

# SUPERMARKET OWN BRANDS, SUPPLY CHAINS AND THE TRANSFORMATION OF THE AGRI-FOOD SYSTEM

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## Introduction<sup>1</sup>

Until quite recently, the organization and management of the supply chain in the majority of commodity sectors was controlled by manufacturing industry, and whether the products being sold were socks or sausages, the role of the retail sector was to market the products made available by manufacturers (Reid 1995). This situation began to be transformed in the US and Europe from the 1960s. The fundamental social and economic changes occurring in post-war Europe and North America – in particular, the demand for, and the mass consumption of, a range of high quality products – led to a reconfiguration of the manufacturer-dominated supply chain. What emerged was a highly-competitive retail sector which was free of the post-war constraints of rationing, which was not subjected to resale price maintenance established by the manufacturing sector, and which was closer to the consumer and more responsive to changing patterns of consumer demand (Wilkinson 2002). Manufacturer ‘push’ gave way to retailer ‘pull’ as the retail sector came to displace the manufacturing sector in the organization and management of the agri-food supply chain of the ‘advanced’ industrialized countries.

Numerous researchers have commented on the causes and consequences of this transformation (see, for example, Burch and Goss 1999a; Hughes 1996; Hendrickson, Heffernan, Howard and Heffernan 2001; Marsden 1997; Marsden, Flynn and Harrison 2000; Harvey, Quilley and Beynon 2002; Wilkinson 2002; Winson 1993), and have tended to focus on two main explanatory factors to account for the shift in power; the first is the emergence of a monopsony in distribution, in which a relatively large number of food processing companies are forced to sell their products to a limited number of globally-focused retailers who exercise enormous purchasing power in an increasingly concentrated market; the second is the growing significance of supermarket ‘own brand’ products (referred to as ‘private labels’ in the US) and supermarket ‘generic’ brands (typically marketed under a ‘No Frills’ or ‘Savings’ label), which have in recent years come to compete with the branded products of the established food manufacturing companies.

In this paper, we draw mainly on material from the UK, to argue that there is a third factor that can be held to account for the shift in power relationships between the manufacturing and the retailing sectors, which emerges from the changing patterns of demand for food commodities and the new role that supermarket own brands are playing in this. When supermarket own brand and generic brands became more widespread in the 1970s, they were marketed as low-cost alternatives to the premium products of brand manufacturers, even though they were usually made by the same food manufacturing companies that sold goods under their own proprietary brand. To a significant extent, supermarket own brands were much the same as manufacturer’s proprietary brands (albeit, usually of a lower quality), and

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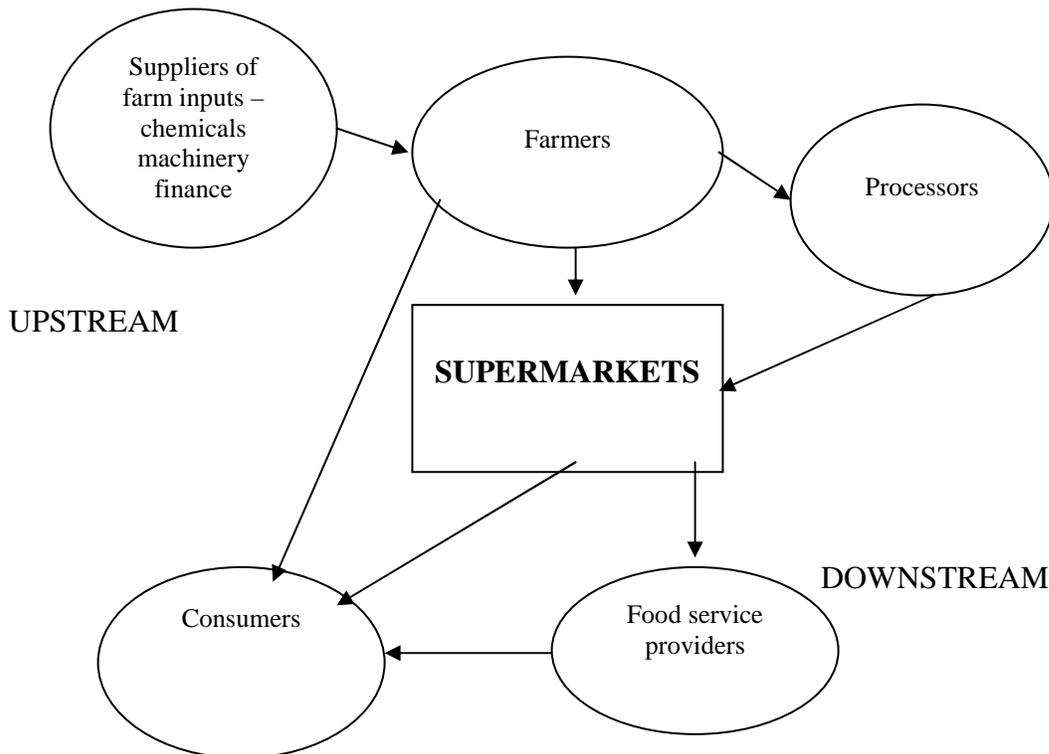
<sup>1</sup> Work on this paper was begun when David Burch was on research leave at the School of Social Sciences, University of Queensland. This School provided a very supportive environment for the collaboration which made this paper possible. An earlier version of this paper was first presented at the Eleventh Annual Meeting of the Australian and New Zealand Agri-Food Research Network, held at the Australian National University, Canberra, 9-11 June 2004. We are grateful for the comments made by participants at this meeting, and to Harriet Friedmann and Philip McMichael for their subsequent comments and observations. We would also like to thank the reviewers, who made several useful suggestions. Of course, we alone are responsible for the contents of this paper.

