g. Orkney Beef, Orkney Lamb, Shetland lamb, Bonchester Cheese*
- **Protected Geographical Indication (PGI)** - open to products which must be produced or processed or prepared within the geographical area and have a reputation, features or certain qualities attributable to that area.
 - e.g. Scotch Beef, Scotch Lamb, Arbroath Smokie, Scottish Farmed Salmon, Teviotdale Cheese*
- **Traditional Speciality Guaranteed (TSG)** - open to products which are traditional or have customary names and have a set of features which distinguish them from other similar products. These features must not be due to the geographical area the product is produced in nor entirely based on technical advances in the method of production.

[Bonchester and Teviotdale cheeses are currently not in production but the protected names continue to be recognised so that production could be re-commenced in the designated areas, using the designated recipes some time in the future.]*

- 3.33 The original regulations (Council Regulation (EC) 2081/92 and 2082/92) were replaced in March 2006 by Council Regulations (EC) 509/2006 for TSG products and Council Regulations (EC) 510/2006 for PDO/PGI products. Most of the original provisions have been retained in the new regulations but amendments were necessary to take account of a World Trade Organisation (WTO) Panel ruling in 2005 in order to bring elements of the EU protected food name schemes into line with WTO rules.
- 3.34 Use of the terms *Scotch Beef* and *Scotch Lamb* are defined by these EU regulations governing the definition of PGI. The terms can only be used on fresh and frozen beef and lamb that have come from cattle and sheep that have been born, bred and slaughtered in Scotland in accordance with specified standards of husbandry and processing regulated by QMS.
- 3.35 'Specially Selected Pork' is the QMS scheme for pork and it is estimated that 99% of pigs are raised on farms compliant with this assurance scheme, but this standard does not have the same PGI status as *Scotch Beef* and *Scotch Lamb*. The 'Specially Selected Pork' scheme does set stringent standards for production (including for animal welfare) and the standards include the requirement that pigs have to be born, reared and slaughtered in Scotland.

Place of Origin

3.36 In order to try to clarify the rules on labelling the Food Standards Agency has produced guidance on Country of Origin Labelling (FSA 2008a). The stated aims in producing this advice are to help:

- Manufacturers, producers, retailers and caterers¹ to comply with the law and avoid misleading labelling;
- Enforcement authorities to identify and act on misleading origin labelling; and
- Consumers through the provision of more consistent, informative and transparent labelling practices.

3.37 In addition to setting out the legal background there is Advice on Best Practice that the FSA encourages food businesses to adopt, but these are not legal requirements.

3.38 There is no statutory definition of “place of origin or provenance” in the Food Labelling Regulations 1996 or of “origin or provenance” in Directive 2000/13/EC. But both in Codex and the World Trade Organisation Rules, the country of origin is deemed to be the place of last substantial change of the food. This is consistent with section 36 of the Trade Descriptions Act 1968 where the approach is that for the purposes of the Act:

“goods shall be deemed to have been manufactured or produced in the country in which they last underwent a treatment or process resulting in a substantial change”.

3.39 The FSA guidance goes on to state:

“This is considered to be a reasonable guide for the purposes of the Food Labelling Regulations 1996. It would ultimately be for a court to decide, taking account of an ordinary person’s perception of the circumstances surrounding the individual case, whether any particular country or place specified is indeed where the last substantial change took place.”

3.40 To avoid misleading origin labelling it is recommended that, for example:

- Pork sausages made in Britain using pork from countries outside the UK are not described as "British pork sausages". Instead they could bear the name “Pork Sausages” and if helpful, a further declaration could be made as described –

¹ Also known as Food Service caterers provide food and/or drink to consumers – can be broken down to Cost Sector (e.g. in-house catering) where meals provided through a client at minimal cost, and Profit Sector (e.g. restaurants, pubs) where profit is required to keep business operating

- "Made in Britain from pork imported from Denmark or Belgium (i.e. more than one country)"; or
- "Made in Britain from Dutch pork"
- "we suggest that manufacturers consider providing [place of origin] information for primary products, particularly meat"
- "we recommend that [for] origin labels for meat:
 - Single country origin declarations should only be given where animals have been born, reared and slaughtered in the same country
 - Otherwise information on each of the countries of birth, rearing and slaughter should be given".

3.41 There is no legal definition of *Scottish* in regard to how it is used to label foodstuffs but guidance from the Scottish Government (Scottish Government 2005) on the labelling of beef states that:

'If the term Scottish is to be used [in the labelling of beef] the animal must have been born, reared and slaughtered in Scotland.'

3.42 Although there is specific legislation that applies to labelling of beef, it would be considered logical and meaningful if this same definition were applied to other food products of animal origin.

Planned future changes

3.43 In January 2008 the European Commission issued a proposal for a new food information Regulation (FSA 2008b). The proposal aims to update and simplify food labelling legislation by bringing together into a single Regulation rules on general and nutritional labelling as well as some other horizontal texts covering additional labelling requirements.

3.44 Currently there is no planned extension of mandatory country of origin labelling in the new proposal. However, it is proposed that should the country of origin be given voluntarily the rules surrounding the declaration will be tightened. This is primarily to address the issue of 'last substantial change' which in some cases can be confusing for consumers, e.g. the fact that a pie made in the UK with imported ingredients can still be labelled as 'product of the UK'. The proposal now puts forward a distinction between country of origin and provenance (*any place where a food is indicated to come from, not being a country*) and introduces criteria for making these declarations.

3.45 Where the origin, or provenance, of the product is different from that of any primary or characterising ingredient(s), the origin, or provenance, of the primary ingredient(s) should additionally be provided. For meat (other than beef and veal, for which specific legislation already exists), if voluntary origin information is provided, then the places of birth, rearing and slaughter must be given. If all three occurred in the same country, then a single origin declaration will be sufficient.

- 3.46 Scottish Government officials are liaising with colleagues from the FSA, who are currently working with European colleagues to ensure the proposed new Regulations meet UK stakeholder needs (FSA 2008c).
- 3.47 The negotiations on this topic have become protracted and the latest position (March 2009) is that further substantive discussion has been shelved until after the June 2009 European elections, at the earliest.

Enforcement of Labelling Regulations

- 3.48 Local Authorities are responsible for enforcing the legislation on labelling of foods in Scotland. This is currently regarded as less important than other responsibilities such as food safety, so in most cases local authority staff would only tend to investigate when the claims could be detrimental to the public or where there has been a specific complaint.
- 3.49 There have been no recent prosecutions taken in Scotland with regard to mis-labelling of food and drink products as regards Country of Origin. *(Jim Dixon Secretary of Scottish Food Enforcement Liaison Committee, personal communication)*
- 3.50 One complaint from a member of the public has been notified to the research team by one local authority concerning milled oats. The complainant objected to the claim "A true taste of Scotland" and that the oats were labelled "milled in Scotland" on the package. In addition, the image on the package depicting a familiar Scottish theme was claimed to mislead the consumer into believing that all the oats had been grown in Scotland. The complaint was investigated by the local authority but it was concluded that there was no breach of current labelling regulations.

Nutrition Labelling and Health Claims

- 3.51 Nutrition labelling rules are set out in Directive 90/496/EEC, which applies to all foods other than food supplements and natural mineral water. Nutrition labelling of food and drink is only mandatory if a nutrition claim is made.
- 3.52 Regulation (EC) No 1924/2006 (which came into force in the UK in July 2007) sets out the legislative controls on nutrition and health claims made on food. The Regulation applies to advertising, labelling and presentation of all foods, including food supplements and includes product labels, print and broadcast media, posters, internet statements and in-store promotion. It also applies to foods sold directly to consumer and also food intended for supply to restaurants, hospitals, schools, canteens and other mass caterers.
- 3.53 Within the regulation Article 2 defines a "nutrition claim" as any claim which states, suggests or implies that a food has particular beneficial nutritional properties due to the presence, absence, increased or

reduced levels of energy or of a particular nutrient or other substance, and includes claims such as “source of calcium”, “low fat”, “high fibre” and “reduced salt”.

3.54 A “health claim” is defined as any claim that states, suggests or implies that a relationship exists between a food category, a food or one of its constituents and health. This would include claims such as “calcium helps build strong bones”. More general claims such as “good for you” may also be health claims, and the Regulation takes these into account.

3.55 The general requirements of the Regulation 1924/2006 are:

- Claims must comply with the general requirements of the Regulation as specified in Article 3, which include not being false, ambiguous or misleading, not encouraging or condoning excess consumption of a food and not implying that a balanced diet cannot provide necessary nutrients.
- If a claim is made Article 7 makes it obligatory to provide nutrition labelling. However, a non-prepacked foodstuff put up for sale to the final consumer or to mass caterers, a foodstuff packed at point of sale at the request of the purchaser or pre-packed with a view to immediate sale, does not have to provide nutrition labelling.
- Article 8 means that only nutrition claims listed in the Annex to the Regulation can be made on food and only if the product meets with the specific conditions of use for that claim. For example, “low fat” can only be made on products containing no more than 3g of fat per 100g for solids.
- Claims must not be made on alcoholic beverages containing more than 1.2% by volume of alcohol, with limited exceptions for reduced energy or reduced alcohol and low alcohol content claims (Article 4).
- Health claims which suggest that health could be affected by not consuming the food cannot be made on food (Article 12).
- Health claims which make reference to the rate or amount of weight loss cannot be made on food (Article 12).
- Health claims which make reference to recommendations of individual doctors or health professionals cannot be made on food (Article 12).
- As specified by Article 10, health claims must be authorised and included in the list of authorised health claims in the Community Register, to be used on food. Products will also have to meet the specific conditions of use stated. The list of authorised health claims in the Community Register has yet to be put in place.
- Article 4 of the Regulation puts in place provisions that may restrict the use of claims on certain foods or categories of foods based on their nutritional composition (nutrient profile). The profiles are currently being developed and will be adopted by 19 January 2009. Food business operators will then have two years to comply with these controls.

List of Health Claims

3.56 In October 2006 the Agency invited industry to submit health claims (under Article 13 of the EU Nutrition and Health Claims Regulation) to a draft UK list. This list closed on 21 September 2007 to allow the Agency to screen submissions for eligibility. Claims eligible for consideration were:

- those describing or referring to the role of a nutrient or other substance in growth, development and the functions of the body
- psychological and behavioural functions
- slimming, weight control, a reduction in the sense of hunger, an increase in the sense of satiety and the reduction of the available energy from the diet.

3.57 Industry representative organisations and the EU institutions had agreed a format for provision of these claims and the UK invited claims by way of a template consistent with this format.

3.58 The Regulation requires that claims must be supported by references to generally accepted scientific evidence and the European Food Safety Authority will assess this. The Agency did not, therefore, look into the references in detail.

3.59 Claims are collected into five separate tables:

- 1 – Carbohydrates, Diets, Fats, Fibre, and Foods and Beverages
- 2 – Minerals and other
- 3 – Probiotic Ingredients, Protein, and Vitamins
- 4 – Plant substances with no known medicinal use in the UK
- 5 – Plant substances also with medicinal use in the UK

3.60 The tables made up the final version of the UK list of candidate Article 13 health claims which was submitted to the European Commission on 30 January 2008. In compiling the list the Agency sought to combine duplicate claims and ensure their eligibility under the scope of Article 13 (1). Submitters were informed of ineligible claims and had an opportunity to comment during the finalisation of the list. Submitters' details do not appear in the table. These tables may be accessed at <http://www.food.gov.uk/foodlabelling/ull/claims/>.

3.61 The tables do not include any example wordings. The Agency received multiple entries in this column and it is not possible to include them all in this table. However, all example wordings received were included against the appropriate claim in the list submitted to the EU Commission for consideration during the consolidation of every Member States' lists into the Community list of Article 13 health claims.

3.62 The claims listed in the table of health claims do not represent claims that are in any way endorsed or approved by the Food Standards

Agency. Until adoption of the Community list, businesses must ensure that they comply with current legislation. Claims on this list are not guaranteed a place on the final Community list of permitted claims. The European Food Safety Authority will assess submissions from all Member States and the EU will produce a final list of permitted health claims.

3.63 Certain claims are outside the scope of the Regulation, for example:

- Government messages for example '5 a day';
- Charity endorsement; (FSA is developing guidance on this area)
- Specific disorders for example 'gluten free'; and
- Ingredient claims such as 'no hydrogenated fat'.

3.64 The Regulation also allows for transition periods, for example:

- Trade Marks in use before 2005 can continue to be used until January 2022.
- Nutrition claims in use before January 2006 (and not included in the Annex) can continue to be used until January 2010.
- Article 13 Health claims, except those about psychological and behavioural functions and slimming and weight control, already in existence can be used - the list is approved by EFSA.
- Article 14 claims referring to children's development and health and Article 13 claims about psychological and behavioural functions and slimming and weight control can not be made unless the claim was in use before January 2007 and an application for authorisation has been submitted.

Quality and Sustainability

3.65 In 2006 the European Commission JRC sponsored research and produced an inventory of 386 food assurance schemes operating within the EU (EC, 2006). Of these 198 were listed as primarily concerning food quality and safety, 76 organic production, 61 quality/tradition/origin/traceability, 17 good agricultural practices, 15 integrated farm management systems, 10 environmental management and 9 animal welfare. It is clear, however, that many schemes overlap into the various categories listed but none embraced the four issues targeted by Scottish Government - quality, health, affordability and environmental sustainability.

