DUTCH POSITION OF MEAT WITH RESPECT TO PRODUCTION AND DISTRIBUTION

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HOLLAND; THE DUTCH MARKET

There are 15 million people living within the relatively close confines of the Netherlands. In addition, we have a total livestock numbering some 4.8 million cattle, 15 million pigs, 31.9 million laying hens, 2 million sheep and 45.8 million poussins. Add a not insignificant amount of industry, and clean air and water start to become increasingly scarce commodities. Within a few years, the residues left behind by all of these become an increasingly urgent issue as we struggle to keep our air and soil clean.

HISTORY AND WAY OF LIFE

The Netherlands has been an important exporter of processed animal products for a great many years

- for dairy products
- for meat (pork, beef, veal and broilers)

and last but not least

- for horticulture: plants and flowers.

'The Netherlands Ltd' owes the above situation to many years of enterprise, working at cost price and concentrating on quality and consistency throughout the entire column, from farmer to exporter, including the ancillary industries.

We have benefitted from good infrastructure and a good framework of regulatory legislation, drawn up in consultation between the government and trade and industry. We also enjoy a good reputation abroad, which is based on our products, our way of doing business and our commercial spirit **"and good morality"**.

Since time immemorial, we Dutch have been exporting, for example, the excellent butter from our fine HF cows (and green, grassy, healthy meadows), while we ourselves eat margarine. The same applies to cigars: the good cigars are exported, and the Dutch population smoke the ordinary, cheaper variety. There are many similar examples. The best products are shipped abroad, and the second-best are consumed at home. One could admire this export-minded attitude, saving the best products for the foreign customers; however, the CAUSE of the Dutch mentality is more significant. A Frenchman, for example, lives to eat; the Dutchman eats to live. An important difference.

BASIC REQUIREMENTS IN MARKETING MEAT HOLLAND

Meat in particular has to be fresh, of a decent colour and lean. Above all, it must be cheap. It is a commodity; the Dutchman has to live. That's all! However, as is the case in all the free countries in the world, consumption growth has now stopped.

The causes throughout the various markets are probably identical: health awareness, disposable income, increased mobility, holidays, other foodstuffs as substitutes, junkfood. In short, a different way of living. A serious homogenization of taste is taking place. People spend far less time on meals. Everything has to be done more quickly. Convenience is ever more important to the average consumer.
The ratio between pure meat and convenience meals (currently 32.8%)

is shifting towards the latter. The housewife increasingly prefers self-service. The ratio of service/self-service is 60/40. For meat products, it is 50/50.

During the past few years, initiatives have been undertaken, particularly in the feed industry, to provide the consumer with even better quality guarantees. This began with eggs, followed by pigs (free-range meat, ICC and brand meat), broilers and beef. The introducers of these initiatives (industry and farmers) intended to create an acceptable form of added value. This involves extra costs, but eventually creates a preference by appealing to the consumer's taste.

After all, countless consumer surveys have stated that the consumer, on paper at least, is prepared to accept a 10 to 20% price increase in comparison to the standard offer. Practice however has proved otherwise. The consumer chooses the cheapest, providing it looks all right. Furthermore, research has shown that the average consumer eats and drinks more than 2 kilos per day, 1 kilo of which is consumed between mealtimes. "Grazing" or "snacking" is becoming increasingly popular!

Impressive initiatives have been and are still being undertaken to promote brand meat. Only the very top end of the consumer market has any interest in this, but nobody makes any profit from it. There are examples in the beef, veal, pork and chicken sectors. My opinion is that this leaves the Dutch consumer largely unimpressed. The main reason: the difference on the table is not big enough.

The EC and Ireland, amongst others, are trying to promote beef consumption, which is a very good thing. Attempts are being made through the usual means, quality guarantees and aggressive promotion, to re-attain old beef consumption levels. As far as I am concerned, beef is the backbone of meat consumption in our countries.

The downward path must become an upward one. And if we can do this with beef, the rest will surely follow. After all, "beef fortifies our way of life!".