represented a source of competition to the branded products of the agri-food manufacturers. However, supermarket own brands have now moved beyond imitation, and are at the leading edge in terms of meeting consumer demands for a range of new food products - home meal replacements (and especially chilled ready meals), convenience foods, prepared fresh foods, snacks and other product lines for 'flexi-eating' – which the traditional brand manufacturers are not well-placed to satisfy. As a result, there have emerged a number of major food processing companies which are not only manufacturing new food products for marketing solely under supermarket own brands, but are also transforming the conditions under which the agri-food processing sector – and indeed the whole agri-food supply chain - operates. The emergence of these new companies not only poses a challenge to the established food manufacturing companies, but also highlights the on-going restructuring of the capitalist agri-food system. Such restructuring, in turn, relates to broader social changes, including widespread concern for food quality, food safety and environmental sustainability. More broadly though, we would argue that the changes which we identify in the UK context are symptomatic of developments in many other countries, and that these foreshadow the emergence of a new third food regime, characterized by flexible manufacturing and high levels of innovation, as supermarkets restructure the agri-food supply chain in order to satisfy highly-segmented niche markets for a range of new agri-food commodities.

### Approaches to the study of retailer influence

Despite the acknowledgement of the scale and the nature of the changes occurring in the relationship between food manufacturers and the retail sector, there has been little systematic analysis of the ways in which this transformation impacts on the totality of the supply chain – that is, on the actors upstream of the supermarkets (input suppliers, farmers, processors) and the actors downstream from the supermarkets (food service providers and consumers) (see Figure 1).

Figure 1: The Agri-food Supply Chain



With an eye to the upstream relationships, Hughes (1996: 112-3) characterizes the relationship between food manufacturers and retailers in the UK as a 'close, collaborative' one, in which the retailers have '...called the shots in shaping supply relationship cultures in order to accumulate capital'. But Hughes (1996) undertakes little analysis of the impact of retailer dominance on other actors in the supply chain. In contrast, Marsden (1997: 170) has tended to look downstream, and has focused on the retailer dominance in the context of the re-regulation of food markets 'around the demands of segments of consumers....and corporate retailers', highlighting the key role of the retail sector in the construction of quality, diet, health and environment. Marsden's (1997) characterization of newly-emerging power relationships focuses on the development of retailer-based regulatory systems. These power relations are legitimized for consumers through an exchange relationship with the retail sector, which generates a loyal and constant customer base in return for the provision of quality foods (Marsden 1997: 170-172). From this perspective, the power or influence that the retail sector exerts is derived from its position within a network of producers, processors and consumers which, among other things, allows it to set standards and establish criteria which add value to agri-food commodities:

Aspects of control, power and dependency in agro-food networks are not only based upon input-oriented corporate capital (i.e. agribusiness firms and their relationship to the farm-based sector). Increasingly, they are associated with the control and construction of *value* from the point of production. This serves to empower near-consumer agencies. This reflects the common point that 'value-adding' in food has tended to be associated downstream of the point where it is primarily produced (Marsden 1997: 170).

However, it could be argued that the representations of power based upon the location of actors within the network, and their relation to the control and construction of value, do not reflect the asymmetries of power that operate both upstream and downstream. An attempt to deal with such asymmetries in power relationships in the supply chain has been undertaken by Cox, Ireland, Lonsdale, Sanderson, and Watson (2002) who note that participants in a supply chain do not just add value, they also extract rents. Such rents are extracted by participants in a supply chain if they possess the 'critical supply chain assets' which enable a participant to exert 'leverage over customers and suppliers in the context of particular supply chain relationships' (Cox et al. 2002: 7).

Retailers, like most participants in a supply chain, have to deal with other participants up and down the chain – that is, in the case of retailers, with suppliers and customers. For retailers, as for other participants, the 'key requirement is for companies to understand operationally how to place their suppliers into highly contested or dependent relationships in which the buyer leverages value from the supplier' (Cox et al. 2002: xvi), while at the same time ensuring that the retail chain's buyers (that is, consumers of retail products) are not able to use *their* market power to leverage value from the retailer. Most of the participants in the supply chain want to exercise market and supply chain power to extract value from upstream suppliers, but deny their own downstream buyers from exercising the same market and supply chain power to extract value from themselves.

While Cox et al. (2002) avoid over-simplified *a priori* assumptions about 'where power lies', they nevertheless contend that in general, food and drink manufacturers are in a particularly weak position *vis-à-vis* their major customers (that is, the supermarkets and other significant retail outlets) and that the own label phenomenon plays a major role in this:

Broadly speaking, most food and drink manufacturers are at a distinct disadvantage when it comes to their relationship with the grocery multiples...even those products which are branded are being promoted with diminishing results. This is particularly

the case where there are many acceptable alternatives to the branded good – acceptable, that is, to the supermarket’s consumers. The rapid expansion of own-labelling on the part of supermarkets in recent years has greatly expanded the range of products for which this is true...the successful establishment of own-labelling as a concept therefore, has given the grocery multiples greater choice when it comes to considering their sourcing strategy for a particular product ... (Cox et al. 2002, 116-7).

The contribution by Cox et al. (2002) does more than reaffirm that retailer power derives from the existence of a monopsony, on the one hand, and the impact of supermarket own labels, on the other. This approach is important because it can be extended and applied in ways that are relevant to our analysis of the new emerging food system. For example, Cox et al. (2002) suggest that retailers will seek to exercise control downstream (that is, to their customers), by exercising market power and utilizing strategic supply chain assets in order to enhance returns. There is a variety of ways in which retail chains seek to reduce the leverage which consumers may exert over retailers, including the use of loyalty cards (which are also useful tracking devices for determining consumer preferences and responses to products), special offers tying-in supermarket purchases to discounts over other products such as petrol, negotiating special long-term deals with suppliers which allow retailers to maintain low prices over a range of basic foodstuffs, and so on. In an important paper, Dixon (2003) has also argued that the retail sector exerts leverage by establishing itself as a ‘pre-eminent food authority’ which confers legitimacy on consumer acceptance of new foods and food forms. As will be seen later, this approach not only helps us to understand the limits of concepts such as ‘consumer sovereignty’ at a time when it appears that retailer control over the supply chain should lead to greater consumer power, but it also directs attention to the ways in which the supermarkets have been able to maximize their role in introducing new food forms through their own brands. They thereby challenge the remaining vestiges of manufacturer power as exemplified in the power of the brand.