Food Assurance Schemes

3.66 UK food assurance schemes are arrangements which primary producers, food processors and other businesses in the supply chain can join to assure their customers and the final consumer that particular hygiene and quality standards have been maintained throughout the production process. Schemes use regular independent inspections by

Certification Bodies (who are accredited by UKAS) to check that participants are meeting specific scheme standards. The emphasis varies between schemes but most commonly the standards cover food safety, animal health and welfare, and environmental impact. In some cases consumer products carry a logo to indicate that the product has been produced according to these standards.

3.67 Most standards are owned and managed by Assured Food Standards (AFS). Individual companies are certificated and are then permitted to use the Red Tractor logo on products. The objective of the schemes is to improve the production and inspection quality of most fresh food production for the benefit of consumers. It is generally regarded as some form of quality assurance to the consumer.

3.68 Some AFS schemes are UK-wide and some operate only in Scotland:

- Assured Dairy Farms.
- Assured Chicken Production.
- Assured Produce (Horticulture).
- Quality Meat Scotland Quality Scheme for beef, lamb and pork.
- Genesis Quality Assurance Scheme (covers all sectors).
- Scottish Quality Farm Assured Combinable Crops.

3.69 In addition there are other independent assurance schemes:

- Lion Quality Scheme – eggs.
- Freedom Food - focuses exclusively on welfare standards.
- LEAF Marque– Linking Environment and Farming - the only specifically environmental assurance scheme.

3.70 Organic fresh food assurance schemes differ from other food assurance schemes because the whole organic farming and food production chain and its labelling is subject to strict EU legislation. There are nine organic certification bodies approved to implement EU organic legislation in the UK including Scottish Organic Producers Association (SOPA). In the UK the Advisory Committee on Organic Standards (ACOS) is responsible for advising Defra, acting in conjunction with the devolved administrations, on the development and implementation of the EU organic standards.

British Retail Consortium (BRC) Food Quality Schemes

3.71 The BRC Global Standard for Food was launched in 1998 to establish a standard for the supply of own-brand food products and to act as key piece of evidence for UK retailers and brand owners to demonstrate 'due diligence' in the face of potential prosecution by the enforcement authorities. It evolved from the situation where different retailers were requiring suppliers to be audited by several different schemes. This led to duplication, confusion and, in some cases contradiction of hygiene requirements.

3.72 The scope of the BRC Standard is mainly on food safety but quality is also included. There are over 100 food and drink production sites in Scotland certificated to the BRC Food Standards.

3.73 The growth in local sourcing initiatives indicated the need for a common, low cost, supplier approval process for smaller food producers and processors, particularly for those whom the BRC Global Standard has proved too daunting or costly for the size of their business.

SALSA

3.74 SALSA is a non-profit making joint venture between the four main trade associations that represent the UK Food Chain from “farm to fork”; the National Farmers Union (NFU), the Food and Drink Federation (FDF), the British Hospitality Association (BHA) and the British Retail Consortium (BRC). The scope for SALSA is very similar to BRC Food with less emphasis on formalised quality systems. There are over 40 producers certificated to SALSA with a similar number awaiting certification.

Fisheries

Marine Stewardship Council

3.75 The Marine Stewardship Council (MSC) is an international environmental standard for sustainable fishing offering fisheries a way to confirm sustainability, using a credible, independent, third-party assessment process. There are currently three Scottish organizations certificated by MSC and in addition four others are in process of receiving certification.

3.76 Every fishery must demonstrate that it meets 3 core principles:

- **Principle 1: Sustainable fish stocks**
The fishing activity must be at a level which is sustainable for the fish population. Any certified fishery must operate so that fishing can continue indefinitely and does not overexploit the resources.
- **Principle 2: Minimising environmental impact**
Fishing operations should be managed to maintain the structure, productivity, function and diversity of the ecosystem on which the fishery depends.
- **Principle 3: Effective management**
The fishery must meet all local, national and international laws and must have a management system in place to respond to changing circumstances and maintain sustainability.

Responsible Fishing Scheme

3.77 The Responsible Fishing Scheme has been developed to raise standards in the catching sector. The Responsible Fishing Scheme was created in response to the needs of the seafood supply chain to demonstrate their commitment to the responsible sourcing of seafood.

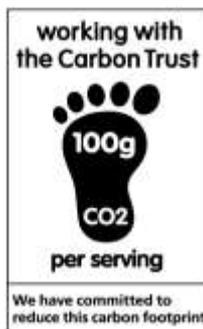
The aim is that over time it will become a condition of supply. There are currently 111 Scottish vessels registered with the scheme.

3.78 Based on a Publicly Available Specification from the British Standards Institution, the Responsible Fishing Scheme is an independent, audited assessment of the application of good practice by a vessel skipper and crew in their fishing operations.

3.79 It covers four key areas, namely:

- Fishing practices.
- Vessel criteria.
- Crew competence.
- Environmental considerations.

The Carbon Trust



3.80 The Carbon Trust encourages producers and retailers to sign up voluntarily to a labelling scheme to indicate the Carbon Footprint of their products. The carbon footprint can be calculated using methodology set out in PAS (Publicly Available Specification) 2050. Whilst several Scottish-based companies have taken steps to reduce their carbon footprints none is currently participating in the pilot Carbon Trust carbon labelling scheme. However Mey Selections has recently announced it will be labelling products with carbon footprint from 1 May 2009.

3.81 The Scottish Food and Drink Federation has also been working with several Scottish businesses through its Five-fold Environmental Ambition:

- Significantly reducing their CO2 emissions
- Striving to send zero food and packaging waste to landfill
- Cutting the amount of packaging reaching households
- Reducing the amount of water used in their factories
- Achieving fewer, and friendlier, food transport miles

4. OBJECTIVE (ii) To investigate industry practice behind ‘Scottish’ labelling and branding initiatives

Survey of Scottish food and drink businesses

- 4.1 All market research carried out by ADAS is conducted in line with the Market Research Society code of conduct. ADAS also takes very seriously its obligations under the Data Protection Act. Any email contact or telephone contact gives the recipient an opportunity to request that no further contact be made.
- 4.2 A telephone survey was conducted by ADAS during February 2009. Respondents were recruited to the study at random from lists of food and drink businesses based in Scotland. These lists were obtained from a variety of databases, including:
- The Scotland Food and Drink Buyers Guide.
 - Scottish Organic Producers Association “The Larder”.
 - Wendy Barrie’s “Scottish Food Guide”.
 - The FARMA lists of farm shops and suppliers to famers’ markets.

Sample discussion

- 4.3 It is emphasised that the sample was not designed to be representative of the 2,500 food and drink businesses that were estimated to operate in Scotland but to achieve a good spread by enterprise type and region. To ensure that a broad cross-section was interviewed, the eleven categories designated by Scotland Food and Drink were used to group businesses as follows:
- Alcoholic Beverages
 - Bakery and Cereals
 - Confectionery
 - Dairy
 - Fish and Seafood
 - Food Ingredients
 - Fruit and Vegetables
 - Meat, Game and Poultry
 - Non-alcoholic beverages
 - Prepared Food
 - Preserves and Sauces
- 4.4 A target was set of ten interviews in each sector to give a total sample of 110 respondents, with good geographic spread. No other restrictive criteria applied. It was considered that this number would yield sufficiently robust information on which to base overall conclusions without being overly burdensome on the food and drink industry. This sample size does not permit analyses at category level and findings should not be interpreted as necessarily representative of the wider Scottish food and drink sector.

- 4.5 At the draft reporting stage, concerns were expressed that the larger meat and dairy organisations were under-represented in the survey. In response and given the time available, two additional interviews were conducted to boost the number of larger meat businesses and one additional interview was conducted to boost the number of large enterprises in the dairy sector.

Questionnaire

- 4.6 The questionnaire was designed by the Project Team, in full consultation with the Scottish Government Research Group, to address the following points:

- Business size (full time equivalent employees).
- Range of products manufactured/distributed/sold.
- Type and whereabouts of customers.
- Source of products, is it all Scottish. Could it be, given demand.
- Current practice within supply chain in terms of labelling.
- Whether products carry country of origin of labelling.
- Other information that is included regarding traceability.
- Whether current practice differs for different products.
- Perceived importance to customers of having information on where products are produced and processed.
 - Has there been any demand.
 - Which sectors is it most important for.
- Perceived need for a change in labelling to include country of origin.
- How it is ensured that suppliers' claims are correct/ taken on trust.
- Whether or not any detail of country of origin or local production is included on any marketing materials.
- Whether or not local authorities (or anyone else) have ever requested proof of traceability - how could this be done.
- Whether or not sufficient Scottish products could be sourced if there was more demand from customers.

- 4.7 A telephone pilot study of four businesses was conducted to pre-test the questionnaire prior to gaining final approval (Appendix 1) and commencing the main-stage fieldwork. Telephone interviews were conducted by ADAS consultants during the period 28 January to 18 February 2009.

Sample description

- 4.8 A total of 113 completed interviews was achieved in total. There were at least ten respondents from each sub-sector with twelve respondents in the meat sub-sector and eleven respondents in the dairy sub-sector.
- 4.9 Sub-sectors were not mutually exclusive. For example, three respondents in the bakery and cereals sub-sector were also active in the confectionery sub-sector and five respondents in the prepared foods sub-sector were also active in the meat, game and poultry sub-sector,

and so on. For the purposes of the interview, respondents were asked to focus mostly on a single sub-sector.

4.10 When asked to describe their main product, respondents reported a range of activity, as follows:

- Alcoholic beverages (10 respondents).
 - Ales and beers (3).
 - Malt and blended whisky (3).
 - Wine, liqueurs and alco-pops (4).
- Bakery and cereals (10 respondents).
 - Oatcakes, biscuits, shortbread (5).
 - Bread and rolls (3).
 - Specialist vegetarian or allergen free baking (2).
- Confectionery (10 respondents).
 - Tablet (4).
 - Chocolates (3).
 - Boiled sweets etc. (3).
- Dairy (11 respondents).
 - Cheese (6).
 - Ice cream (2).
 - Milk, cream and other dairy products (3).
- Fish and seafood (10 respondents).
 - Shellfish specialists (3).
 - Salmon specialists (3).
 - Other (4).
- Food ingredients (10 respondents).
 - Cereals and flours (4).
 - Rapeseed oil (1).
 - Miscellaneous (dripping, seaweed, seasonings etc.) (5).
- Fruit and vegetables (10 respondents).
 - Soft fruit (3).
 - Potatoes (2).
 - Field vegetables (2).
 - Salad and other vegetables (3).
- Meat, game and poultry (12 respondents).
 - Fresh meat and meat products (10).
 - Game and venison (2).
- Non-alcoholic beverages (10 respondents).
 - Water (5).
 - Juices and soft drinks (3).
 - Coffee and tea (2).
- Prepared foods (10 respondents).
 - Ready meals (4).
 - Cooked, smoked or dried meats (4).
 - Prepared or smoked fish products (2).
- Preserves and sauces (10 respondents).
 - Jams and marmalade (2).
 - Chutney and pickle (4).
 - Honey (2).

- Other condiments (2).

Respondents' enterprise size

4.11 Respondents were asked to state how many employees worked for their business in the particular sub-sector of interest. Table1, below, summarises respondents' enterprises according to their reported number of employees (expressed as full time equivalent).

4.12 Table 2 also shows that of the total sample of 113 respondents:

- There were 41 respondents that reported 1-4 employees.
- 23 reported 5-9 employees.
- 26 reported 10-49 employees.
- 20 reported 50-249 employees.
- 3 reported 250+ employees.

Table 2: Number employed (FTE) in respondents' main sub-sector

Q5: Please can you tell me approximately how many people work in this area of the business in total? By

Q4: Which do you regard as your main sub-sector?

	Total	Alcoholic beverages	Bakery & cereals	Confectionery	Dairy	Fish & seafood	Food ingredients	Fruit & vegetables	Meat, game & poultry	Non-alcoholic beverages	Prepared foods	Preserves & sauces
Base	113	10	10	10	11	10	10	10	12	10	10	10
1-4	41	5	3	4	4	2	6	2	4	2	3	6
5-9	23	2	2	2	3	1	1	3	2	4	-	3
10-49	26	2	2	2	3	4	1	3	4	3	1	1
50-249	20	1	2	2	-	3	2	2	2	1	5	-
250+	3	-	1	-	1	-	-	-	-	-	1	-

Base: all respondents

4.13 Further research that targets the larger enterprises (250+ FTE) - in particular, in the bakery and cereals, dairy and meat sectors is recommended. This could, for example, take the form of face-to-face on-site meetings to allow the findings of this project to be presented to representatives from the target company's sales, marketing and production departments for discussion.

Respondents' customer profile

4.14 Respondents were asked to identify their main customers. Some two-thirds of participants cited retailers, including multiple retailers, local retailers, farm shops and internet outlets. There was slightly over one-third that identified wholesalers and just below one-third that reported supplying the foodservice sector, for example hotels and restaurants. Some four out of ten respondents stated that they supplied direct to consumers and less than one in ten reported supplying into the further processing/manufacturing sectors. Approximately two-thirds of respondents reported that they supplied two or more customers and around one-third supplied a single customer sector only.

Respondents' market description

4.15 Participants in the survey were asked to estimate the proportion of sales of their main product that were generated from specified geographic locations, selecting one choice from the list.

4.16 As illustrated in Table 3, below, there were:

- 10 respondents that supplied into their regional/local market only.
- 15 respondents that supplied the wider Scottish market.
- 43 respondents that supplied Scotland and the wider UK.
- 39 participants that were exporting to overseas markets as well as supplying the domestic market.
- 6 respondents were unable to provide an answer.