However, in my opinion, what we are really talking about today is this: if we want to boost consumption, particularly of beef, we have to satisfy the following conditions:

- price
- cleanliness
- sensory

I don't know which conditions apply in other countries, but I am talking exclusively about the Netherlands. As far as beef is concerned, this means:

- value for money in competition with other types of meat, which must result in a halt to the development of minced meat products. The consumer must continue to consume real beef, and increase his appreciation of it.

- the production column must guarantee clean products, from beginning to end, otherwise it will eventually become redundant. We will all have to make this clear to the consumer as well, making the point while we sell.
- sensory. Attention must be given to colour, tenderness and juiciness.

This may not lead to an increase in the cost price, however, as this is an extremely sensitive area, and because the creation of a real difference between better and standard quality for the broad public is hardly possible. This represents a great challenge; to offer better quality at the same consumer prices. Certainly a hell of a job.

The problem is basically the same for pork, chicken, etc. Unfortunately, people only have one stomach. The question is therefore which column can best fill this in the future. Over the past few years, this was the province of pork and poultry (including turkey). The combination of price, convenience (?) and health was decisive in this success. However, as a production column, you cannot afford to let this rest, as the European Commission is now doing with beef. I do not think this is enough.

DEVELOPMENTS TO PROMOTE CONSUMPTION

All kinds of developments are under way in the production process, or are at least being attempted, as concerns the fresh meat and meat products process. The incorporation of all sorts of convenience-oriented goods in combination with spicing varieties, etc. Is this a temporary phenomenon, threat, or the future perhaps?

I don't know.

ACTION, BELIEF AND INITIATIVES, SO TO INVEST TIME AND MONEY

Meat consumption is under pressure, so every initiative to do something about this is a positive step! But this does not detract from the fact that we want to continue to produce meat, we want to contribute to human health and also make a little profit. Otherwise the end of the road will be nigh. We must keep fighting. The fittest survive, and at the end of the day it will be the column which works best, which understands the consumer market the best and therefore knows best how to operate within it, which will win the game.

Beef production has never been a large-scale activity in the Netherlands, with all due respect to the exceptions to this rule. McSharry and Gatt, environmental politics and competition from white and pink veal production (however long this may last) all make prospects for the young leg of beef even less rosy than they are at present. We have some slaughtering cows (3/4 million per year), large chunks of which are sold as fresh meat in the Netherlands and abroad, and the rest ends up as minced beef. Cattle slaughterhouses and processing companies are having difficulty keeping their heads above water. The pig column in the Netherlands is doing moderately to badly. Slaughterhouses are experiencing difficulties and are stuck in a deep financial crisis. Processing companies are facing stiff competition and are performing a financial striptease.

Farmers can handle competition within western Europe, but have trouble with the following:

- labour costs
- regulatory government legislation
- the absence of any kind of consultative structure within the production column (for example, there is no relationship whatsoever between price formation and the purchasing and sales operations of slaughterhouses).

This is an absurd situation, which urgently demands resolution.