### **Supermarket own-brands, new foods and the reconfiguration of supply chains**

The shift in control over the organization and management of the agri-food supply chain has created new problems for the retail sector as it comes to assume responsibility for what is produced, where, in what quantities and to what standards. It has meant among other things, that the attention of the retailers is now directed both towards satisfying consumer demand, as well as to shaping such demand and generating customer loyalty in a highly competitive market. When retail outlets merely marketed the goods whose style and price were decided by the manufacturers, there was little basis for competition for customers. Now all of that has changed. In the UK, the four or five major supermarket chains find themselves in a situation of intense competition for consumer patronage, and being closer to the consumer than the manufacturer ever was, the retail sector is particularly sensitive to the changes in consumer demand and expectations. This intense competition means that each of the major supermarket chains seeks to buy high quality product lines at the lowest possible price, which is reflected further upstream in the supply chain as food manufacturers bear down on their suppliers (i.e. the farmers), and farmers attempt to bear down on *their* suppliers.

While margins in the retail sector are relatively low – in the UK, supermarkets estimate their return to constitute about 3-4 percent of sales – supermarkets are also able to utilise the power advantage that derives from a monopsony to extract rent from suppliers in a variety of ways. For example, the supermarkets chains are in the position of deciding which products and/or companies will have shelf space in their outlets, and are also able to determine the terms and conditions upon which shelf space is

made available.<sup>2</sup> These two major characteristics of monopsony – the power to generate profits from the acquisition of food products from suppliers on the best possible terms, and the power to extract rent as a consequence of the ownership of ‘critical supply chain assets’ (for example, supermarket shelf space) – are supplemented by an increasing capacity to generate extra revenue from the increasing share of the food and beverage market represented by supermarket own brands. But significantly, supermarket own brands are themselves increasingly coming to reflect monopsonistic power as they move from the position of merely competing with manufacturer’s brands, to the situation in which they dominate in the marketing of new food products that have been by-passed by the traditional brand manufacturers.

Supermarket own brands are essentially a product of the 1970s, and reflect the shift in the locus of control over the supply chain which accompanied the end of post-war rationing and resale price maintenance in the UK. Supermarket own brand goods met the needs of consumers for whom price was more important than quality. In the UK, supermarket brands accounted for 39 percent of the grocery market in 2002 (see Table 1), and are growing at a faster rate than proprietary labels (ACNielsen 2003).

Table 1: Private label share of grocery sales by country, 1997 and 2002

	1997	2002
UK	29.7	39.0
Belgium	25.8	26.9
Spain	16.2	17.6
France	16.8	20.8
Germany	11.3	24.0
USA	14.1	15.6

Source: Boston Consulting Group (2003:3)

This increasing share of the grocery market has coincided with planned improvements in the quality of supermarket own brands. Over time, supermarkets have required suppliers to improve the quality of own brand products, and to this extent the supermarkets have come to provide even more intense competition to the branded products made by the large processing companies. More recently, however, the growth in the sales of own label products has been dominated by increasing consumer demand for a range of new food products – for example, home meal replacements, chilled and fresh products and convenience foods, all of which rely on continuing innovation and flexibility in production - which the traditional brand manufacturers are not well-placed to meet. The established manufacturer’s

<sup>2</sup> The numerous practices adopted by supermarkets in order to extract payments and price concessions from suppliers have generated much conflict, and were in part responsible for the UK government establishing a Code of Practice in 2002, in order to redress what the UK Competition Commission identified as an imbalance between the supermarkets and their suppliers. There is insufficient space in this paper to analyse this issue further, but the UK Office of Fair Trading reviewed the workings of the Code in 2004 (Office of Fair Trading 2004). For further discussion of these issues, see also Blythman (2004) and Lawrence (2004).

investments in, and long term commitment to, their own brands and the value that these represent, diminishes their capacity to respond to the demands of the modern consumers who are increasingly demanding convenience, 'freshness' and novelty in the food products they purchase. As a consequence, and partly in order to control and manage a production and distribution system that is logistically increasingly sophisticated and complex, the supermarkets have reconfigured the supply chains for their own brand lines, by underwriting the establishment of new agri-food manufacturing companies which *are* flexible, adaptable and innovative, and which produce nothing but own brand products for the UK and overseas supermarkets. This process of transformation is discussed in the following section.

### **Transformations in the production and consumption of agri-food commodities**

In recent years, there has been a significant shift towards convenience foods throughout most of the industrialized world. The reasons for this shift are numerous; the increased number of one-person households, the growth of flexible work patterns, and an unwillingness to prepare meals from 'scratch' (the average time spent in preparing the main meal of the day in most western households is now 15 minutes), have resulted in the marketing of a range of food commodities which are quick and easy to prepare, but are nevertheless healthy and represent value-for-money. The trend towards convenience foods began with products such as the frozen 'TV dinner' in the 1950s, but has taken on new forms in recent years, with a growing demand for fresh products. Chilled ready meals - supposedly retaining flavour and freshness - are viewed as being superior to their 'frozen' counterparts, and are emerging as the fastest-growing product line in the home meal replacement market. Chilled ready meals are typically represented by a complete, pre-cooked, meal that can be re-heated for home consumption. Importantly, the chilled ready meal is not only classed as 'fresh', but is usually a very high quality product which attempts to replicate a 'restaurant experience' in the home by providing gourmet dishes, ethnic cuisines and other non-standard products. Importantly, the product lines in this category are regularly reviewed and changed, in much the same way that a restaurant might revise its menu, and reflects the process of constant innovation that characterises these new food lines.<sup>3</sup>

Chilled ready meal products are now extremely popular in the UK and Europe, and have overtaken frozen meals and meals preserved at ambient temperatures (e.g. noodles to which are added hot water), as the most popular form of home meal replacement. Comparative data on the market for complete ready meals in the UK are documented in Table 2, but the growing demand for chilled ready meals in particular is a worldwide phenomenon.