Table 3: Proportion of respondents' sales generated by location

Q20: What proportions of the sales of your main product are generated from each of regional/local, Scotland, the rest of the UK and outside the UK?

	Total
Base	113
Regional/local only	10 (9%)
Regional/local and Scotland only	15 (13%)
United Kingdom (including Scotland) only	43(38%)
United Kingdom (including Scotland) and overseas	39 (35%)
Don't know	6 (5%)

Base: all respondents

Membership of assurance schemes

4.17 Six out of ten respondents reported that they complied with one or more assurance schemes or standards. There were 29 mentions of the BRC Food Certification scheme and 13 mentions each of QMS and the Little Red Tractor. SALSA was cited by 12 respondents. A total of 26 respondents reported some form of organic certification. There were nine mentions of EFSIS (which is a commercial scheme including compliance with the BRC scheme) and 3 mentions of STS, who operate the certification scheme for suppliers to the NHS. There were 23 mentions of “other” and these included, among other schemes, retailer-specific assurance programmes. A little over half of all respondents were members of a trade association or marketing group.

Origin labelling

4.18 The majority, (100 of all 113 respondents) indicated that their main products carried some form of origin labelling. Of these:

- 29 labelled product origin according to a particular region or local area.
- 39 cited Scotland.
- 16 used some combination of regional/local and Scotland.
- 6 respondents labelled origin as UK.
- 3 respondents used some combination of regional/Scotland/UK.
- There were 7 mentions of ‘other’.

4.19 Respondents were asked to describe, in their own language, the terms that were used to denote origin. Interviewers provided prompts only when respondents’ sought help, by suggesting ‘made in Scotland’, ‘product of Scotland’, ‘Scottish’, a ‘regional name’, and so on.

4.20 Responses highlighted some sector-specific terms and some cross-sector language:

- Sector-specific:
 - Scotch whisky.
 - Scotch beef.
 - Aberdeen Angus.
 - Craft-brewed in (region).
 - Hand-baked/home-made/hand-crafted in (Scotland/region).
 - Produced from Scottish fish.
 - Processed and packed in Scotland.
 - Farmed in Scotland.
- Cross-sector:
 - Product of Scotland.
 - Made in Scotland.
 - Scottish.
 - Country of origin, Scotland.
 - Regional references – Highlands and Islands e.g. Highlands, Orkney, Isle of Islay, Arran, Skye, Colonsay and Western Isles.
 - Regional references – other e.g. Edinburgh, Castle Douglas, Aberdeenshire and Borders.

4.21 In addition, there were some respondents, typically supplying at local level that described marketing under their own name and address. Eight out of ten respondents that labelled by origin indicated that this applied to 100% of their main product output.

Reference to Scotland in the presentation of products

4.22 When asked whether or not they made reference to Scotland in the presentation of their products, for example using the Saltire or a tartan image, 48 respondents replied to the positive and 65 to the negative.

4.23 Among those respondents that made reference to Scotland, this drew largely on Scottish and Celtic imagery and associations:

- Saltire / St Andrew's Cross / Scottish Flag (12 mentions).
- Tartan (12 mentions).
- Landscape (11 mentions).
 - Including specific mentions of Glamis Castle, Orkney, West Coast, Fishing Boats, Hills and Lochs and Edinburgh Castle.
- Thistle logo (8 mentions).
- Celtic imagery (3 mentions).
- Gaelic writing (2 mentions).
- Stag's head (2 mentions).
- Single mentions of a deerstalker hat and Ayrshire cow.

Perceived benefits

4.24 Respondents (n=70) that were labelling product origin as Scotland and/or presenting their products as Scottish were asked to describe the benefits these associations with Scotland brought to their products. The key benefits tended to be associated with added value and product differentiation:

- Product attracts a higher sale price/adds value.
- Sales volumes increased.
- Advantage over UK or English products.
- Helps to identify the product for target consumer groups.
 - Scottish consumers (local purchasing).
 - Tourists/visitors to Scotland.
 - Overseas consumers (including expatriates).

4.25 The attributes that were associated by these respondents with Scotland were primarily:

- Natural, fresh and pure associations with the landscape in Scotland.
 - *“Although local custom is our main business, our continental customers love the overall image of clean, mountains, pure waters and an overall image of quality.” (Fish and Seafood).*
- A reputation for quality products.
- The intrinsic strength of the 'Scotland' brand that was itself seen as very strong.

4.26 Some sector-specific advantages were identified, as described below:

- *Alcoholic beverages*: the strength of the Scotch whisky brand was widely acknowledged. The product's romantic associations with the Highlands and the competitive advantage represented by the exclusive Scotch label were cited in particular.
 - *"The Whisky industry has done a good job on the image of Scotch whisky - but where the whisky's distilled is exceptionally important to whisky drinkers and that is what people look for on a bottle."*
- *Bakery*: Scotland's reputation as a food producer and the country's food heritage were cited in general.
- *Confectionery*: respondents highlighted the importance of local branding in response to demand from visitors. In addition, mention was made of export markets where expatriates wished to have a *"taste of home"*. The imagery of the Scottish countryside was described for its role in branding.
- *Dairy*: respondents described the positive attributes associated with Scotland, *"clean air, fresh water and wide-open spaces"*. Also mentioned were aspects of sustainability through local supply.
 - *"Reducing road miles, traceability from farm to housewife."*
- *Fish and seafood*: the imagery of Scotland's mountain scenery, pure water and fresh air were all identified as underpinning the country's established reputation for quality produce. Nevertheless, there were also concerns with regard to some use of Scottish labelling.
 - *"There appears to be a very grey area - to me the wording 'product of Scotland' means grown, reared, sourced and processed entirely in Scotland. Whereas 'Scottish', is being used by everyone jumping on the band wagon and using the Scottish selling point to their advantage, even if the product/produce has been brought into Scotland and not originated from Scotland - this is why I do not use the word Scottish on my label."*
- *Fruit and vegetables*: Scottish raspberries, swedes, mushrooms and garlic were all cited in particular for their associations with quality.
- *Meat*: Scotland's reputation for nature and open, wild countryside were mentioned. The Scotch Beef brand was highlighted in particular.
 - *"Scotch Beef has a well-deserved special reputation for the quality and flavour of the product."*
- *Non-alcoholic beverages*: the strength of Scottish imagery was emphasised for the benefits it conveyed in communicating messages of quality and nature.
 - *"Very brand-able and subtle, many icons and internationally recognised."*
- *Prepared foods*: Scotland and Scottishness were highlighted for the role they played in denoting quality and value to consumers with potential for premium pricing.
 - *"Higher price paid for Scottish products – perceptions of healthier and better quality."*
- *Preserves*: while there was much emphasis on the value of Scottish imagery in distinguishing products from competitors, mention was also made of the growing awareness of food miles and local sourcing initiatives

– this was perceived as double-edged when target markets were far removed from the product’s origin. Respondents in this sector also highlighted the tourism and hospitality markets where local/Scottish branding was utilised to good effect.

Barriers to origin labelling

4.27 Respondents (n=43) that were not labelling their products by origin and were not making use of Scottish imagery in the presentation of their products were asked to describe what their reasons were for choosing not to feature Scotland. The majority of respondents tended to highlight a positive rationale to brand or position their product according to specific drivers:

- Preference for local branding;
 - *“Being local more important than being Scottish.” (Confectionery).*
 - *“Tremendous benefits from local branding, supply hotels and guest houses that promote the fact that they use local products.” (Dairy).*
 - *“Local brand more important (to the identity of the brand) than Scotland but moving towards Scotland as marketing area broadens.” (Dairy).*
- Preference for specific quality marks or organic branding.

4.28 For some respondents, the question of Scottish branding was not perceived to be of direct relevance given their particular markets:

- Supplying products for further processing.
- Not relevant – particularly for products with non-Scottish ingredients.
 - *“Although the item is very Scottish, it’s put together in Scotland with little or no Scottish ingredients.” (Confectionery).*
 - *“We do buy-in – it’s UK but not always Scotland so prefer to label as UK with name of smokery.” (Fish and Seafood).*

4.29 A minority of respondents identified a risk of potentially negative associations:

- Branding as Scottish a disadvantage in some geographical markets.
- Overuse of Scottish imagery, particularly tartan, has devalued the brand.
 - *“Use of the term Scottish has been overdone and any previous benefits have been watered down.” (Dairy).*

4.30 There were several reported instances where respondents were keen to brand their products as Scottish but were unable to do so due to their particular circumstances. For example, a respondent in the meat sub-sector described stock that were born, reared, cut and packed in Scotland but as they were slaughtered in Northumberland they were marketed under the farm brand rather than under the Scotch Beef label. Similarly, a respondent from the food ingredients sub-sector reported that although they sourced goods from a local abattoir, not all animals were sourced by the abattoir from within Scotland.

Perceived importance of origin labelling

4.31 Respondents were asked to indicate how important they considered it was that their customers had details of the origin of their products (n=110 respondents) and also where processed (n=76), if this was relevant to that business. In both cases, seven out of ten respondents described it as highly or quite important and two out of ten respondents stated that it was not important or not at all important – the remainder were not sure.

Use of origin labelling in marketing materials

4.32 Seven out of ten respondents indicated that they included detail of origin labelling in marketing information or displays. Respondents were fairly evenly divided among those that included detail of country only, region only, local area only, or some mix of country/region/local area.

Authenticating origin labelling

4.33 When asked if they had been asked to provide evidence to support their claim of origin labelling, four out of ten respondents answered 'yes' and six out of ten said 'no'. Respondents were then asked how evidence of origin labelling could be provided, if requested.

4.34 Among those respondents that had been asked to provide evidence, responses tended to fall into one of two categories. Traceability could either be proven through inspection of invoices, delivery notes and ingredient specification (i.e. paper trail based) or by showing inspectors the source of manufacture of the product.

- 'Showing people' was particularly mentioned in 13 cases, including:
 - Source of spring and mineral waters.
 - Can take people out to the fishing areas.
 - Can view the livestock (for dairy and meat sectors).
 - Can view product being made (for confectionery and beverage sectors).
- 'Paper trail based' proof was offered as evidence in 32 cases including:
 - Tagging and labelling of individuals and batches to allow tracing back to specific fields or animals.
 - Production records/audit trail detailing the progress of raw materials through the manufacturing process.
 - Supplier invoices with ingredients specifications.
 - Export certificates.

4.35 Among respondents that had not been asked to provide evidence:

- 'Showing people' was mentioned in 24 cases:
 - Source of spring and mineral waters.
 - Can take people out to the fishing areas.
 - Can view the livestock (for dairy and meat sectors).
 - Could visit the farms of their suppliers.

- Can view product being made (for confectionery, bakery and beverage sectors).
- ‘Paper trail based’ proof was offered as evidence in 20 cases including:
 - Tagging and labelling of batches to allow tracing back to specific fields or animals.
 - Production records detailing the progress of raw materials through the manufacturing process.
 - Supplier invoices with ingredients specifications.
- In 8 cases respondents claimed that they could prove origin but did not state how they would do it.

4.36 With regard to obtaining information from their suppliers on origin labelling, excluding those that provided their own source of raw materials, respondents were equally divided between those that reported that steps were taken to ensure suppliers’ claims of origin labelling and those that took such claims on trust. Where it was reported that steps were taken, these included:

- Suppliers subject to site visits or are known personally (10 respondents).
- Suppliers subject to an auditing or verification process (15).
- Rely on paperwork – specification and certification (15).
- Source from reputable suppliers (8).

Sourcing of Scottish ingredients

4.37 Just over one third of respondents estimated that 100% of the ingredients of their main product could be regarded as being of Scottish origin. The remainder were fairly evenly divided between those that estimated up to 50% of ingredients could be regarded as Scottish and those that estimated somewhere over 50% but less than 100%.

4.38 When those respondents that reported using anything less than 100% Scottish ingredients were asked whether or not they could source all products and ingredients from within Scotland, at almost nine out of ten, the overwhelming majority did not believe that this could be achieved. Various barriers to sourcing from within Scotland were identified:

- Product/ingredient not grown in Scotland, cannot be sourced in Scotland:
 - Specific mentions of sugar, bananas, mangoes, fruit essences, glucose syrup, coffee, hops, ginger, oranges, dried fruits, chocolate, maize starch and mozzarella.
- Product not available in sufficient quantities:
 - Specific mentions of organic barley.
- Seasonality:
 - Specific mentions of tomatoes, butter and fish.
 - Also mentioned were impacts of poor (growing) seasons on availability of quality supplies, e.g. barley.
- Quality (particularly important for cereals).
- Cost.

Satisfaction with current practice in terms of origin labelling

4.39 Respondents were almost unanimous (107 of 113 respondents) in describing current practice within their own supply chain as entirely satisfactory or satisfactory. Just three respondents felt that it was not very satisfactory or not at all satisfactory with three respondents that replied they were not sure.

4.40 There was less unanimity when respondents were asked to describe their level of satisfaction with origin labelling within their respective sectors. Six out of ten respondents replied entirely satisfactory or satisfactory. Two out of ten respondents reported that they were not very satisfied or not at all satisfied.