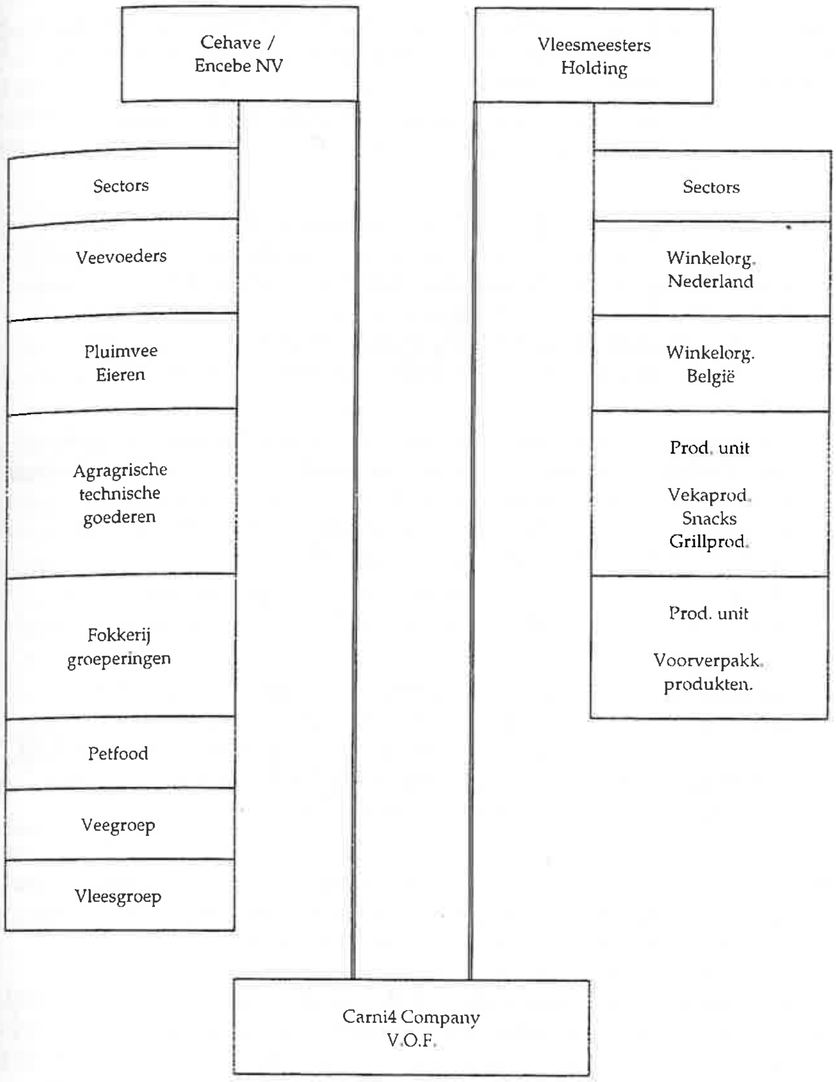
It is one minute to 12.

Nevertheless, the past few years have seen Internal Chain Control (ICC) in connection with the quality guarantee to the market. It won't be long before everything is ICC! This will not involve a great deal of extra cost. Nevertheless, there is a lot of negativity and pessimism around, and that is dangerous. We need optimism. We want to be able to believe. There is even talk of an environmental maffia. It is a well known fact that we Dutch tend to exaggerate, which can probably be explained by our Calvinistic attitude. We are meddlesome. We like bad news. Good news is no news.

ATTITUDE AND ENTREPRENEURSHIP

We think we can do everything better, while in fact we are lacking entrepreneurs. A great deal must change in our refinement sectors within a short space of time. In the first place, a more optimistic approach! Belief. ACTION. We have proved that we can do it. However short we are of land, the Netherlands can't do without farmers, and when we say farmer or market gardener, we should think of the whole column, from producer to final user, wherever and whoever they are.

It seems that things are not so bad as far as milk is concerned. Eggs are doing poorly, but the poultry column looks in reasonable shape thanks to the good infrastructure and integration of the various elements in the column: fatteners/ breeders/feed producers/ slaughterhouses/ processors/ packagers/ marketing/ good logistics and distribution. Some adaption on this side to the developments in ..... distribution (the trade) and developments in consumer behaviour do seem to be required at present. We have good meat products companies in this country, which produce predominantly for the domestic market. Again we see the same story that the price/quality ratio in this market is at a lower level than in surrounding countries such as Belgium, France and Germany. In the Netherlands, it is very difficult to sell something better, more tasty, at the same price. We all want to sit in the front row for tuppence!



MARKETAPPROACH FOR SERVICE AND SELFSERVICE OF MEATPRODUCTS.

It only remains for me to give you an impression of our companies 'De Vleeschmeesters' and 'Carni4'.

De Vleeschmeesters has some 300 sales outlets in the Netherlands and Belgium. All traditional butchers or fresh produce shops, at which fresh meat, meat products, chicken, cheese and a number of fresh convenience products are sold under a variety of sales formulas, mostly with service, although some self-service is also applied. These are autonomous sales outlets or franchise arrangements in supermarkets. We have undergone a great deal of change and development over the past 7 years, especially in terms of the franchise and establishment of the shop concepts. Vleeschmeesters set up Carni4 originally for its own shops. Later also for third parties. This coincided with a joint venture (50/50) with Encebe/Cehave, the largest slaughterhouse in the pig sector, and also active in beef. Carni4 is a profit centre. Vleeschmeesters shops and Encebe/Cehave funktion on the "preferred supply principle" . This means that the Vleeschmeesters Winkelorganisatie <shop organisation> has a purchasing obligation, and Encebe a delivery obligation, at the same prices and with the appropriate quality. This cooperation works well.