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<sup>3</sup> A recent trade article on the UK Tesco chain's range of premium chilled ready meals demonstrates this: 'A large chunk of the Tesco Finest range was relaunched in the UK this autumn. The new Tesco Finest range comprises hundreds of new dishes, inspired by classic menus from the finest restaurants. There are over 350 new lines to choose from, including starters, main courses, vegetables and desserts - in addition to new specialty pizzas and breads' (Foster 2003).

Table 2: Retail sales of ready meals in the UK, by type, 2002-2006

	2002 (est)		2006 (proj)	
	£m	%	£m	%
Ambient	145	7	174	6
Chilled	1,121	55	1,714	61
Frozen	772	38	920	33

Source: Rashid (2003: 5)

As well as the growth of demand for new food forms such as chilled ready meals, another major manifestation of the growing importance of convenience foods is demonstrated in the reconfiguration of older food forms – in particular, sandwiches and pizzas – and their increasing consumption among populations demanding freshness and convenience. The growth of consumption of sandwiches in recent years is an example. The British Sandwich Association has reported that some 2,432 million sandwiches are sold every year. Annual sales of sandwiches, which stood at £1.2 billion in the early 1990s, grew to £3.2 billion by 2001. This makes the sandwich the number one fast food product, with 41 percent of the market compared to 18 percent for the next most popular fast food product, the hamburger. The largest single outlet for sandwiches in the UK is the Tesco supermarket chain, which sells some 2.2 million sandwiches per week (*Business Europe* 2001; *News Telegraph* 17 December 2004). And, of course, the demand for sandwiches is – as was the case with the chilled ready meals discussed earlier – also driven by ‘freshness’, novelty and constant innovation. For example, Harvey et al. (2002: 189) report on a UK sandwich manufacturer who routinely launches 10-20 new varieties of sandwich every week.

The significance of such a development is demonstrated by the fact that traditional brand manufacturers hardly figure in the production of any of these new food lines. As Doel (1996: 55) notes, the market for chilled ready meals, which hardly existed in the late 1980s, was opened up by the UK retailer Marks and Spencer rather than a food manufacturer, and continues to be dominated by the retail sector. Supermarket own brand products currently account for some 95 percent (KPMG 2000: 6) of chilled ready meals sold in the UK – a market that in 2002 was worth £1.1 billion (see Table 2). In other words, it is the supermarket brands that now dominate in the fastest growing food lines:

...own-label manufacture has opened up new areas of food, convenience ready-made chilled meals, and chill-fresh foods, many of which are novelty or fashion-driven. They are characterized by a short product life that would be terminal to the brand manufacturer. *It is more than coincidence that branded manufacturers have been frozen out of the chill-chain, squeezed out of the sandwich business, and are peripheral to pizzas; it is an alien environment for their type of food. They were never seriously there.* (Harvey et al. 2002: 179). (Our emphasis).

The traditional brand manufacturers have been by-passed in the production of these key commodity lines, production of which has been undertaken instead by new or re-organized food companies which produce nothing but supermarket own brand products. Little-known companies such as Northern Foods, Hazelwood, Geest and the Grampian Country Food Group have emerged as major players in the UK food industry in recent years, and have come to meet the demands of a new market that the brand manufacturers have been unable or unwilling to satisfy. Hazelwood Foods, for example, has an annual turnover of £1.7 billion and employs some 7000 people at 20 plants in the UK and Europe. It has factories that produce similar products for different retailers' own brands (for example, Hazelwood makes chilled lasagne for every retailer in the UK except Marks and Spencer, giving it a virtual monopoly of product across nearly all the retail chains [see Harvey et al. 2003: 181]). At the same time, Hazelwood Foods has factories that are totally dedicated to the production of own brand products for particular retailers (it has, for example, a facility that produces food lines exclusively for Sainsbury). This exclusivity works the other way around, too, with Sainsbury supermarkets sourcing all their 50 million own label pizzas exclusively from Hazelwood.

New companies such as Hazelwood clearly differ from the traditional branded manufacturers by virtue of the facts that they produce few, if any, products sold under their own brand name, and that they have a guaranteed access to the supermarket shelves. But there are other, more significant, differences that set these companies apart from the traditional food processing companies. They are highly innovative and demonstrate a flexibility and a capacity for innovation in satisfying demands in niche markets which cannot be matched by the established brand manufacturers. Harvey et al. (2002: 177, 189) have noted that because of the high costs of research and development, traditional manufacturers of branded products may take two years or more to develop, test and market a new product line. As a consequence of this level of investment, new lines are expected to sustain demand over the many years it takes to generate a return on the investment. However, own brand manufacturers, driven by novelty and innovation, accept that new lines will quickly become obsolete and will give way to another line within a short period. Under these circumstances, the supermarket own brand manufacturer, with much lower research and development costs, will introduce not four or five new product lines every year, but between one and two thousand.