4.41 The survey went on to ask where, if at all, respondents would like to see improvements with regard to current practice in terms of origin labelling. Responses tended to focus on aspects of traceability and concerns about the potential to mislead consumers. Suggestions included:

- The source of products should be made clear:
 - Use of terms such as 'packed in', 'processed in' can mislead consumer. Labelling imported product should not make it Scottish.
 - Dairy sector respondents reported unclear or misleading origin labelling on fresh milk imported into Scotland.
 - Some respondents from the meat sector expressed concerns that animals that were finished for a short period in Scotland were then sold as Scottish.
 - Imported ingredients can be used to make Scottish products, without declaring origin.
 - In some cases a small proportion of the product is of Scottish origin but it can be labelled as Scottish.
- Scottish imagery can mislead consumer.
- Tighten up on supermarket origin labelling.
- Need to avoid confusing the consumer with too many terms.
- More effort needed regarding food labelling within food service sector to follow traceability and food origin through to menu.

Government guidance and control

4.42 When asked if they thought that there should be more Government guidance on the use of terms such as 'Scottish', 'Made in Scotland', 'Product of Scotland' etc., half of all respondents answered yes. Unsurprisingly those who answered 'Yes' were more likely to be sourcing all or most of their ingredients from other Scottish suppliers than those who answered 'No' to this question.

4.43 The reasons underpinning these responses tended to focus on aspects of enforcement:

- The terms used at the moment are used too widely and are open to interpretation. Clear, simple definitions of the guidelines are needed.
- The criteria for allowing products to use Scottish labelling are not strict enough e.g. the low proportion of Scottish ingredients in some products.
- Scottish products and producers need to be protected; in some cases the Scottish brand is being abused.

- Consumers must not be misled.
- Action should be taken against those abusing the regulations.

4.44 Just under half of respondents indicated that they did not believe that there was a need for more Government guidance or control. Their reasons tended to reflect a degree of satisfaction with existing arrangements and a concern about increased levels of administration and government interference:

- Things are fine as they are, more guidance/control not necessary.
- Already too much bureaucracy.
- Too much government interference already.
- Worried that tougher rules may jeopardise existing branding as Scottish.
- Worried that more government control will add to costs.
- Lack of faith in (Scottish) Government.
- Should be left to individuals to decide.

Labelling across sectors

4.45 A total of 29 respondents were active in more than one sub-sector. Of whom, ten indicated that they labelled differently for other products/sectors. In some cases this reflected different target markets, for example a confectionery manufacturer that described an adult line marketed under Scottish branding and a national children's brand that was not. Similarly, other respondents cited the use of different branding and imagery that reflected different geographical markets. Distinctions were also drawn between products that were marketed to the catering as opposed to the consumer markets.

Claims other than origin

4.46 When asked whether they labelled or branded for other claims, such as healthier, higher quality, better welfare or more sustainable, one quarter of respondents replied to the positive but, at almost three quarters, the majority replied to the negative. Where additional claims were made:

- Higher quality:
 - Terms such as finest, luxury and premium.
 - Reference to quality breeds of livestock.
 - Hand-baked etc. to imply home-made quality.
- Health benefits:
 - For fruit and vegetable sector, reference to 'one of your five a day'.
 - For fish and seafood sector reference to Omega-3.
 - Reference to health for oat products and allergen free foods.
- Local and sustainable:
 - Local sourcing.
 - Traceability.
- Natural:
 - Traditionally/naturally reared.
 - Free from artificial ingredients.
- Animal welfare:
 - Freedom Foods in relation to fish and pig farms.
- Organic:

- Ten respondents used the term ‘Organic’ in their labelling to encompass many of the attributes in the natural, sustainable and animal welfare categories.

Additional comments

4.47 Prior to closing the interview, respondents were asked if there were additional comments, on the topics under investigation that they wished to make. Responses were wide-ranging, some sector-specific and some more general:

- Enforcement:
 - Tighten-up on the use of terms – e.g. concern that ‘fresh’ fish could be misinterpreted as ‘wild’.
 - Tighten-up on the criteria for Scottish products – e.g. concern at low proportion of Scottish ingredients in some instances.
 - Regulations subject to interpretation by local authorities impacts on consistency.
 - Simple rules and guidelines sought.
 - Producers should be able to decide how to label their produce.
 - Clearer guidelines sought re: PGI.
 - *“PGI has been granted to try to protect these products but the guidelines are not clear; this is a good example of something that has not been executed through to the product on the shelf...” (Prepared Foods).*
- Quality:
 - Quality more important than origin.
 - Quality is not dependant on country of origin but scale of production.
 - Risk of diluting the Scotland brand through overuse.
 - Must ensure that Scotland retains reputation for quality e.g. through regulation on breeds (traditional beef not dairy or continental breeds) and production system.
- Traceability:
 - Throughout the entire production chain – not just the final finishing or processing period.
 - *“I buy my Lemon Sole from the Aberdeen fish market; the merchant could have 4 different boxes - one from Aberdeen, one from Ullapool and the other two boxes from different destinations. As he sells some from each box, he may then put them all into the same box, he would then sell them to a merchant who would sell to the supplier who would sell the product to me - I do wonder whether there is true traceability?” (Fish and Seafood).*
- The desire for a common sense approach was a theme that ran through many responses:
 - *“I think that there are lots of things already being done in the Industry to promote ‘Scottish products,’ I just hope as they develop they keep in mind that not all products are the same and that it is not always possible to use local products, whether it is season or climate dictating to us.” (Preserves).*

Further research

4.48 On completion of the main interview, all participants were asked whether or not they would be prepared to take part in follow-up research and eight out of ten respondents gave their permission.

Multiple Retailers

4.49 Several multiple retailers have made public their plans to market more food and drink products locally in Scotland. For example in 2008 Tesco introduced 150 new lines sourced from 21 new Scottish suppliers. These included Summer Eating fish range from Farne Salmon & trout. Tesco also introduced 'Local Choice' milk sourced from small dairy farms (The Grocer Sept 08).

4.50 Sainsbury's now stock 17 lines including Taste the Difference beef with some sourced from Mey Selections based in the Scottish Highlands region. Sainsbury's is also supporting a new Supplier Development Programme offering Scottish firms advice on how to tap into major supply chains.

4.51 The Co-operative Group stated that they have always stocked Scottish products, but in an attempt to answer to consumer demand, have increased the range of Scottish products over the past year. The focus has been on meat, fish, dairy and bread, for example all fresh beef is Scottish, both standard and premium own label salmon is sourced from Scotland, also own-label milk sold? in Scotland is Scottish. The Co-op has invested over £3 million to grow Ava strawberries on their farm in Perthshire.

4.52 Morrison's have made over £1 billion worth of investment in Scotland with 51 new and extended stores and employ over 12,000 staff across Scotland. Morrison's use 100 Scottish suppliers and stock over 500 Scottish products. All fresh salmon and all fresh beef and lamb is Scottish. Morrison's also offer wide range of locally sourced cheeses (e.g. Strathdon Blue) and stock extensive range of whiskies, with over 30 single malts. All fresh produce is sourced direct from the farm, and process & pack over 80% of fresh fruit and vegetables in Scottish stores.

4.53 Summary of Multiple Retailer responses

- The move to Scottish labelling could become more comprehensive but inclination by each retailer varies as to the size/nature of their business. Several of the retailers indicated they would be happy to extend Scottish labelling of food and drink products in Scottish stores but there would need to be a strong commercial reason for doing so, i.e. sales increase. For some retailers, Scotland and the Scottish market is probably not large enough to warrant a lot of the additional cost/expense required setting up dedicated supply chains.
- Some retailers believe consumers are confused by the plethora of food logos/assurance labels and the relative qualities they confer.

- Traceability through the retail chain is considered to be robust because of the initiatives led by the British Retail Consortium, set in place because of the need to demonstrate Due Diligence, initially introduced by the Food Safety Act 1990.

Food Service Companies

4.54 To investigate practices within the foodservice supply chain telephone consultations have been undertaken with various organisations. The consultations were based on a consultation guide that enabled the interviewer to cover the following points:

- Details of business including geographic spread and type of customers.
- Current practice with regards to country of origin labelling and use of reference to Scotland logos / images.
- Benefits of country of origin labelling.
- Future need for changes.

4.55 Company A

- **Type of business** – National Food service
- **Type of customer:** Corporate services, Defence, Education, Healthcare, Leisure and Hospitality
- **Main products supplied:** Catering, hospitality and prepared foods – all foods.
- In terms of the Scottish contract, company A source as much as possible from Scotland. They have suppliers based in Edinburgh for meat, fruit and vegetables and bakery, a sandwich supplier in Kilmarnock and source dairy from all over Scotland. If the contract specified they wanted Scottish then they would attempt to source it.
- Origin labelling does tend to be applied to fresh products such as fruit and vegetables, meat and dairy. These are the type of products people think of more often. It is not necessarily applied to premium products. Traceability is key, the place name on the label is important.
- In terms of making reference to Scotland, they can only really influence this on the menus. They do not currently highlight this but they are looking to review it.
- They do not use the term ‘Scotch’ as it is a protected name and will not pay the premium to use it. Do use the term ‘Scottish’.
- Stating origin labelling is very important to their clients, less sure how important it is to the end user/consumer.
- The main reason clients want product origin labelling is that they tend to want to be seen to be supporting the local economy and farmers. Also increasingly to make sure what they source has minimal impact on the environment, and there is the concept that if they choose local they will be reducing the carbon impact. The other reason is provenance, as it has the perception that it is a better quality product. People do have a different perception of a product if they can see a name or a flag.

- Clients could communicate origin labelling through their restaurants, but it is not communicated that well. It may be worded in the menu or more often it is through word of mouth, i.e. the chef might say 'the carrots today are sourced from...'
- Can not take it on trust with the suppliers that claims of origin are correct - would not want to make an incorrect claim. Suppliers are audited and full traceability is tested during the audit. They are working to get the 'Red Tractor' logo onto menus as a way of demonstrating traceability.
- Consider that current practice within the supply chain is satisfactory but everything can be improved. For example to see more information, rather than just a name, so people know a product has been produced to welfare standards e.g. Freedom Foods.
- Do not think that more detailed origin labelling would help with traceability as have a very rigorous process already. It is needed more for end customer confidence.
- For future origin labelling, a logo would be good but there is the issue that could become logo fatigued and it would clutter up menus. Guidance would be beneficial on what can and cannot be stated. People may assume a product sourced five miles down the road is good but there is a whole bigger picture to look at, a need to look at sustainability as a whole.

4.56 Company B

- **Type of customer:** National Food service – hotels and restaurants, caterers and public sector.
- **Main products supplied:** Large frozen range including meat, chips to desserts and bakery, and an ambient and fresh equivalent range.
- Sales are generated from within the UK, not possible to split it into proportion of sales in Scotland. Main sales areas focus around centres of population e.g. South East England.
- Estimate that 10% or less of suppliers are based in Scotland.
- Supply own branded products, these cover the fresh, ambient and frozen foods. Try to cover gaps in market with own brands; if there are strong brands present will not use own brands for certain food products.
- A very limited number of products carry origin labelling, as main customers are caterers who struggle to communicate origin to their customers, so do not tend to focus on origin. One of their suppliers is Youngs Seafood who supply a lot of Scottish fish and also sell haggis.
- Origin labelling does tend to be used for more premium products, although using origin labelling tends to narrow the supply base down.
- Origin is not labelled as a particular region in Scotland, tends to be broader and just states 'Scottish'. It is hard to communicate origin.
- If any reference is made to origin it always tends to be in the name, e.g. Scottish salmon, but do sometimes use the Saltire. Foodservice does not lend itself to elaborate packaging design as the packaging does not sell the products.
- Origin labelling is important to customers *as far as well presented* on the price list, and marking it on the boxes does help the chef.

- The main reason why customers want product origin labelling is for marketing purposes. Traceability is a requirement in all cases.
- As all customers are caterers they would communicate origin to their customers through their menus.
- In terms of ensuring claims of origin are correct, for own branded products they work closely with the Trading Standards Officer to ensure labels are legal. For other branded products would check on any claims made.
- Some customers have asked to provide traceability but that is expected as it is part of the system.
- Current practice within supply chain is considered to be satisfactory in terms of origin labelling as this is exception rather than the rule.
- As regards seeing improvements, company B stated they carry out procedures to the letter. If there are more requirements it would not be a problem but it would be for those suppliers who do not already meet regulations, so they would struggle. It would make more of a level playing field.
- More detailed origin labelling would probably help with traceability in some cases.
- With regards to what needs to happen, the promotion of a logo is always good. People do associate the Red Tractor logo with 'British', so something similar to that would be good.

4.57 Company C

- **Type of business** – Privately owned family business, servicing both the catering and retail market place, wholesale distribution within Scotland.
- **Type of customer:** Business & Industry, Contract Caterers, Fast Food & Cafes, Health & Education, Leisure & Travel, Pubs, Clubs & Bars, Restaurants & Hotels
- **Main products supplied:** Full range of all food commodities
 - 100% of sales are generated from within Scotland, mainly the West Highlands and the Islands.
 - About 10% of suppliers are based in Scotland (in terms of manufacturing sites as apposed to sales sites). The rest are UK or global.
 - Supply own branded products, have a butchery cutting plant so have both fresh and frozen meat, also do a number of manufactured products under their own name which are mainly frozen products.
 - Origin labelling depends on the product; meat does carry origin labelling as requires traceability, but many items do not. Have over 10,000 products. If it is advantageous for the manufacturer they will flag up the origin so it does tend to be used more on the premium products, for example wild venison.
 - Origin can be labelled as a particular region, for instance supply 'Scottish pork' which covers the whole country, and also 'Argyll pork' and 'Argyll venison' which is locally sourced.
 - Reference is made to Scotland in the presentation of the products through a number of ways:
 - tartan
 - highland cow

- photography of area e.g. Oban Bay, Calmac ferry, Argyll or West Highlands
- maps
- Origin of labelling is quite important to customers, because of the area where company is based. The origin of the main food in dishes is important and therefore is listed.
- Main customers are retailers and caterers; the main reasons they want product origin labelling is that it enables them to market the product to their customers. The area is a high tourist attraction and it helps when defining products to them.
- Retailer customers communicate product origin on the label/packaging and by using the point of sale material supplied. Catering customers may list product origin on the menus.
- With regards to the larger manufacturers company C mainly take it on trust that claims of origin are correct as have not got the facilities to audit them, but do use reputable suppliers. For smaller suppliers they check traceability as they collect direct from the local suppliers.
- Company C regard the current practice within the supply chain as satisfactory most of the time but have had some poor experiences with parts of the meat supply industry.
- With regard improvements there are difficulties as restricted to space on the label and do not want to overload the label with too much information. Need to keep it very simple, either have something small to put on the label or through accreditation.
- More detailed country of origin and origin labelling would not help with traceability for company C as believe have a system in place which provides them with the proof required.
- If the product is Scottish and you are able to verify it is, then it is important to be able to demonstrate that clearly on the product.