Last year's conference in Calgary gave me the impression that the largest part of your interest is not reserved for the process from the slaughterhouse to the consumer.

I will now discuss a number of projects initiated by Carni4 and subsequently introduced onto the market.

- we do not slaughter, but have sought and found our preferred suppliers both within the Netherlands and abroad. This situation was developed, and required a great deal of time and effort from both sides. Work was carried out on the basis of process and production specifications for all products. Of course,Carni4's customers are of particular relevance in view of these product specifications.
- we offer the market a system: we take care of the entire supply, specially tailored to our partner's particular problems. Aspects from assistance in commercial policy, shop organisation, payment techniques, organisation, costs and yield control, etc. All our facilities are put at the partner's disposal.
- delivery takes place 5 times a week during specific block times. This concerns all products for the butcher, in the broadest sense of the word.
- processing is done centrally in Best. Customer organisations (partners) have the choice as far as fresh meat is concerned of the 2nd, 3rd or 4th cut. The origin is up to the customer. The standard raw material for mince is produced (4.87 kilos out of 21.36 kilos total meat consumption per person in 1993).

We also produce some ten standardised semi-finished products (basis-frames) at another location for the traditional butchers. This enables the expert butcher to produce the whole gamut of convenience products at the sales point with the minimum work involved. This activity receives great interest from the market. At the end of each day, the factory is empty, with the exception of some deep-frozen off-cuts for the mince base. The refrigerated line from the slaughterhouse to the shop is guaranteed. The minimal packaging costs and waste are an additional benefit. Of course, all this is carried out under stringent quality requirements.

- everything is purchased on the bone. Beef quarters are boned hanging up, which is a positive factor for the employees.
- that which does not need processing is delivered directly to a DC (distribution centre<?>) 20 kilometres from the production site. Order picking of the products required begins in the afternoon. The deliveries to the customers very early in the morning. At present, we deliver to 900 supermarkets and 150 independent butchers.
- the system, as this is what it is, conforms to NEN-ISO requirements. We are expecting large-scale expansion of these activities, especially as the legal obligation to employ a qualified butcher will very shortly be abolished.
  The 4th cut in particular (cut-ready meat), as well as standard mince base, are making significant efficiency improvements possible for our customers, among others.
- a lead time of 24 hours, automated systems, etc., make this system unique in the Dutch market.

De Vleeschmeesters Winkelorganisatie of course cooperates with Carni4 for 100%. We strive to maintain the traditionally skilled character of our shops. The shop personnel should be busy with the customer for 90% of the time. With sales, in fact. The following points are of great importance in this:

- QSH: Quality, Service and Hygiene, our central theme. Not only at the sales point.
- We invest a lot of time, care and training in hygiene. No instruction without effective checks.
- We have a special service department for the removal of waste from the shops. Most of it is used in pet foods.
- Vleeschmeesters take a lot of time and trouble, together with our institutions and our suppliers, to improve the quality of our products and services. Consistency, good colour, taste and tenderness are given high priority.
- We are currently experiencing great price competition in our sector. This leads (all too easily) to the temptation to slacken quality requirements. Management and employees strive to uphold the quality principles in a commercial manner, which is not always easy.

Quality must be given the highest priority, and not in words alone. We cannot slack, we must continue to offer quality goods. And we must do better; there is always room for improvement.

More cooperation between research/production/distribution and cobsumer focused on the trends to year 2000 but efficient, no frills. That is difficult especially here in Holland.

It is urgent no time to lose.

Effective cooperation between meat technology and research is more urgent than ever.

Let's roll up our sleeves and get to work! Ours is a great business to live and work in. Keep believing in it, be enterprising, do well and cooperate.