Number 9/2008/p.1-8 www.CAFRI.org

Current Agriculture, Food & Resource Issues

A Journal of the Canadian Agricultural Economics Society

The Beef Industry in France: Gearing Up to Demand?

Pierre Sans

(INRA, UR1303) Université de Toulouse – Ecole Nationale Vétérinaire, France

Guy de Fontguyon

(INRA, UR1303) Institut National de la Recherche Agronomique, France

The Issue

The beef sector in North America, as in much of Europe, has not industrialized as rapidly as other animal production industries (pork, poultry). At the same time, the market share for beef in household meat consumption has dwindled. Apart from a penalizing price effect, various studies in North America (Wachenhein and Singley, 1999; Goldsmith et al., 2002; Schroeder and Kovanda, 2003) have accounted for this in terms of a lack of vertical coordination in the sector, the absence of a channel captain at the processing stage, and the dearth of product differentiation initiatives directed at customer expectations. The purpose of this contribution is to analyse the case of the French beef sector and to compare and contrast findings with the situation described in the United States and Canada.

Implications and Conclusions

The processing sector has undergone slow industrialization since the 1950s. Health scares since the mid 1990s have speeded concentration and led to the introduction of innovative technical and organizational tools. However, these tools were not always designed to meet consumers' long-term expectations, which returned to centre stage once the food scares were over. And so in France, as in North America and in many other European countries, coordinated efforts by all the links in the supply chain, under the impetus of a channel captain, seem more necessary than ever to match supply characteristics to those of demand.

Introduction

The following section traces the prominent features in the process of industrialization of the sector. We then evaluate the extent to which the industry takes account of consumer demand in times of crisis and outside such times. In the final section we discuss the changes observed, so as to identify considerations of general scope.

From an Artisanal Supply Chain to the Development of Industrial Channels

The Slow Development of a Meat Processing Industry

The wholesale butchers' meat market of the 1950s was dominated by many family firms operating on an artisanal basis. These firms were organized only loosely, if at all, and widely dispersed. They used a dense network of public slaughterhouses (figure 1).

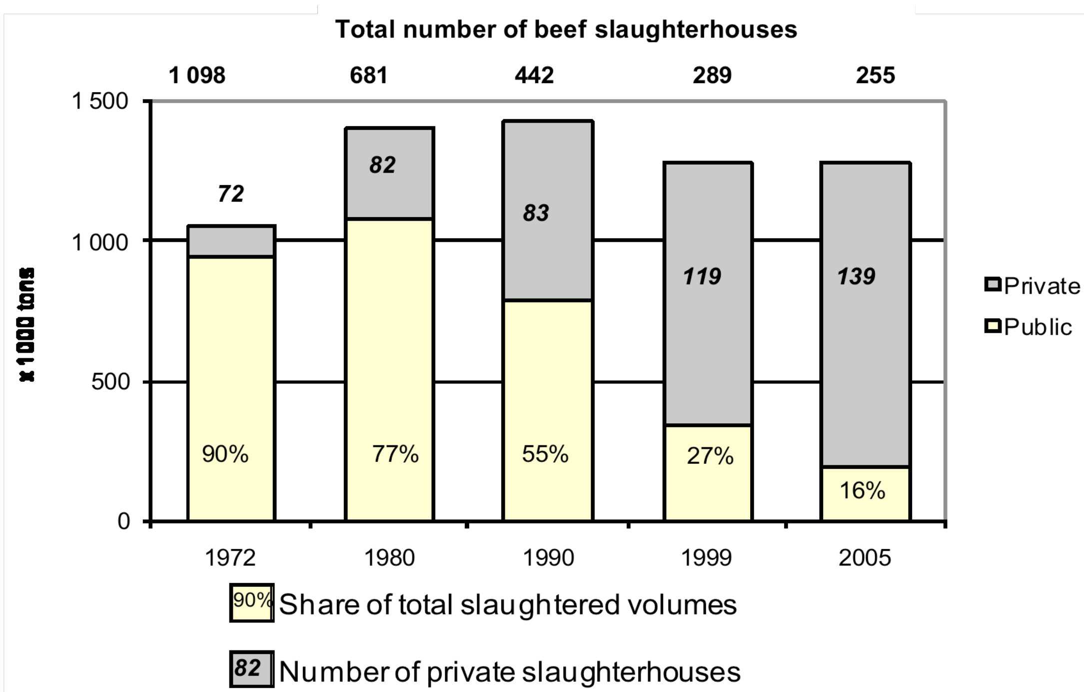

Figure 1 Public- and private-sector slaughtering, changes in numbers and tonnages handled.