4.58 Company D

- **Type of business** – National Food service
- **Type of customer:** Corporate services, Defence, Education, Healthcare, Leisure and Hospitality
- **Main products supplied:** Catering, hospitality and prepared foods – all foods.
- One of the World's largest foodservice providers operating in 60 countries.
- Committed to UK sourcing and have appointed a regional sourcing manager.
- Provenance is increasingly important to their customers and the perception of how this impacts on seasonality, freshness, sustainability, authenticity, as well as the issues of local, regional, British.
- Country of origin labelling is not very important to their customers as are more focused on the individual story of the product and its provenance rather than a cover all brand or label just because it is produced and processed in Scotland.

- Thought there is danger of over stating provenance, for example Scottish Haggis - everyone knows it's Scottish!
- The nature of foodservice is that it up to individual sites to decide upon menu promotions and is more likely to be communicated through the name such as Scottish Beef or a specific Scottish Cheese.
- In itself greater use of Scotch or other form of general label would not increase the use of Scottish products within the supply chain. What is needed is specific support for specific Scottish suppliers that have a good product the foodservice sector wants to buy and make sure they are maximising that opportunity.

4.59 **Company E**

- **Type of business** – Local Catering Supplier
- **Type of customer:** Corporate services, Leisure and Hospitality
- **Main products supplied:** Catering, hospitality and prepared foods – all foods.
- Mainly service hospitality events in Scotland.
- Try to source ingredients in Scotland wherever possible but problems with availability and price.
- Some clients specify Scottish products – occasionally difficult to be certain of origin especially for fruit and vegetables due to lack of traceability.

Public Sector Food Procurement

4.60 ADAS recently under a project for Scottish Government on labelling of pork and pig meat. As part of this study Public Sector food buyers from Local Authorities and from Hospitals were consulted. The information gathered is also relevant to this study and is summarised as follows.

4.61 Public Sector Food Procurement is subject to EU procurement rules and is therefore limited as to specify within the contract a specific country of origin. It is possible in certain circumstances to specify for example Scotch Beef as it is a PGI. The relationship Public Sector Food Buyers have with the food ingredients procured is primarily with the first tier supplier who will typically be a distributor. Scotch labelling is not commonly used as it would only be specified if it was a PGI product and the PGI products tend to be premium products that are not commonly used within the cost sector.

4.62 The interviews highlighted that where there were local, regional or Scottish products used this had been achieved by a close working relationship between the procurer and supplier rather than through specifications. Typically the Public Sector do not promote provenance though menus due to the nature of their customer e.g. School Children, Hospital Patients. In instances where there are examples of promotion, for example a Local Authority promoting its use of local suppliers for school meals, then this type of promotion is often done

via local press releases. Where there is promotion then it tends to be in relation to local or regional produce rather than the Country of Origin.

4.63 In conclusion current industry practice on the use of Scottish labelling and branding by Public Sector Foodservice is even less than Private Sector Foodservice partly due to procurement rules and also the cost pressures on Public Sector catering.

4.64 **Summary of Food Service Companies responses**

- A consistent view across the foodservice providers interviewed is that caterers do not typically promote origin on their menus. Because of this caterers do not typically demand country of origin labelling. If such labelling is used then it tends to be with regards to fresh products such as fruit, vegetables and meat and not necessarily specialist products that may already have their own very specific provenance, such as a brand of cheese. If any reference is made to Scotland then it tends to be within the name of the product, such as Scottish Salmon. The nature of Foodservice is that it does not lend itself to elaborate packaging design although it was stated that marking country of origin labelling on the boxes will help the chef if the item on the menu requires that item.
- The Scottish-based foodservice business focused on the West Highlands and Islands and in their case they will specify region on certain products such as Argyll Pork or Argyll Venison. They also make reference in the packaging of the product through the use of Tartan or “Highland”. This requirement for specific labelling is driven by the location of its customers (i.e. Scotland) as opposed to the other foodservice providers interviewed whose supply chain is servicing a broad range of customer across the UK.
- The foodservice businesses interviewed were adamant that the traceability systems in place are adequate and changing labelling would not make a significant improvement to this aspect of their operation. Foodservice providers generally audit their suppliers and test the traceability of their products so claims are not taken totally on trust as the reputational risk to their businesses is very high, although this was less evident with smaller scale operators
- The larger foodservice providers all mentioned the Red Tractor scheme as a standard that they included on some products and looking to include on others.
- A commonly held view across the foodservice consultees is that customers are looking for Provenance rather than Country of Origin Labelling i.e. a story behind the food of the specific producer. One of the dangers identified of going down the route of over-labelling or branding as Scottish is that customers could become fatigued and it could also dilute strong brands associated with provenance.
- Another issue highlighted is that local, regional or specific country of origin branding can confuse the customer as to the sustainability of the product

and there is a natural assumption that local is automatically more sustainable, which may not be the case

Consumer Focus Scotland report (November 2008)

4.65 Consumer Focus Scotland commissioned research to investigate the use of Scottish labelling on fresh and frozen meat – beef, lamb, pork and chicken - in the retail sector in Scotland. The research demonstrated that retailers make extensive use of Scottish origin labelling on fresh meat products and that in general robust systems were in place to allow proper traceability of Scottish origin labelled meat.

4.66 There was considerable variation in the type of labelling used. Every major retailer has developed their own labelling designs covering meat packaging, shelf labels, posters and banners. The most popular designations of Scotland are *Scotch* or *Scottish* and/or the use of a *Saltire Flag*. Other labelling designs used included:

Produce of Scotland
Narrative about a Scottish farmer
PGI logos for Scotch Beef and Lamb
Specially Selected Pork with a Saltire
Taste of Scotland
Proudly serving Scotland
Enjoy the Taste of Scotland
Reared in its native Scotland

4.67 The research suggested that the labelling used could lead to consumers being confused about the use of *Scotch* and *Scottish* on beef and lamb. These do not necessarily have the same meaning since *Scotch* requires certain standards of production as well as the animal having been born, reared and slaughtered in Scotland. For beef, *Scottish* means born, reared and slaughtered in Scotland but the requirements are less stringent for lamb which is not covered by domestic labelling regulations. Where *Scottish* is used alone, there is often no indication of whether the beef or lamb has been produced to independently audited assurance standards.

4.68 As part of this study a YouGov poll of 980 Scottish consumers was commissioned in February 2008 to explore the consumer understanding of the terms *Scotch* and *Scottish* to describe beef:

- “Which one do you think is better quality?”
 - Only 10% answered *Scotch*, with 38% giving *Scottish*; 36% thought they were the same and 17% didn’t know the difference. [*rounded figures – do not total 100%*]
- Which would you buy to support local farmers?
 - 7% answered *Scotch*, 39% *Scottish*, 7% both/neither and 9% didn’t know.

- “Which if either would you associate with legal standards of animal welfare and meat processing by Scottish farmers?”
 - 11% answered *Scotch*, 35% *Scottish*, 11% neither and 43% didn’t know.

4.69 The report also indicated variations between different Scottish stores of the same retailer regarding quantity of meat product labelled as of Scottish origin. Between three and six stores of the following retailers were visited in October 2007 and/or January 2008. The researchers ‘best estimates’ of the proportion of meat labelled as Scottish varied considerably between stores as shown in Table 4.

Table 4: Percentage of meat sold using Scottish origin or Scotch labelling

Retailer	Meat	% of product using Scottish origin or Scotch labelling
ASDA	Beef	55 - 80
	Lamb	0 - 30
	Pork	0 - 60
	Chicken	50 - 80
Co-op	Beef	95 - 100
	Lamb	35 - 100
Lidl	Beef	66 - 75
Morrisons	Beef	90 -- 100
	Lamb	70 - 98
Sainsbury	Beef	50 - 90
	Lamb	20 – 90
	Pork	0 - 90
	Chicken	30 - 100
Tesco	Beef	50 - 100
	Lamb	50 - 80
	Pork	25 – 90
	Chicken	40 - 65
Waitrose	Beef	10- 70
	Lamb	95-100

(Source Consumer Focus Scotland 2008)

Support to Food and Drink businesses to produce healthier and/or more sustainable products

4.70 The Scottish Government Food Processing, Marketing and Co-operation Grant Scheme (FPMC) was re-launched in 2008. The FPMC application form requires applicants to detail how their products will be healthier and more sustainable. The stated aims of FPMC are to make Scotland:

- Healthier – provide affordable, safe, healthy and fresh seasonal food.
- Wealthier and fairer – sustainable economic growth.
- Safer and stronger – more benefit to local communities.
- Greener – more sustainable food with less environmental impact.

For more details visit:

<http://www.scotland.gov.uk/Topics/Rural/SRDP/ProcessingandMarketing>

4.71 Scottish Enterprise, through Scotland Food and Drink, assist food and drink companies to develop healthy foods (through the Health Enhancing Foods Project) and encourage sustainable development. For more details visit

<http://www.scotlandfoodanddrink.org/20694>

<http://www.scotlandfoodanddrink.org/49536>

4.72 Another scheme that can provide support to SMEs is 'KIT-OUT the Park'. 'KIT-OUT (Knowledge, Innovation & Technology Out of University into Tourism) the Park' is a project that has been set up by Glasgow Caledonian University with funding from Scottish Government. It aims to encourage the uptake of the latest technological developments by small and medium sized businesses. The key objective is to help small companies to improve their business performance, develop new products and services and increase their competitive edge, through the adoption and integration of the latest technologies in 5 key sectors, including food technology. Successful applicants can be provided with up to 5 days free consultancy and other support to take new products to market. For further information visit <http://www.kit-out.org/index.html>

4.73 There are also several sources of general business support to SMEs in Scotland, including Interface (<http://www.interface-online.org.uk/>) which provides information for businesses wanting to engage with academia for knowledge and expertise.

4.74 In 2007 Scotland Food and Drink sponsored Connect to prepare a report identifying various sources of funding (Scotland Food and Drink 2007b). This identifies various sources of funding, but does not necessarily specifically target healthier or sustainable products.

5. OBJECTIVE (iii) TO REVIEW EVIDENCE ON CONSUMER UNDERSTANDING AND AWARENESS OF 'SCOTTISH' LABELLING AND BRANDING

Introduction

- 5.1 The purpose of this section is to present what is known about consumer awareness and understanding of Scottish labelling and branding. Although the number of consumer studies specifically relating to Scotland is limited, there is a large literature on how consumers respond in general to origin indication on product labels, from which important lessons can be learned for the Scottish situation.
- 5.2 This review draws from both types of study, and is structured as follows. First, the report introduces what origin labelling means from a consumer rather than a legal or operational perspective, outlining how, and to what extent, it can influence consumer choice. Thereafter, the report identifies three main types of consumer response to origin labelling, and in each case, explains and illustrates them with reference to Scottish evidence and examples. The implications for policy development and marketing are also highlighted within each section.

How Origin Labelling Influences Consumer Choice

The country of origin effect

- 5.3 For origin indication to have an effect on consumer purchasing patterns (the so-called country of origin effect (Bilkey and Nes, 1982; Papadopoulos and Heslop, 1993; Baker and Ballington, 2002)), two basic features must exist. First, the consumer must have a pre-existing store of images about the country or place concerned. These may be derived either from direct personal experience (residency, travel) or from general knowledge, media or word of mouth, or a combination of both (Han, 1989). Second, origin must be clearly and consistently portrayed on products, so that it may trigger recognition and encourage consumers to draw from their stores of images.
- 5.4 Origin may be presented via straightforward 'Made in..' or 'Product of..' statements, or recognisable names, terms or words in dialect or language, or icons, symbols or other pictorial images. As detailed below, many consumers do store positive images about Scotland but there are some ambiguities and positive feelings do not always translate into purchasing behaviour. Evidence also suggests some consumer confusion over Scottish origin labels.

Factors moderating the country of origin effect

- 5.5 Before detailing the evidence, it is important to note two important caveats about the country of origin effect. First, the pre-requisites described above are necessary, but not sufficient on their own for the country of origin effect to ensue. This is because origin indication is just one of many attributes or cues that appear on products (Verlegh and Steenkamp, 1999; van der Lans et al,

2001) and often it is these other attributes (e.g. price, brand name, quality, convenience) that play a more important role in consumer choice (Johansson, 1989), especially for food and drink products. The IGD (2005), in a survey of 1000 consumers, found country of origin was a top five factor in the purchase decision for only 11% of respondents, and the most important factor for only 2%.