The example of the pizza typifies this commitment by own brand manufacturers to innovation and novelty in meeting the demands of niche markets. In the UK, the Tesco chain markets several of its own brand pizza lines for different classes of consumer. There is a definite pizza hierarchy – a top-of-the-range product (hand-crafted, low volume pizzadellas, piccadellas and strombolas); there is a middle range or mainstream product (thin and crusty, or deep pan); and there is a bottom-of-the-range economy product (made with basic ingredients) (Harvey et al. 2002:192). These products will not only be produced in a wide variety of toppings, but also in a range of sizes to suit families, or teenagers, or children, and a range of situations (main meals, snacks, TV dinners, 'grazing' and eating-on-the-go). The new food manufacturing companies which necessarily produce large numbers and varieties of pizza for niche markets on the same 'assembly line' are required to adopt highly flexible systems of production which allow them to reconfigure their production schedules at short notice.

In such circumstances, the failure of a new product line is unlikely to be a problem for the own brand manufacturer: if a product fails to meet a sales target it can be withdrawn quickly and replaced by another product with little cost to the company. This flexibility in production practices on the part of own brand manufacturers impacts, in turn, on labour processes and practice. Own-brand food manufacturers normally operate twenty-four hours a day, with a non-permanent and flexible labour force whose daily working hours can be altered in order to meet the demands of a company utilizing fresh, perishable, products or to respond to a change in the volumes required by a supermarket for delivery

next day. The adoption of 'just-in-time' processes ensure continuing utilisation of raw materials and an unbroken supply of fresh food inputs to the supermarkets, 24 hours per day, seven days per week (Lawrence 2004). The flexibility and complexity of such production processes involves a high level of coordination that is dependent upon computer-assisted logistics. For example, the delivery vehicles moving in and out of a manufacturing plant are tracked by GPS technology. In order to ensure smooth operations and avoid congestion, delivery vehicles are given a 'window' (usually about 30 minutes) in which raw materials can be delivered and finished products despatched.<sup>4</sup>

The role of the supermarkets in constructing and maintaining agri-food supply chains is not only evident in the spheres of production and distribution, but also in the area of consumption. This has been a focus of Dixon's (2002; 2003; 2004) recent groundbreaking work in the cultural analysis of food systems, and the role of the supermarkets in mediating the relationship between the producer and the consumer. Of particular relevance to this paper is the ability of the supermarket to represent itself as an authority on food issues, which becomes of critical importance in generating consumer loyalty and influencing consumer preferences. For example, the supermarkets gain much legitimacy and authority from their ability to deliver fresh, safe and varied convenience foods to consumers, in a manner that fosters belief in supermarkets as the gatekeepers of food nutrition and quality. Such a belief is not only generated through advertising and the invocation of government-sanctioned dietary guidelines, but also through the mobilisation of authority figures such as celebrity chefs, food writers and others (Dixon 2003)

In other words, in order to establish their pre-eminent status in the minds of consumers, it is necessary for the supermarkets to demonstrate their ability to dictate the conditions of agri-food production. This becomes even more critical as supermarkets are seen as not simply trading in commodity lines called 'foods', but as key sites in which production and consumption intersect. Dixon (2002; 2004) clearly demonstrates this in her research into the chicken supply chain. The supermarkets hold a powerful position in this market because chicken-meat producers sell much of their produce to the supermarkets, rather than to an array of small butchers or fast food outlets. In providing chicken meat in the convenient manner that they do, the supermarkets have not only gained legitimacy as endorsing/supporting the busy lifestyles of modern consumers (Dixon, 2004: 106), but now undertake tasks – such as dismembering the chickens, cutting the chicken meat, adding spices, and packaging – which puts them in direct competition with the processors from whom chicken meat is purchased. Supermarkets have also been instrumental in extending the cool chain approach to meat procurement. Chicken meat now arrives at stores, to be placed on shelves in a chilled (but not frozen) state, thereby capturing flavour and convenience (see Dixon 2002; 2004).<sup>5</sup>

## **Discussion: Contours of a Changing Agri-food System**

It is our contention that the changes discussed so far, centred upon the emergence of supermarket own brands and the dominance of these lines in a range of new food products, not only signal a profound

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<sup>4</sup> The system is based on the management of aircraft movements at major airports, where flight landings and departures are carefully timed to maximise efficiencies. In a food system that increasingly utilises fresh raw materials for fresh products, clearly such timing is critical, and if a delivery vehicle fails to arrive at its allotted time, penalties may be imposed by the food processing company.

<sup>5</sup> Moreover, it is likely that the supermarkets are also coming to exert control over the chicken supply chain as a result of their dominance of the market for chilled ready meals, in which chicken-based products feature strongly. In overall terms, 'ethnic' dishes account for 40 percent of the UK ready meals market, with the ubiquitous Chicken Tikka Marsala, an 'Indian' dish concocted in Britain and now exported to India, being the most popular (Food Standards Agency 2003). See also Burch (2005) for a recent discussion of other issues associated with supermarket organisation and management of the chicken supply chain.

shift in the relationships between processors, retailers and consumers, but are symptomatic of a wider transformation in the supply chain as a whole. Supermarket own brands are a manifestation of the tendency of the retail sector to move back into the production process and represent the means whereby the retail sector is coming to assert and extend its control over the production sector (Hughes 1996). We argue that what we are seeing in these changing contours of the agri-food system is the profile of a new third food regime, which stands in marked contrast to the second food regime characteristics associated with the commitment of brand manufacturers to the mass production of long-running lines with 'classic' appeal in mass markets.