They were not involved in processing, and their cutting activity was marginal. To better control the throughput of meat, from the mid 1970s the authorities encouraged the development of competitive, private-sector, industrial facilities whose average capacity exceeded that of public-sector slaughterhouses. Very progressively, functions became specialized and the investment capital rationale took hold. However, industrial firms did not benefit from any major technological innovations or powerful branding, as was the case in the dairy industry, nor from decisive productivity gains; this protected the artisanal firms for some time. Accordingly, no leading group managed to emerge and the sector suffered from considerable undercapitalization because of its weak pulling power. This resulted in part from the narrow margins and from the limited volume of sales of differentiated products both in terms of more complete processing – slow advance of vacuum-packed unitary portions, failure of reconstituted steak (figure 2) – and in terms of enhancement of the image and origin of meat (slow advance of quality signs for beef).

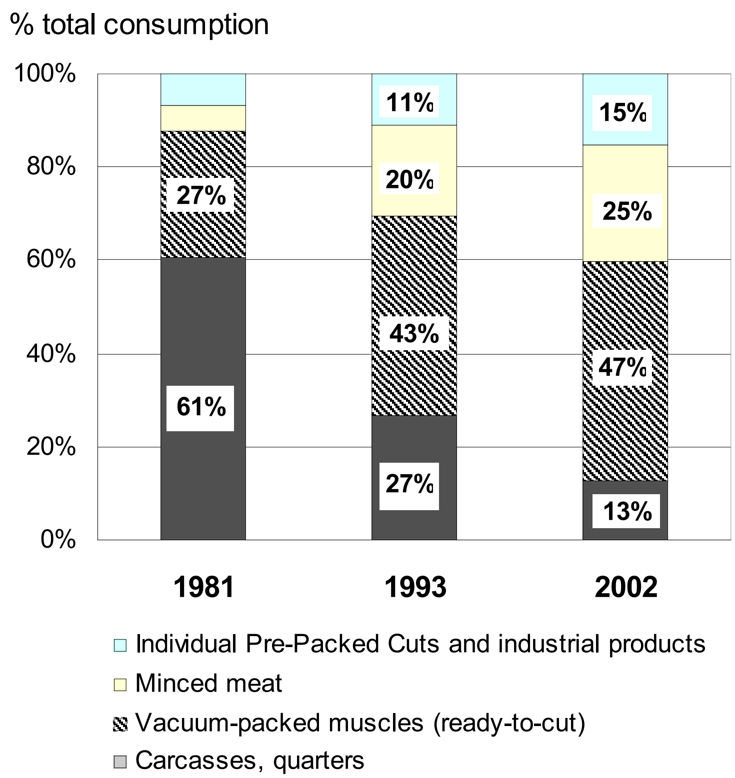

Figure 2 Development of beef individual pre-packed cuts (IPPC) sales in France.

Food Supermarkets: the Driving Force behind Changes in the Sector

Food supermarkets first appeared in the 1960s and expanded during the 1970s. The breakthrough they made, which was very substantial for standardized and marketed foodstuffs, was more gradual for beef, with 10 percent of retail sales in 1970 and 40 percent in 1980 (figure 3).