- 5.6 In Scotland meanwhile, Market Research UK (2003) conducted trade-off analysis amongst 2000 consumers to identify which attributes consumers valued most when purchasing three food items: sirloin steak, Cheddar cheese and raspberries. Although the analysis identified some consumer segments where origin was prioritised, the main results revealed the most important attribute to be price, then origin, then production method for steak and raspberries; and price, then flavour, then origin for cheese. Similarly, qualitative research by NFO System Three (2002) found that although the importance of country of origin varies by product type, with Scottishness being of greater importance to meat than cereals, consumers' preferences for Scottish goods were only likely to be acted upon if other product attributes, in particular price, were the same. Overall therefore, it is important not to overstate the importance of origin labelling in consumer choice, even for countries where consumer awareness and positive images are abundant.
- 5.7 A second caveat regarding the country of origin effect is that the effect is not always positive, that is, consumers may be actively dissuaded from buying a product in response to viewing its origin information as opposed to being positively drawn towards it. Sometimes, this may be because consumers store negative, hostile images about the country concerned. For example, a tourist with a bad experience of food and drink while visiting Scotland may thereafter avoid Scottish labelled products on sale in their home country. Furthermore, even if consumers store positive images about a country, negative effects can ensue if there is a mismatch between those images and the natural, cultural or technological features the consumer believes are necessary to provide a quality product in the category they are buying from (Roth and Romeo, 1992). Thus for example, evidence shows many consumers associate Scotland with beautiful wild landscapes, history and tradition.
- 5.8 Although such images are positive in themselves and when linked to some types of products, they are less helpful when attached to outputs of hi-tech or industrial sectors, where innovation, efficiency and highly developed infrastructure are important to consumer perceptions of quality. Thus it is important to recognize that origin labelling has the potential to inspire negative as well as positive consumer responses, and these may vary according to product or industry sector.

Types of Consumer Response to Origin Labelling

- 5.9 In a well-respected meta-review of research in this area, Verlegh and Steenkamp (1999) identify three main types of consumer response to origin labelling: ethnocentric, affective and cognitive. Overlaps exist between the

types, but for convenience, each one is described separately below, with explanation and evidence given with reference to Scottish origin labelling.

Ethnocentric Responses to Origin Labelling

5.10 Ethnocentrism refers to a form of human behaviour whereby individuals make judgements and attributions using their own cultural perspectives as baseline criteria. In the case of consumer reactions to origin labelling, ethnocentric responses refer to situations where consumers have an innate preference for products from their home country or region. They can be based either on a gut feeling that home produce is superior to foreign, or be driven by a strong sense of national loyalty or citizenship (Combes et al, 2001). Either way, the consequence is that consumers responding ethnocentrically will instinctively select products labelled with their home country of origin if they have the option to do so (Bilkey and Nes, 1982; Baker and Ballington, 2002), and will also be more likely to respond to 'patriotic' promotional campaigns. From a positive perspective, ethnocentric responses reflect consumer pride and nationhood. Less positively, they can also reflect xenophobia and defensive, insular views of the world.

Evidence of Ethnocentric Responses in Scotland

5.11 Evidence does exist for ethnocentric consumer feeling in Scotland. For example, Combes et al (2001), in a qualitative study of both Scots and non-Scots members of the public, found respondents were mostly positive about Scotland and Scottish identity, albeit in a rather 'hazy' way – a general good feeling about the country.

5.12 With respect to the agrifood sector specifically however, the evidence is more mixed. On the one hand, focus group research of public perceptions of food and farming in Scotland (NFO System Three, 2002) identified significant pride in Scottish agriculture and resulting produce, with widespread agreement about Scottish farming's superiority over other countries including England, using lower incidence of disease such as BSE and FMD as evidence for this. Market Research UK (2003) also found Scottish consumers expressed a preference, in the case of steak and raspberries, for Scottish rather than imported produce, assuming that their price and quality expectations were met. However, the NFO system Three research also identified that origin was approximately the fifth attribute out of nine in terms of importance to purchasing (behind price/value for money, freshness, appearance and quality). Furthermore, research on a much larger sample of Scottish respondents by Market Research UK (2003) found more ambivalence regarding standards in Scottish agriculture, as overall New Zealand was perceived as superior, with Denmark and USA perceived as comparable to Scotland.

Marketing/Policy Implications of Ethnocentric Responses

5.13 Encouragement of ethnocentric responses to origin labelling, for example through 'buy national' campaigns, is problematic. First, there are difficulties from a regulatory perspective, as overt 'buy national' promotions can run counter to international trade and competition rules and risk being censured. Second, marketing theory suggests that it is undesirable to encourage

preference for products purely on the basis of ethnocentric feeling, as such preferences, although strongly felt, are often ultimately rather weak and unsustainable. This is because they lack grounding in conscious identification of real advantages of home products over foreign, e.g. in terms of quality or value. Therefore when consumers are in actual purchase situations, their ethnocentric feelings can be swayed by alternative products with attributes that meet their precise needs in a superior way.

Affective Responses to Origin Labelling

- 5.14 Affective responses refer to situations where origin labelling information conjures up images and associations that arouse specific emotions within the consumer. Affective responses are based on the fact that the stores of images and beliefs that consumers hold about countries and places tend not to be dispassionate evaluations, but can include meanings and associations that stir deep feelings.
- 5.15 In the case of domestic consumers' responses to home country labelling, such associations may relate, for example, to family, childhood, self-identity or status, evoking feelings of nostalgia, belonging or integrity. In the case of foreign consumers recalling or anticipating travel or holidays, feelings may relate more to fun, fantasy or adventure. Rather than from simple 'made in' statements, affective responses are likely to be triggered by origin-related pictures, images and symbols, and also auditory stimuli such as music, song, accents, dialects or language.

Evidence of Affective Responses in Scotland

- 5.16 It is widely recognized that Scotland possesses numerous powerful images, symbols and other stimuli which consumers may respond to in an affective way (McCrone, 1992; O'Donohoe, 1999). In their qualitative study of Scots and non-Scots members of the public, Combes et al (2001) found that both groups saw 'tartan and kilts' as the stereotypical symbols of Scottish identity, but they exhibited a certain weariness towards them, feeling that such symbols are completely removed from contemporary Scottish identity and divorced from their own lived experience of Scotland. Similarly, in a study of domestic young adults' perceptions of Scottish advertising, O'Donohoe (1999) found feelings of hostility and cynicism amongst the participants towards adverts portraying such stereotypical images, finding them patronizing, inauthentic and existing to serve commercial interests, particularly tourism.
- 5.17 In terms of symbols of Scottish identity that have more positive associations amongst domestic consumers, Combes et al (2001) found landscape images to be liked and valued, in part because they were seen to be relevant to lived experience (work or leisure activities), and also because they were organic and historical, in contrast to any symbols linked to business or tourism, which were seen as negatively ephemeral.
- 5.18 Baker and Ballington (2002) – reporting results of Scottish Enterprise research – concur with this finding, noting that domestic consumers do have positive

images of Scotland, and that these tend to revolve around history and tradition. But as Combes et al (2001) point out, landscape and historical images can be perceived as backward-looking and folklore-ish, not helpful when attached to sectors of socio-economic activity such as science, technology or finance. Indeed, Dinnie (2002) argues that the stereotypical images promoted with many Scottish products have a negative impact on the ability of new product/service sectors to exploit positive attributes linked to Scottishness.

Marketing/Policy Implications of Affective Responses

- 5.19 The images that consumers readily associate with Scotland could be considered a double edged sword from a marketing or policy perspective. On the one hand, branding theory upholds that the ability of consumers to make associations from a place or origin name is a vital foundation to effective marketing strategy, as consumers can be presented with images and meanings with which they are already familiar. Moreover, the stronger and more distinctive the associations – as is the case with Scotland - the more power they can have (Keller, 1993). On the other hand, Scottish evidence reveals many consumers divorce themselves from the stereotypical images linked to Scotland, and view them with a certain amount of hostility and cynicism, which reduces their potential as marketing tools. However, even the symbols which are viewed more positively and with more relevance (landscape, history, tradition) have the disadvantage of conveying the wrong connotations for some industrial sectors. Therefore, marketing campaigns need to handle use of symbols sensitively and in ways tailored to the needs of different sectors.
- 5.20 A further implication from the evidence of consumer perceptions of Scottish symbols is the need for clarity and balance in support of economic activity (sectors, firms or products) which fall under the banner of a symbol-based marketing campaign. Specifically, if policymakers over-emphasise popular symbols such as landscape and tradition in origin labelling campaigns in a sector, there is a risk of undervaluing economic activity which aims to innovate, modernise or otherwise break the mould of consumers' expectations. The result could be that support tends to gravitate towards activities that conform to the existing country stereotypes, rather than rewarding the most creative or entrepreneurial effort – an unhealthy cycle.

Cognitive Responses to Origin Labelling

- 5.21 Cognitive responses refer to situations where consumers infer physical quality characteristics about products from a country, based on their store of beliefs about the abilities of that country to provide a quality product (Verlegh and Steenkamp, 1999; Johansson, 1989; Kotler and Gertner, 2002). Where consumers believe a country has conducive contexts and skills, they are likely to believe the resulting products will be of high quality and vice versa. Thus for example, consumers may perceive Germany and Japan as countries with highly developed infrastructures and skilled workforces excelling in science and technology, therefore perceive that the quality of their electronic goods or automobiles is very high.

- 5.22 But the same contexts of these countries are less conducive to perceptions of high quality in product categories such as wine, perfume or fashion. Hence, consumer perceptions of quality in origin-labelled products depend on their beliefs about countries' contexts and vary according to the purchase category concerned.
- 5.23 Cognitive responses also come into play in situations where origin labels are pseudo quality assurance labels, that is, where the label certifies that all products carrying the relevant mark or logo have been produced according to certain specified codes of practice, usually backed by third party inspection or monitoring of standards.
- 5.24 Protected Designations of Origin and Protected Geographical Indications (PDOs/PGIs) are examples of this type of origin labelling, inspiring cognitive responses in the sense that consumers who recognise and understand these designations perceive that the certified products are of high quality relative to alternatives. Crucially though, with these labels, consumer awareness and knowledge of the relevant designation/logo, and ability to distinguish it from similar labels, is extremely important to commercial success. For as with any quality assurance scheme, administrative and marketing costs cannot be recouped if the origin label fails to trigger recognition, preference and willingness to pay a premium amongst consumers (Tregear and Gorton, 2009).

Evidence of Cognitive Responses in Scotland

- 5.25 Limited evidence exists on how consumers, domestic or foreign, view the quality of Scottish goods. In a multi-country study of views about general business performance, Papadopoulos et al (2000), reprising an earlier investigation, asked a sample of Scottish respondents about their perceptions of Scottish-made products. The authors noted a significant positive shift in attitudes on nine attributes, including workmanship, reliability and variety. However, innovativeness, technological advancement and price all registered a negative change, worryingly so, as these particular attributes were identified as most important to competitiveness in international markets.
- 5.26 With respect to the food and drink sector, results from the NFO System Three (2002) and Market Research UK (2003) studies are also somewhat ambivalent, with no clarity over how the generally positive feelings about Scottish agriculture reported by respondents translate into beliefs about the specific quality attributes of products. For foreign consumers, the results from the most recent VisitScotland survey (Harris Interactive, 2008) are also rather mixed on food quality perceptions. Although 60% of UK visitors and 33% international visitors would recommend Scotland 'a lot' based on their experience of the food, over 33% international visitors would not recommend Scotland at all based on their food experience. Only 15% of international and 30% of UK visitors perceived their experience of food in Scotland was better than other destinations. It seems therefore, that 'Scottish' is not a guaranteed indicator of high quality food and drink for at least a proportion of visitors.
- 5.27 With respect to the issue of awareness of logos, survey research repeatedly shows consumer awareness and understanding of quality assurance labels is

poor (NFO System Three, 2002; McEachern and Warnaby, 2004; Lyne et al, 2009), including the European Union PDO and PGI designations (London Economics, 2008), whose recognition lags behind private and retailer brands (Giraud and Tregear, 2006). The exception to this appears to be Scotch Meat labels, which survey evidence finds to enjoy high awareness. For example, Market Research UK (2003) found 80% of their respondents recalled the Scotch Beef logo when prompted, whilst in a survey of 353 Scottish female consumers, McEachern and Warnaby (2005) found 88% of respondents recognised it. Awareness of quality assurance is weaker for pigmeat however, as a survey by QMS/IGD in 2007 found only 38% of the Scottish adults questioned recognized the Quality Pork Standard logo (quoted by Lyne et al, 2009).

- 5.28 Regarding knowledge or understanding of what quality assurance labels represent, Davidson et al (2003), in a survey of 160 consumers from urban and rural Scotland, found both Scotch Beef and British Meat logos were associated with safety and eating quality, with ratings for Scotch Beef higher. However most studies tend to report knowledge/understanding levels as falling significantly below awareness levels.
- 5.29 The findings of McEachern and Warnaby (2005) are typical: in relation to the Scotch Beef label (which recorded unusually high awareness), only 26% of their respondents claimed any knowledge of the label, and on further probing only 22% were found to actually understand it. Consumer Focus Scotland (2008) also found poor levels of discrimination amongst consumers in relation to beef labelled as 'Scotch' or 'Scottish'. Specifically, more consumers associated 'Scottish Beef' with higher quality, provenance and standards, whereas it is 'Scotch Beef' that is quality assured and holds a PGI. Overall therefore, there are some major uncertainties over the abilities of consumers to recognize origin-based quality assurance labels and distinguish them meaningfully from alternatives.