We acknowledge that our arguments concerning the emergence of a third food regime will be strongly contested both theoretically and empirically. At the empirical level, for example, it might be argued that we are over-generalizing from data largely drawn from a single case, i.e. the United Kingdom. However, we would argue that developments in this area are always uneven, and that what is important are the overall trends that can be observed from the wider data. On this view, the UK is seen to be the leading example of a wider trend that is occurring in most of the 'developed' industrial countries. For example, despite the existence of strong local culinary cultures, most countries in Europe, and North and Latin American show consistent growth in the share of supermarket own brands in a wide range of food and grocery items, and in the expansion of convenience and other foods such as chilled ready meals, snack foods, breakfast substitutes and liquid meals. In France, where supermarkets account for over 60 percent of food purchases, own brands account for 21 percent of retail sales, and are growing at a rate of 5 percent per annum. Moreover, chilled ready meals are the fastest growing component of the large French market for ready meals, and grew at some 94 percent per annum between 1996 and 2000 (Department of Transport 2003; Leatherhead Food RA 2005). Significantly, in the global market, the leading product in terms of supermarket own label share of the total is chilled ready meals, with supermarket brands accounting for 51 percent of all global sales (ACNielsen 2003: 14).<sup>6</sup>

It is clear from the foregoing discussion, that the issues we have raised and the changes we have foreshadowed will need to be further theorized and problematized. It remains our contention, however, that the major transformation that we are witnessing can best be explained by an extension of the food regime theory first proposed by Friedmann and McMichael (1989). We have summarized the transformation in Appendix 1.<sup>7</sup>

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<sup>6</sup> In terms of empirical refutation of our arguments, it might also be suggested that the expansion of supermarket own brands into new product categories such as chilled ready meals is merely expanding the range of choice available to consumers, rather than threatening the standing of the established food companies. However, the evidence suggests that in most food categories, sales of supermarket own brands are growing at a faster rate than the equivalent branded product (where it exists). Moreover, it is clear from Table 2 that sales of frozen products, in which the traditional food manufacturers have been strongest, are declining relative to the fresh food products (ACNielsen 2003). This suggests that the introduction of own brand ready meals is having a direct impact which goes beyond a simple expansion of consumer choice, and that in many instances, supermarket brands are replacing proprietary brands. Under the impact of supermarket own brands, many established manufacturers have been forced to rationalise the range of products they manufacture and to reduce the number of branded goods they market. In 1999 for example, Unilever, the world's third largest food group, adopted its 'Path to Growth' strategy which saw it reduce the number of brands on offer from 1600 to a core 400. Among other things, this resulted in a loss of 8000 jobs and the closure of 30 factories worldwide. Not all of the deleted brands were food products, although in recent years the company has closed numerous food manufacturing plants, including its BirdsEye factory in Grimsby producing frozen meals for the UK market (*Dow Jones Newswires* 2001; *Financial Times* 2001; *Dutch News Digest* 2004).

<sup>7</sup> The periodisation in this table is indicative only (see Le Heron 1993; Bonanno 1994 for discussions of regime time-frames), and we are aware of a number omissions. For example, a lack of space has precluded any discussion of the increasing tendency to eat out, nor have we referred to the important role of fast food outlets in this analysis. However, we believe that consideration of these issues would tend to support the propositions we are advancing in this paper. In the case of fast food chains, for example, it is clear that in the industrialised centres, companies like McDonalds have been significantly affected by competition from the Subway chain, which not only emphasises freshness, convenience and health in their product, but also allows consumers the choice and flexibility to select their own fillings and construct their own meal (as opposed to the purchase of the standardised hamburger which largely precludes any possibility of individual choice). By 2002, there were more Subway restaurants in the US than McDonalds (Boston Globe 2004) that – along with messages about

It will be recalled that under the first (British-centred) food regime – prior to the industrialisation of agriculture that was to occur after the Second World War – consumers were the recipients of agricultural commodities that were largely unprocessed and undifferentiated. The colonial ties between, for example, Australia and Britain allowed the former to export products such as wool, wheat, lamb, beef, and sugar as bulk commodities that were delivered to consumers in un-processed form and used to fuel the growing industrialism of the latter. Colonial specialisation gave way to a broader international specialisation during the 1800s based upon expansion of the settler family farm (see Friedmann and McMichael 1989: 100). The attitude of the day was that the environment was something to be ‘conquered’ (often by ‘noble pioneers’) to bring new lands into production. The state enacted a number of measures (subsidies, tax incentives and so forth) to encourage farmers to apply new technologies in the pursuit of greater output and profits (Bonanno 1994). Protectionist policies (the use of tariffs, for example) helped to ensure that agriculture was controlled within, and supported by, the nation state.

Processed and manufactured foods were, of course, common consumption items in most pre-World War Two diets in the industrialized countries but, following the war, agriculture became increasingly industrialized, with foods being processed and packaged in ways that improved their durability (Friedmann and McMichael 1989). Intensification and specialisation were but two of the processes that were well underway at the farm level, with large numbers of producers leaving the land as productivity and efficiency ‘drivers’ increased both the scale of production and the volumes of food and fibre that were available on the marketplace. Fuelled by increasing cost-price pressures, farming took on a productivist form, with a reliance upon high technology inputs (Ward 1993; Wilson 2001). The capitalist state provided a host of incentives and put into place policy settings, that would fuse both agribusiness input-manufacturing firms (those providing the latest equipment, fertilisers and pesticides) and agribusiness output-processing firms (those taking products and storing, packaging and selling farm products) to farming (Lawrence 1987). This enhanced the role of corporate capital in the sourcing and in the delivery of foods to consumers – often in highly processed (durable) form.

Advances in farming technologies went largely unquestioned until the 1960s because of the apparent benefits to society associated with increased food supply (McMichael 2004). In terms of family budgets, food costs were becoming a smaller proportion of total expenditure, and there were a greater variety of products on the supermarket shelves. As urbanisation continued apace, consumers in nations such as the US and Australia were receiving relatively cheaper, durable, foods supplied via a corporate-dominated agri-food complex (Friedmann and McMichael 1989; McMichael 2004). But productivist agriculture in combination with a burgeoning manufacturing food industry, was to generate a number of contradictions. For example, increasing real incomes (and a subsequent desire to spend) was constrained by resale price maintenance as well as the lack of competition amongst retailers. Another contradiction was associated with restricted choices in consumption that derived from a food system dominated by a proliferation of mass, standardized, products at a time when changing consumer tastes were leading to demands for choice, variety and innovation in foodstuffs.