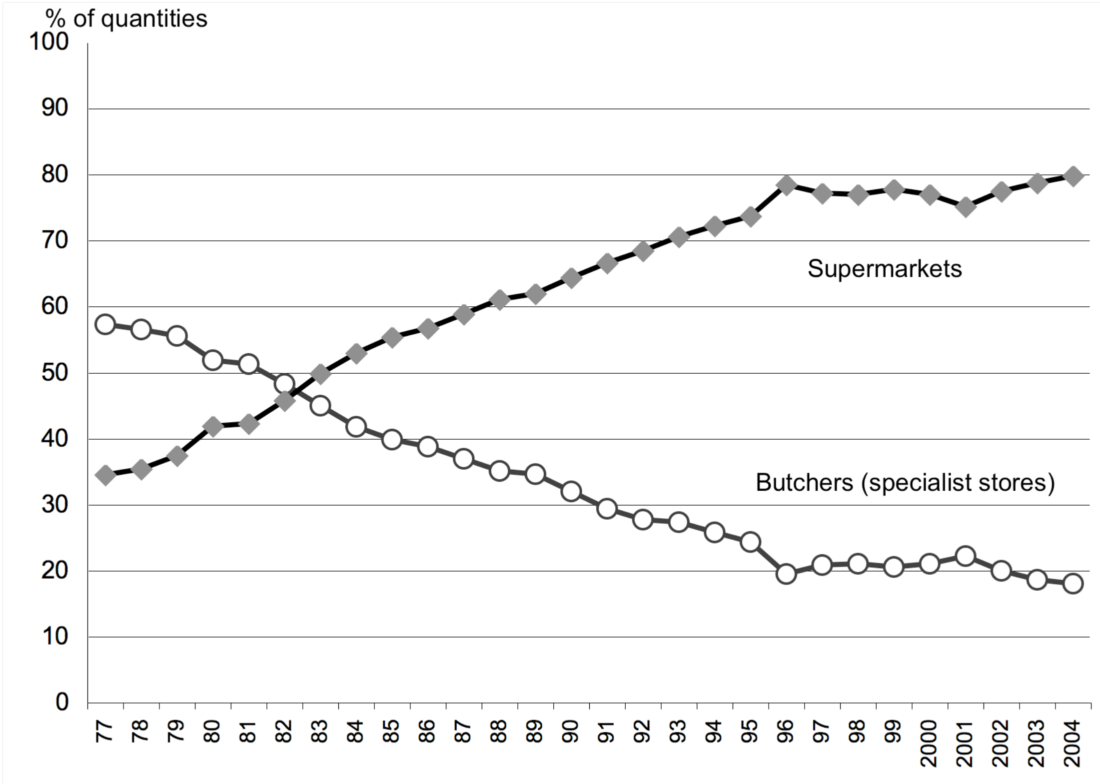

Figure 3 Changes in market share of fresh beef purchased by households in the various channels.
Source : Secodip panel

The wholesale sector was ill-prepared for these new customers, and supermarket warehouses all had to set up facilities to prepare the trays sold in the butcher's department from the vacuum-packed muscle meat they bought; the unpreparedness of the wholesalers prompted some distributors to invest in slaughtering and cutting themselves (Casino, Promodes).

The financial centralization of purchases by modern distributors and competition among suppliers favoured the concentration of firms and the development of private-sector slaughtering and cutting plants. However, French regulations, which until 1986 set retail sector margins and prices for meat, considerably slowed the take-off of innovative products proposed by the industry.

Beef Consumption Dwindled from the 1980s

The renewal and economic development France experienced from 1950 to 1980 brought unprecedented growth in per capita income and along with it a marked increase in the consumption of meat products. The meat market was driven by demand from domestic supply and imports. However, the trend for beef purchases reversed in 1980: even if economic factors (income effect, relative price effect) still explained variations in the quantities of beef that households purchased, a change in preferences came about. This reflected the growing impact of four sociological factors (Sans, 2001): consumers' growing concern for their health; increased desire for more leisure time; search for variety; growing sensitivity to the ethical character of production systems (animal welfare, environmental protection, types of animal feed and veterinary treatment).

Table 1 shows the image deficit for beef in terms of product characteristics. The very low scores for the items *successfully adapted to consumer tastes* and *well suited to today's lifestyles* are evidence of the dissatisfaction of many consumers. This deficit is a sign that the segmentation of supply in terms of a logic of butcher's cuts (variety of cuts from different anatomical origins) does not meet the expectations of most buyers. This frustration is not evenly spread among the French population, however (and does not concern all cuts uniformly). The reversal in the trend observed in the early 1980s results largely from the disaffection of young people (under 35), the middle classes and people living alone (Combris and Grignon, 1997).

Table 1 How Consumers Judge Products (taste and practical character)

Opinion stated	**Dairy products** (percentage agreement)	**Meat products** (percentage agreement)
come in many varieties	79	38
have successfully adapted to consumer tastes	76	19
are easy to use	79	24
are well suited to today's lifestyles	69	22

Source: CIDIL, 2001

Faced with this new situation, can the beef sector and more particularly the processing industry come up with new products that are better adapted to what consumers want? In other words, is a switch from supply side (top-down) to demand side (bottom-up) possible?

Gearing up to Consumer Expectations?

Health Scares Impose Traceability and Foster Product Differentiation Strategies

In March 1996, the first BSE scare shook Europe's beef industries. The sudden downturn in consumption reflected a loss of trust in the product and more generally in the sector. The downturn led to the introduction of public support for markets and multiple initiatives intended to reassure consumers (*Viande Bovine Française – French Beef Meat* – logo, mandatory information labelling, etc.), made possible only by rapid generalization of traceability from cattle farm to point-of-sale.

At the same time, supermarkets developed quality and origin brands to ensure compliance with private-sector specifications. These steps reflected the distributors' aim of providing consumers with better guarantees about product safety and quality "from farm to fork" (Sans and de Fontguyon, 1999; de Fontguyon et al., 2003). This was a clean break in terms of the image and marketing of beef: the differentiated supply henceforth covered 30 to 40 percent of fresh beef volumes, which seemed to be a ceiling.