Marketing/Policy Implications of Cognitive Responses

- 5.30 The evidence from Scotland regarding generally poor consumer awareness and knowledge levels for quality assurance labels invites the recommendation that these levels need to be improved. To do so effectively, it is important that labels assure aspects of quality which actually matter to end consumers, rather than criteria of interest or expediency to the suppliers involved in the schemes.
- 5.31 As Fearne (1998) points out, numerous meat labelling schemes in the UK have failed to capture consumer attention and interest – despite expensive promotional campaigns - because their quality criteria revolve around production-oriented dimensions such as wildlife conservation and landscape management, whereas consumers' quality priorities centre on product intrinsic attributes such as fat content, tenderness and eating quality.
- 5.32 There is also no doubt that consumer awareness and knowledge of quality assurance labels are not helped by unregulated proliferation of similar labels and logos, from different producers operating according to varying practices. Such proliferation undermines cognitive response effects. However to develop

effective rules on the use of Scottish origin labelling, policymakers should take account of the points raised already in this report regarding the need for a consistent, tailored and customer-oriented approach, with sensitive use of symbols.

Local Food

5.33 In reviewing the literature, this report has avoided conflating 'Scottish' with 'local', as the two concepts represent different perception and consumption tendencies. That is, although both concepts reflect consumer interests in origin and provenance, the local food movement is associated with more specific interests in engaging in shorter supply chains and direct interaction with primary producers, drives which are not synonymous with nation branding. In any case, the weight of evidence from research into consumer perceptions of local foods finds that, as with origin labelled goods, even amongst consumers 'interested' in local foods, trade-offs are made in practice against other attributes such as price and convenience when making product purchases (e.g. Groves, 2005).

Segmentation Issues

5.34 Some studies have found that consumers from higher income and age groups, and/or rural locations, pay more attention to 'extrinsic' attributes in food purchase such as origin. Overall however, the evidence is not clear and consistent on whether preferences for origin-labelled goods varies according to segmentation criteria such as demographics. Moreover, it is not clear how such differences could be acted upon in a meaningful, practical way through country branding policies. Hence, segmentation issues have not been examined in depth here.

Under-researched Topics

5.35 In the limited number of existing studies on consumer perceptions of Scotland and Scottish products, two topics do not appear to have been explored yet. First, the negative images or associations consumers link to contemporary Scotland (i.e. not the traditional stereotypes) such as urban deprivation and poor diet and health records. These would be worth exploring to see how they sit alongside the more positive images revealed in studies, with implications for the product-country match/mismatch issues discussed in the report. Second, no studies to date appear to have investigated consumer awareness and perceptions of origin and symbols at a sub-national level in Scotland. This is in spite of the fact that different regions of Scotland have very distinctive identities and reputations for particular goods/products, and that place brands from some areas are already well established, e.g. Orkney beef, Harris tweed, Islay whisky. It would be interesting to explore how consumers perceive such brands and to examine the anatomy of their preferences relative to pan-Scottish labelled alternatives. Overall, there is a need to know what role country branding plays in consumer choice when regional identity (or indeed private brand) is strong.

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6. OBJECTIVE (iv) TO IDENTIFY CURRENT PRACTICE INTERNATIONALLY WITH REGARD TO NATIONAL ORIGIN LABELLING SCHEMES

European Union

- 6.1 Regulations concerning protection of designations have a long and complex history. The countries of southern Europe (France, Italy, Spain, Greece and Portugal) have historically accorded greater importance and means for the support of products of certified origin, while northern countries have neither accorded specific aid nor appointed institutions, being happy to act as simple administrative intermediaries between the producers and the European Community.
- 6.2 In France, a protection by recourse led in the 1930's to the regulation of designations of origin (Appellations d'Origine) firstly for cheeses and then for other agricultural products and foodstuffs. Designations of origin are managed by a public institution (INAO - Institut National des Appellations d'Origine). INAO, which is responsible for the investigation and approval of designations, requires applications to be made by local, representative professional bodies who play a key institutional role.
- 6.3 In Italy, a law passed in 1954 fixed the fundamental rules governing the attribution and protection of designations of cheese origin or specificity. The PDO system for Italian cheeses is still based on this law. This legislation also established a National Committee for the protection of cheeses of designated origin and specificity.
- 6.4 The landmark regulation setting out the basis for Europe-wide recognition of rules on the protection of designations of origin and geographical indications of agricultural products intended for human consumption was European Council (EC) Regulation 2081/92. The regulation set out the rules by which products could be eligible to use a protected designation of origin (PDO) or a protected geographical indication (PGI). Several hundred products across Europe have been registered by national governments as PDOs or PGIs.
- 6.5 However this was challenged by the USA on competition grounds and in March 2005, the World Trade Organisation released the panel report regarding the European Geographical Indicators system. The panel's conclusions and recommendations led the EU to revise its rules governing how international GIs are treated. Regulation 2081/92 was amended with EC Regulation 510/2006. The amendment is aimed at complying with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the WTO.
- 6.6 The promotion of national brands are controlled by strict regulation on the provision of State Aid to various sectors. There have been many examples of EU member countries challenging measures taken by national governments to support local industries. Despite this some examples exist of such local support.

Label Rouge - Example of the Development of a PGI with Government Support

- 6.7 *Label Rouge* did not grow as an industry until the product became widely available at supermarkets. Slow-growing birds are key in *Label Rouge* production. *Label Rouge* now accounts for 30% of poultry sales in France, in spite of its high price—twice the price of conventional poultry. The *Label Rouge* program focuses on high-quality products, mainly meat, with poultry as the flagship product. It emphasizes quality attributes such as taste and food safety, and free-range production practices. The average consumer can note a positive difference in taste between *Label Rouge* poultry and conventional poultry - in fact, regular taste-testing is a certification requirement to prove that these products are “vividly distinguishable” from conventional poultry.
- 6.8 Besides broilers, standards also exist for layers, turkeys, ducks, geese, guineafowl, and capons. The *Label Rouge* label is also used for ham, sausage, eggs, rabbit, and cheese products.
- 6.9 *Filiere* is a French term for a supply chain based around a group of poultry producers with links down and up the supply chain (breeding company, hatchery, feed mill - processor, distributor, retailer). It is a highly coordinated alliance, but not necessarily vertically integrated. While some *filiere*s do own the hatchery, the feed mill, and/or the processing facilities, they differ from conventional integrators. The *filiere* is centered around a group of producers and associates called the “quality group,” which holds managerial responsibility for the *filiere*. This body retains control of the brand and makes the pricing, marketing, and advertising decisions. This allows for a balance of power among producers and other players in the supply chain. Farmers earn more per bird from *Label Rouge* production than they do from being contract growers in the conventional poultry industry; however, conventional contract growers raise more birds per year.
- 6.10 A coordinated supply chain helps lower production costs by improving cost efficiencies and coordinating the stages of production. It also allows complete traceability of the final product. The *Label Rouge* traceback system is so detailed that batches of birds can be traced from the consumer to their grandparents’ flocks. A code on the package indicates the farm, the origin of the chicks, the processing plant, and so on. Wing-banded birds can even be traced individually. Coordination permits quality control throughout the supply chain.
- 6.11 The *Label Rouge filiere*s sell branded products that are strongly tied to regional areas and have their own images. For example, the Landes *filiere* markets the image of chickens ranging free in the pine forests along the Atlantic coast. There may be several regional brands competing in a supermarket. Certain regions are associated with certain tastes. In fact, most of the *Label Rouge* brands are names of French cities or regions. Geographic restriction is important to prevent large-scale copying, and brand ownership keeps the brand names in the farmers’ hands.
- 6.12 The *Label Rouge* system has strong organizational support both in the government and in the private sector. The French government is committed to

strengthening rural development. Government agencies are responsible for setting and maintaining certification standards accrediting the certifiers and protecting against label infringement which protects *Label Rouge* from being copied by store brands or private labels. *Label Rouge* is farmer-created, consumer-driven, and government-supported.

Catalonia

- 6.13 Catalonia is an area of Spain, situated between the Mediterranean Sea and the Pyrenees, and in common with other parts of Europe still has its own identity. In terms of geographical indicators for food Catalonia operates within the Spanish system but in addition has extra categories which are overseen by the Catalan Government, based in Barcelona. Both systems were established in 1986 but neither is recognised by the EU.
- 6.14 Marque (Q) is awarded to particular Catalan food products which are claimed to have distinctive qualities when compared to similar products. These characteristics vary depending on the type of product, and they may affect composition, production process or presentation format. Included in the scheme are various fresh meats and fish, cheese, confectionery and honey.



- 6.15 The Artisan Food Product Stamp (A) is awarded to Catalan family-run food businesses that guarantee the customer an individualised final product of high quality and distinct characteristics that are possible thanks to mainly manual production techniques managed by a qualified artisan. Products include jams, preserves, liqueurs and spirits, pickles, cured pork, cheese, syrups and honey.

Switzerland

- 6.16 Switzerland is not a member of the European Community so is not restricted by EU law. It is of interest to note that there is a proposal to amend the law protecting trademarks and indications of source and the law protecting public coats of arms and other public signs and to determine what constitutes "Swissness".
- 6.17 The legislative revision project "Swissness" has two main goals:
- To reinforce the protection of 'Made in Switzerland' designations and of the Swiss Cross at a national and international level
 - To create greater clarity and legal security for their utilization.
- 6.18 The Federal Council is due to present the legislative amendment bill to the Swiss parliament before the end of 2009.

New criteria for determining the source of Swiss products

6.19 Goods are divided into three categories: natural products, processed natural products, and industrial products. In the draft put to consultation, the origin of a product is determined by two criteria which must be both met. A general criterion is that the origin corresponds to the place where at least 60% of the manufacturing costs occurred. For each of the categories of goods, there is an additional, specific criterion of the relationship which must exist between the product and the place of origin:

- For industrial products (such as detergent or an electronic appliance) the source is the place where the activities occurred giving the product its essential characteristics. This activity can be the manufacture (assembly, manufacturing) and/or the research and development. One step in the manufacturing of the product at least must have taken place in the place of origin.
- For natural products, the source corresponds to where it is extracted (for example, the source of water) or, instead, where the complete growth of a product took place (e.g., for plants).
- For processed natural products (e.g. dried meats) the source corresponds to where the transformation which gave it its essential characteristics took place.

6.20 Following the consultation, the Federal Council decided to keep the principle criteria in the draft for industrial products. For natural products and processed natural products (foodstuffs), the Federal Council decided to examine if the regulations in the Food Products Act can coexist with the regulations on indications of source. These two regulations should thus apply in parallel. Following the decision on principle and based on the draft, the Federal Council will present clear criteria taking the results of the consultation into account in the legislative bill and the parliamentary dispatch.

Affixing the Swiss Cross to products

6.21 The legislative revision project for protecting Swiss coats of arms and other public signs allows affixing the Swiss Cross on products under the same conditions as the indications of source such as 'made in Switzerland' designations. This means that the Swiss Cross may be affixed to a product as long as it actually originates in Switzerland. In contrast, the use of the Swiss Cross on products manufactured abroad remains illegal.

Australia - "Australia Made, Australia Grown"

6.22 The Australian Made logo certification trade mark was created by the Australian Government in 1986 to promote Australian made products in local and export markets.



- 6.23 In 2002, the logo was assigned to Australian Made Campaign Limited (AMCL), a not-for-profit public company established in 1999 by the Australian Chamber of Commerce & Industry (ACCI) to rejuvenate the Australian Made Campaign. Under its original rules, the logo's use was focused on products which met a two-part compliance test that provided certain legal protections for claims that goods are "Made in Australia".
- 6.24 In 2007, the renamed logo became the centrepiece of the new "Australian Grown" food labelling scheme launched by the Federal Government, and its rules were revised to extend the use of the logo to cover fresh produce. The logo indicates that a product is Australian and enables businesses to capitalise on the consumer goodwill associated with being Australian. All goods promoted in association with the trade mark must meet a two part compliance test as set out in legislation and the Campaign's own Code of Practice. Licensees agree to be bound by rules and conditions that relate to record keeping and compliance, and are subject to auditing by the Campaign.
- 6.25 The Australian Made, Australian Grown Code of Practice sets out the official rules and conditions governing membership and use of the Australian Made, Australian Grown logo as a certification trade mark. The campaign is supported by retailers, who in some cases have joined as Campaign Partners and now actively encourage manufacturers or producers to use the logo on their products.

Funding of the Campaign

- 6.26 The Campaign is now run by business for business. It has been established as a not-for-profit company under the auspices of the national and State Chambers of Commerce and Industry who are also the Campaign's Foundation Members. The majority of funds raised from licence fees are used to market the trade mark. Significant funding was provided by the Australian Government Department of Agriculture, Fisheries and Forestry in 2006/07 and 2007/08 to kick start the Australian Grown component of the campaign.

Use of Australia Made Logo

- 6.27 For a product to qualify to use the logo with the descriptor **Australian Made**, it must be:
- "substantially transformed" in Australia [i.e. the final manufacturing process must take place in Australia], and
 - 50% or more of the cost of production must be incurred in Australia.

6.28 For a product to qualify to use the logo with the descriptor **Product of Australia**, it must meet the following criteria:

- all significant components or ingredients must originate from Australia, and
- all, or virtually all, of the production processes must take place in Australia.

6.29 For a product to qualify to use the logo with the unqualified descriptor **Australian Grown**, it must meet the following criteria:

- Each significant ingredient has to be grown in Australia and
- All or virtually all of processes involved in production of the good must occur in Australia.