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diet, health, the threat of litigation and declining profits – has led the McDonalds chain to reconfigure itself (at least in the developed countries) by selling a wider range of products which in part, emulate the Subway menu. However, this transformation does not appear to have been extended to McDonalds outlets in those Third World countries to which the hamburger chain increasingly looks for its income (Burch and Goss 1999b). In these countries, the model of a standardised product and limited menu which served McDonalds so well for so long in the West, is still the norm. In this context, it is perhaps worth making the point that the proliferation of types of food products and culinary experiences that we have referred to in this paper – ranging from organic products to ready meals to frozen pizzas and McDonalds hamburgers - is not necessarily a problem in terms of our theoretical position, and we do not see such variety and complexity as undermining our ability to generalise about the emergence of a third food regime. Our approach is not based on a construction of oppositions; we do not, for example, see organic produce as the *opposite* of, or necessarily in *conflict* with, conventionally produced of ‘industrialised’ food, or fast food as the *opposite* of, or in *conflict* with, slow food. Rather, we conceive of the whole gamut of varieties and types of food that are commercially available as a reflection of a central tenet of the third food regime, namely the notions of choice, flexibility, innovation and internationalism as expressions of market choices and consumer incomes in post-industrial societies.

The transformation which resulted from the resolution of these contradictions, which we have discussed in this paper and which we argue foreshadows the emergence of a third food regime, has also been characterized by some researchers as a new 'post-productivist' ethos which is coming to challenge the 'productivist' norms of the second food regime (Holmes 2002; Holmes 2005 forthcoming). Lawrence (1998) has referred to this as 'sustainable regional development' while Marsden (2003) has referred to the concept of the 'rural development dynamic' (Marsden 2003). The basic insight is that productivism is being challenged as consumers are becoming increasingly concerned with the negative consequences of industrialisation (including the continued industrialisation of agriculture) (see Beck 1992). Consumers are seen to be 'greening' – adopting attitudes and behaviours that, at one and the same time, question the health and environmental benefits of technology-intensive and 'factory' farming, and support the development of 'alternative' (especially organic) and other purportedly more sustainable food production systems (see Burch, Lyons and Lawrence 1998). Supermarkets are increasingly conscious of the need to provide consumers with food security via guarantees of freshness and quality. Indeed, as was noted earlier, supermarkets are emerging as part of a new regulatory framework governing standards and quality. This trend is becoming institutionalized, for example, in the establishment of EUREP-GAP as a mechanism of retail (private) governance that aims to enhance food safety for consumers (see Busch and Bain 2004; Campbell 2004).

We acknowledge the possibility of a trajectory of development for an emerging global agri-food system in which a dominant retail sector demonstrates a capacity for a 'greening' of consumption which is consistent with the demands of consumers as well as conforming to a post-productivist sustainability ethos. Such an ethos, it may be argued, is already evident in the demand by supermarkets that 'best practice' standards of production and handling be applied by their suppliers, in the improvement of the traceability of products on the supermarket shelves, and in the increasing availability of organic products. Marsden (2003: 197) has also suggested that the supermarkets' commitment to industrial chain modes is qualified by what he terms 'short' food production chains. There are now, he suggests, identifiable attempts to 'engender some form of connection between food consumer and food producer', as part of a relocalization process (Marsden and Sonnino forthcoming 2005). Products now reach consumers with information about their source and the ways they were produced. Authenticity and trust are enhanced, the 'local' nature of food production is highlighted, and consumers are told that – because of the nature of sourcing – regional farming systems will benefit and local producers will be empowered (Marsden 2003: 200).

While not disputing the significance of the developments discussed above, a key issue for us is whether or not the shift in the control and management of the agri-food supply chain from the manufacturing to the retailing sector will ultimately result in the more beneficial outcomes implied by Marsden's 'rural development dynamic'. For example, there appears to be a major contradiction between the suggestion that the retail sector is driving a 're-localisation' of food production and consumption, and the observation that the retail sector is undergoing a process of globalisation which is likely to increase its capacity and tendency to global sourcing of a wide range of food and non-food commodities. In short, will the global retailers – operating under even more competitive conditions than the manufacturing sector ever did – behave any differently from those same manufacturing companies in terms of environmental outcomes and corporate social responsibility? Even at this early stage in the transformation of the agri-food supply chain, it seems clear that the retail sector is operating under the same impulses to accumulation that has driven manufacturing capital in the past. For example, as globalisation proceeded, corporate capital in the agri-manufacturing sector proved to be highly mobile, moving around the world to source the cheapest inputs to the food manufacturing industry (Bonanno et al. 1994), with farmers usually having little option but to conform to the profit-making demands of these firms (Burch and Rickson 2001). However, the globalising retail sector is increasingly sourcing its own

brand products from overseas, and it is possible to detect the emergence of a situation in which an overseas subsidiary of a global retail chain comes to operate as the agent for the global sourcing of food products that may be sold in other branches of the same chain throughout the world. In other words, in our view, the retail sector is coming to match – and will eventually outstrip – the global sourcing capabilities of the manufacturing sector. In doing so, the global retail sector will exert an even wider span of control over the global agri-food system, and will be in an even stronger position to decide the conditions under which agri-food commodities are produced.