For the processing industry, the scare brought health risk–management measures, generating surcharges or depreciations (removal of specified risk material, systematic testing, removal of meat and bone meal from cattle feed). It also triggered a far-reaching change in industry practices, with the spread of techniques and technologies (e.g., for the traceability requirement) and the first moves towards a quality assurance type approach (dissemination of standards, good practice guides) being the most obvious examples. These changes were easier to make for large firms and so compounded concentration in the sector.

As the Crisis Waned … Entry into the Era of Marketing and Service-based Products

In the face of a plethoric supply of foodstuffs, households arbitrate among them on the basis of economic factors, but also in terms of the utility they derive from such purchases. Product attributes (taste, tenderness, nutritional composition, cooking characteristics, etc.) become solutions to problems purchasers face (diversification of opportunities to consume, practical character of products, health risk, etc.) (Néfussi, 2004).

In the current context of recovery from crisis, the main beef processing groups are intensifying their product differentiation strategies through processed products sold under industrial brand names or distributor brand names. According to the survey conducted in 2000 by one meat industry body (*Syndicat National des Industries de la Viande*, SNIV), such products make up more than one-quarter of total beef consumption (with over 400,000 tonnes carcass weight equivalent) and are growing fast.

Discussion

The French beef sector has developed through a process of growing industrialization together with ever later (closer to consumers) product differentiation. Health scares have accentuated this phenomenon by fostering the development of a segment that is differentiated by quality and origin at supermarket points-of-sale. This movement has come about through the tightening of regulations (mandatory labelling and traceability) and through sector-specific strategies (third-party certification of private-sector benchmarks). This observation raises two issues:

(a) Is this segmentation sustainable over time?

Raising of the minimum quality standard under the impetus of regulations makes certain demarcations by quality less attractive for consumers, once the scares are over. This leads distributors to redirect their supply at other types of segmentation that are closer to the concerns expressed by their customers (health, practical character, etc.) (de Fontguyon et al., 2003).

(b) Do mandatory measures for all players improve consumer welfare?

Measures imposed during the crisis to reassure consumers (especially traceability and labelling) have generated surcharges for the sector that have not always proved relevant (Golan et al., 2003). Moreover, as in North America, consumers find information content more useful than actual traceability (Dickinson and Bailey, 2002; Hobbs et al., 2005). Yet, with rare exceptions (increased maturing time to ensure tenderness), information conveyed by traceability does not relate to the product belief attributes to which consumers are alert (nutritional value, food safety, etc.). It is hardly surprising then that processing firms should now promote the development of individual pre-packed cuts. Apart from being a response to consumers' material expectations, their extension may well tip the balance of power between supermarkets and meat companies back to the latter's advantage.

References

Combris, P., and C. Grignon. 1997. Qui sont les faibles consommateurs de viande de boeuf? *Viandes et Produits Carnés* 1(1): 37-46.

de Fontguyon, G., E. Giraud-Héraud, L. Rouached, and L. G. Soler. 2003. Qualité des produits alimentaires et marques de filières. *Sociologie du travail* 45(1): 77-94.

Dickinson, D. L., and D. Bailey. 2002. Meat traceability: are U.S. consumers willing to pay for it? *Journal of Agricultural and Resource Economics* 27(2): 348-364.

Golan, E., B. Krissoff, F. Kuchler, K. Nelson, G. Price, and L. Calvin. 2003. Traceability for food safety and quality assurance: mandatory systems miss the mark. *Current Agriculture, Food & Resource Issues* (4): 27-35.

Goldsmith, P., A. Salvador, D. Knipe., and E. Kendall. 2002. Structural change or logical incrementalism? Turbulence in the global meat system. *Journal on Chain and Network Science* 2(2): 101-115.

Hobbs, J. E., D. Bailey, D. L. Dickinson, and M. Haghiri. 2005. Traceability in the Canadian red meat sector: do consumers care? *Canadian Journal of Agricultural Economics* 53: 47-65.

Nefussi, J. 2004. La tertiarisation des filières agro-alimentaires. *Economies et Sociétés*, série Systèmes agroa-limentaires, 63(27): 613-629.

Sans, P., and G. de Fontguyon. 1999. Choc exogène et évolution des formes organisationnelles hybrides: les effets de la crise dite "de la vache folle" sur la filière viande bovine. *Sciences de la Société* 46: 73-190.

Sans, P. 2001. Consommation de viande bovine: une place contestée dans les pays développés. *Viandes et Produits Carnés* 22(4): 117-123.

Schroeder, T. C., and J. Kovanda. 2003. Beef alliances: motivations, extent and future prospects. *The Veterinary Clinics of North America Food Animal Practice* 19: 397-417.

Wachenhein, C. J., and R. Singley. 1999. The beef industry in transition: current status and strategic options. *Journal of Agribusiness* 17(1): 49-62.