6.30 For a product to qualify to use the logo with the qualified descriptor **Australian Grown [plus name of ingredient/s]**, e.g. "Australian Grown Peas and Carrots", it must meet the following criteria:

- 50 per cent or more of the cost of manufacturing and producing the good must be attributable to production or manufacturing processes that occurred in Australia; *and*
- 90 per cent or more of the total ingoing weight of the good must consist of ingredients or components which have been grown in Australia and/or water harvested in Australia; *and*
- 50 per cent or more of the total ingoing weight of the good must consist of the ingredients, components or category of ingredients or components specified as "Australian Grown"; *and*
- 100 per cent of each ingredient, component or category of ingredients or components specified as "Australian grown" must have been grown in Australia; *and*
- the ingredients or components specified as "Australian grown" must **not** have been exported from Australia and re-imported.

6.31 Consumer research in Australia in 2007 indicated that:

- 89% of consumers believed it was 'very important' or 'important' that the fresh food they bought was Australian;
- 82% of consumers believed it was 'very important' or 'important' that the processed food they bought was Australian;
- 74% of consumers said that one of the reasons for buying Australian Grown was to 'support local farmers, fishermen and businesses';
- The most common reason for buying imported rather than Australian was that 'Australian produce not available' (46%).

New Zealand

6.32 The case of New Zealand lamb is especially interesting as an unsubsidized commodity product competing against subsidized lamb in some of the most competitive and sophisticated retail markets in the world. New Zealand has

used country-of-origin labelling as a “country brand” to differentiate New Zealand lamb in international markets and increase consumer awareness of this lamb as a high-quality imported product. Given New Zealand’s dependence on international markets, producers, processors, and exporters needed to develop strategies to create and maintain a strong positive image for their product. The focus is on quality and meeting consumer specifications, and differences in the use and effectiveness of New Zealand as a country brand for lamb in different import markets.

- 6.33 The relatively small size of the New Zealand meat industry and its individual companies probably helped facilitate the development of New Zealand Lamb as a brand. As New Zealand’s industry developed, no individual company held the combination of resources and market share to create an individual brand that could displace consumer recognition of New Zealand lamb in international markets. Through the years, individual companies have marketed lamb under their own brands, but the industry has come to recognize the value of the New Zealand Lamb brand.
- 6.34 Given the importance of this market, New Zealand invests a great deal of its marketing resources in promoting New Zealand lamb as a country brand. The large U.K. supermarket chains generally use the New Zealand Lamb rosette in addition to individual store brands, and New Zealand Lamb has become one of the most recognized brands by British consumers. Recent surveys indicates that 80 percent of British consumers mention New Zealand when asked what countries produce lamb and indicate that British consumers “prefer New Zealand lamb more than lamb from any other country”.

United States of America

- 6.35 Mandatory Country of Origin Labelling (COOL) became effective on 30 September 2008 in the USA. COOL is regarded as a retail labelling law that provides additional information to consumers at the time of purchase. Commodities included are:
- Muscle Cuts of Beef (including veal), Pork, Lamb, Goat, and Chicken
 - Ground Beef, Ground Pork, Ground Lamb, Ground Goat, and Ground Chicken
 - Wild and Farm-Raised Fish and Shellfish
 - Perishable Agricultural Commodities (fresh and frozen fruits and vegetables)
 - Peanuts, Pecans, and Macadamia Nuts
 - Ginseng
- 6.36 Retail establishments that are licensees under the Perishable Agricultural Marketing Act are required to label covered commodities with COOL.
- Food service establishments are exempt (includes restaurants, cafeterias, bars, food stands, and delicatessens).

- Processed foods are excluded, that is, covered commodities that have a change in character resulting from cooking, curing, smoking, or restructuring, or when combined with another food component.

6.37 COOL declarations must be specific and accurate. It is ultimately the retailer's responsibility to provide country of origin information to consumers; however, in order for retailers to accurately label covered commodities for COOL, direct and indirect suppliers to retailers must convey country of origin information. Packers and processors rely upon producers to provide country of origin information to initiate country of origin designations. Suppliers of covered commodities that are responsible for initiating country of origin claims may use the following for COOL verification:

- Producer Affidavits
- Purchase/Receiving Records
- Animal Health Records
- National Animal Identification System (NAIS), (or other official, compliant system)
- Production/Harvest Records
- Bills of Lading/Invoices

Muscle Cuts of Meat

6.38 Four different labels may be used:

- *Product of the U.S.*—meat from animals born, raised, and slaughtered in the United States or from animals present in the United States on or prior to July 15, 2008.
- *Product of the U.S., Country X*—meat from animals born in Country X and raised and slaughtered in the United States. These animals were not exclusively born, raised, and slaughtered in the United States or imported for immediate slaughter.
- *Product of Country X, U.S.*—meat from animals imported into the United States for immediate slaughter.
- *Product of Country X*—foreign meat imported into the United States.

Ground Meat

6.39 The label shall list all countries contained therein or that may be reasonably contained therein in any order. When determining what is considered reasonable, when a raw material from a specific origin is not in a processor's inventory for more than 60 days, that country shall no longer be included as a possible country of origin.

Perishable Agricultural Commodities, Nuts & Ginseng

6.40 The origin declaration will be where the product is grown/harvested. State, regional, and locality may be used for the country of origin declaration. Examples include: *Product of the U.S.*, *Produce of the U.S.*, *Grown in the U.S.*, or *Country X*.

Fish and Shellfish

6.41 Origin labelling may be:

- *Product of the U.S.*—covered farm-raised fish and shellfish that are hatched, raised, harvested, and processed in the United States or covered wild fish and shellfish harvested in waters of the United States or by a United States flagged vessel and processed in the United States and that have not undergone substantial transformation outside of the United States.
- *Product of Country X*—imported fish and shellfish that have not undergone substantial transformation in the United States as declared by U.S. Customs and Border Protection (CBP).
- *Product of Country X, Processed in the U.S.*—imported fish and shellfish that have undergone substantial transformation in the United States.
- Fish and shellfish covered commodities must state the method of catch (wild or farm-raised) in addition to country of origin declarations.

Commingled Commodities

6.42 Origin declarations must be specific for covered commodities of the same type that have been prepared from raw material sources having different origins that are contained within the same package. Meat covered commodities (e.g., rib eye steaks) derived from U.S. and mixed origin animals that are commingled during a production day may carry the mixed origin claim, *Product of the U.S., Country X, Country Y*. Mixed origin perishable agricultural commodities, nuts, and ginseng shall list all countries contained therein.

7. OBJECTIVE (v): TO CONSIDER THE NEED FOR FURTHER RESEARCH TO FILL EVIDENCE GAPS

Research sponsored by other funders

7.1 The Food Standards Agency is currently funding an update to a literature review on consumer attitudes to labelling that was carried out in 2007. This updated report is to include a section on origin labelling in other countries and is due to report in July. No other projects from other funders in the UK were identified which were considered relevant.

Further research to fill evidence gaps

7.2 More detailed investigations are required to fully understand the potential impacts of requiring the different food and drink sub-sectors to label by origin the main or characterising ingredient in their products. Whilst the aim to encourage use of more Scottish ingredients is laudable, the consequences for the different sub-sectors could be very different. For example, in the meat sub-sector it may result in the use of more home-produced animals which would be highly beneficial to those farming sectors. However in other sectors, such as bakery and confectionery, some well-established brands may be forced to use higher-cost materials if solely sourced from within Scotland, which could place them at a significant disadvantage compared with producers outside Scotland. These concerns are heightened at a time of economic downturn when some products may already be under pressure. Other products may be under pressure due to their perceptions as unhealthy e.g. through raised sugar and/or saturated fat content. No changes in legislation in Scotland should be considered until these effects are fully understood.

7.2 The Australia Made scheme is a model that merits further study in the Scottish context. The scheme was originally created by the Australian Government but is now independent and run by business for business. It is currently unclear whether it would be legal within EU rules so requires further investigation. However Catalonia has instigated a similar Quality Marque.

7.3 More work is required on how the four issues of quality, health, affordability and environmental sustainability can be pulled together into one coherent package. Researchers and practitioners largely work independently within their own disciplines and do not always share common goals. Some potential conflicts of interest would appear evident – e.g. health professionals, aware of the poor health record in Scotland, advise consumption of less saturated animal fats. However this potentially puts them against those who wish to promote greater availability of home-produced meat and dairy products. In order to devise a scheme that addresses quality, health, affordability and environmental sustainability there has to be a forum to discuss the inter-relation of these issues. There is no known food assurance scheme that includes assessment of all the four issues.

7.4 Research is required to investigate the negative images or associations that consumers link to contemporary Scotland (i.e. not the traditional stereotypes)

such as urban deprivation and poor diet and health records to understand if this is inhibiting more uptake of Scottish products.

- 7.5 Further empirical research is needed to better understand consumer attitudes to local/regional marketing campaigns and to further develop this form of branding. Many smaller producers believe that this is their best way to expand but the evidence is currently not in place.
- 7.5 There is a gap in producers' and consumers' knowledge and understanding of the different terms used to describe food and drink products as of Scottish origin. If terms such as "Made in Scotland" and "Product of Scotland" are to be used to convey different messages then there will need to be an educational campaign to ensure public understanding.

8. CONCLUSIONS

- 8.1 There is need for better coordination between government, professionals and the food and drink industry to consider all issues surrounding sustainability and health. The current food assurance schemes largely focus on food safety and quality – none currently embrace all four issues of quality, health, affordability and environmental sustainability.
- 8.2 Sustainability is now higher on the agenda of the food and drink industry and is being adopted by more businesses but has a lower profile than food safety and quality. Health issues connected with food is further behind sustainability as a priority for most food and drink businesses.
- 8.3 “Australia made” may be a model that merits further study in the Scottish context. It was originally created by the Australian Government but is now independent and run by business for business - would it be legal within EU rules?
- 8.4 Many smaller food and drink manufacturers increasingly identify themselves with local markets rather than with a wider Scottish identity. Regional initiatives to assist small businesses to promote their products, such as East Lothian Food and Drink, feature heavily the local nature of the food rather than a wider Scottish label. This confers dual benefit of (i) clear marketing message and (ii) meets demand for sustainability and traceability.
- 8.5 Multiple retailers and larger food service companies indicate that there is some consumer interest in purchasing more locally produced food and drink, in some cases this is local/regional, in others Scottish. However they stress the need for consumers to be prepared to pay extra for higher quality product where local/regionally branded goods tend to be positioned. While this may seem counter-intuitive, it reflects retailers’ established distribution systems that have evolved to maximise efficiency of operation.
- 8.6 In some sub-sectors, there are insufficient supplies of raw materials to provide all of the ingredients required to manufacture what have been regarded as traditional ‘Scottish’ products, such as oats, butter, sugar, barley. In other sub-sectors, products perceived as intrinsically Scottish may contain raw materials that cannot be sourced from Scotland.
- 8.7 The current rules on labelling are recognised to be in need of revision and in some cases are confusing to the public. A variety of labels/promotions are used to apparently denote provenance, such as the Saltire or tartan packaging, even though the product may not be truly of Scottish origin. This is potentially misleading, even though it may not be strictly illegal. For this reason there have been no recent prosecutions taken in Scotland with regard to mis-labelling of food and drink products, and few reported complaints.
- 8.8 There is confusion amongst producers and consumers about the terms used to describe food and drink products as of Scottish origin. If terms such as “Made in Scotland” and “Product of Scotland” are to be used to convey different messages then there will need to be an effective educational campaign to ensure public understanding. While the positive associations with Scotland were widely recognised so too were the risks of devaluing through the overuse or inappropriate use of terms such as “made in” or “product of” Scotland.

- 8.9 Local Authorities are responsible for enforcing the legislation on labelling of foods in Scotland. This is currently regarded as a lower priority than other responsibilities such as food safety, so in most cases local authority staff would only tend to investigate in response to specific risk to the public or where there has been a specific complaint.
- 8.10 The proposed changes to EC regulation on labelling of main or characterising ingredients, if implemented in its current form, could require some well established Scottish brands to indicate that their main ingredients have not been produced in Scotland.
- 8.11 In the meat sector there are claims that animals in Scotland are produced to higher welfare standards compared with other parts of the EU. Whilst some studies have indicated that interest in higher welfare standards is increasing there is insufficient research to indicate that Scottish consumers are sufficiently aware of these higher welfare and quality standards so further market research is necessary.

9. RECOMMENDATIONS

- 9.1 The Scottish Government, Food Standards Agency and the Food and Drink Sector in Scotland should:
- 9.2 Investigate potential impacts of requiring the different food and drink sub-sectors to label by origin the main or characterising ingredient in their products – changes that may benefit one sub-sector may well be prejudicial to others.
- 9.3 Investigate the “Australia Made” scheme to see if there is scope to use this in the Scottish context including whether a similar scheme would be considered legal under EU rules.
- 9.4 Consider how the four issues of quality, health, affordability and environmental sustainability can be pulled together into one coherent labelling scheme. Researchers and practitioners appear to work independently within their own disciplines and do not always share common goals.
- 9.5 Investigate the negative images or associations that consumers link to contemporary Scotland such as urban deprivation, poor diet and poor health record compared with other parts of the UK, to understand if this is inhibiting more uptake of Scottish products.
- 9.6 Sponsor empirical research to better understand consumer attitudes to local/regional marketing campaigns and to further develop this form of branding. Many smaller producers believe that this is their best way to expand but the evidence is currently not in place.

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Appendix 1

Telephone Questionnaire - See attached pdf file