We do not argue that the developments discussed so far will lead to the disappearance of brand manufacturers or the products they supply. Instead, we predict that many now-popular and common brands will be increasingly challenged by supermarket own label products.<sup>8</sup> While some agri-food companies – particularly those owning iconic ‘mega-brands’ such as Coca-Cola – will continue to trade on brand recognition, they will, in our view, operate under very different conditions which encourage greater flexibility in sourcing, innovation in production, and efficiency in logistics. They may, like the Sara Lee Company, adopt the ‘Nike’ model of sub-contracting production while generating income from marketing food products under a recognized brand name. Alternatively, more companies might adopt a ‘Coca-Cola’ model, under which a brand manufacturer may license the production of a premium product, and undertake processes of accumulation by supplying essential intermediate inputs. Whatever the case, such an approach would be consistent with the recognition of that value to be found not just in actual manufacture and marketing of physical products, but in the ownership of brands, the revenues that can be generated through licensing, royalties, and the high rates of return that can be generated through processes of transfer pricing (Pritchard 1999). To this extent, branded food manufacturers would increasingly come to resemble the supermarkets, insofar as they would generate greater income from rents deriving from their ownership of ‘strategic supply chain assets’ rather than the manufacture and sale of agri-food products.

Whatever the case, the whole transformative process which we have argued is symptomatic a third food regime, is underwritten by a mode of regulation based on neo-liberal, free market, principles which are manifest in the prevalence of non-permanent and flexible working conditions in the own label manufacturing companies, in the growth of non-contractual ‘partnerships’ between supermarkets and their suppliers, and in the elimination of barriers to global sourcing (in this case, through removal of protectionist measures and the proliferation of free trade agreements).

## Summary and Conclusion

Recent transformations in the agri-food distribution system, and the changes in the relationships between all actors in the supply chain (but especially between agri-food processing companies and the retail outlets they supplied), have occurred at the same time as new consumption patterns have begun to emerge, and as food security issues have gained prominence with the questioning of productivist agriculture. The mass consumption of fresh convenience foods of all kinds – chilled ready meals, snacks, fast foods, pre-prepared dietary products – has become widespread *at the same time* as there has been a broadening of cuisines to include ‘ethnic’ and ‘regional’ cuisines, functional foods, organic foodstuffs, and so on. The concurrence between these developments, and the ‘own brand’ revolution described in this paper, has provided the basis for a significant restructuring of the agri-food production system, and a strengthening of the retailers’ dominance of the supply chain. The phenomenon of the supermarket own brand – the success of which was originally due to considerations of price – has

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<sup>8</sup> Harvey, et al. 2002: 174. There seems to be little doubt that brand loyalty is diminishing and that this due in no small part to the strength of supermarket own brands. Indeed, it is the supermarkets, rather than food manufacturers, which are becoming the source of brand recognition and loyalty – in fact, the supermarket is becoming the brand.

shifted to another level. Own brand products not only compete on the bases of both price and quality, but also now dominate in the production of a number of new foods products characterized by convenience, freshness, and novelty. As a consequence, there have emerged in recent years a number of large agri-food manufacturing companies which produce nothing but 'own brand' products for supermarkets. In contrast to the established brand-based agri-food manufacturing companies, these 'own brand' specialists have proven to be highly innovative and flexible, and have been able to adapt more quickly to the demands of the supermarkets chains and, in turn, the consumers who patronize these retail outlets. As a consequence of this flexibility and adaptability, these new companies are in a better position than established agri-food manufacturers to lead the way in the next round of innovation in the food system, involving a wide range of products for niche markets, convenience foods, and home meal replacements. To this extent, it has been argued here that these companies are coming to challenge one of the remaining vestiges of manufacturer power in the supply chain - their ownership of brands and all that they represent.

We argue that the changes we have described thus far – in concert with broader changes in the political and cultural geography of agri-food production and consumption – represent a shift to the (hitherto elusive) third food regime. There seems to us to be clear evidence that a retailer-dominated food production system has a different 'profile' and trajectory from the two earlier regimes where power rested first, with the settler capitalist state/farm lobby and, second with the mass producers of branded food products. There is a difficulty in seeking to redraw the elements of food regime theory to account for the shift in power to the supermarkets - that of tempering the accumulationist bias in regime theory with a thorough understanding of regulation. Furthermore, Dixon's (2002) research draws our attention to the ways supermarkets have sought to position themselves as the moral guardians of consumer sovereignty and have done so by purporting to provide ever-higher standards for food provision and sale. It is also clear from the discussion above that the issue of private regulation – particularly as it relates to the supermarket sector - will become increasingly important in any re-formulation of food regime dynamics. The task remaining, then, is to delineate the contours of the emerging regime and to explore, further, the power relations of actors in that system.

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## Appendix 1: Food Regimes

	1st Food Regime	2nd Food Regime	Emerging Third Food Regime
Approximate commencement	1870-	1950-	2000-
Main Driver or Decision Maker	Nation (especially settler) states, and farmers	Processing Company	Retailer
Mode of Regulation	State control	Managed Keynesianism	Neo-liberal deregulation
Output	Basic foodstuffs for home preparation	Basic and processed foodstuffs for home preparation and 'out-of-home' dining	Basic, processed and manufactured foodstuffs for home preparation; convenience and 'flexi-eating'
Identifier	Unbranded and/or undifferentiated products	Branded products	Branded products, supermarket own brands, generic labels
Food Production	Seasonal	Continuous production of standardized products marketed on long-standing brand loyalty	Flexible batch production of differentiated products marketed on price, novelty, retail loyalty, convenience
Consumers	Have minimal influence re quality and presentation of marketed products	Accept durable foods as desirable	Are increasingly discerning about food quality and food safety
Environment	Exploited but with little concern for effects of extensive farming	To be controlled and managed to maximise profits from farming	To be farmed in a sustainable manner
Role of the state	Encouragement for family farming	Support for productivist agriculture, food manufacturing	Encourage global free trade and private regulation by agri-food firms
Underlying dynamic	Availability of products, application of technologies	Availability and price of products, technological dominance	'Greening' of consumers, risk society

Sources: Derived from Friedmann and McMichael 1989; Le Heron 1993; Burch et al. 1998; Lawrence and Gray 2001; Marsden 2003; and Friedmann 2004, pers comm; and McMichael 2004, pers comm.).