

# What Is The Animal Processing Industry Doing Wrong? Critical Perspectives from Farmers and Consumers

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## ABSTRACT

The role of the animal processing industry in the food value chain is critical at a time when, on the one hand, the survival of many farms is uncertain and, on the other, consumer expectations are high. Research has shown that both farmers and consumers have concerns with the food processing's role in the food system. Therefore, the aim of this study is to explore the criticisms of these two members of the food value chain to the processing industry through direct one-to-one discussions more profoundly. In October 2020, 24 online one-to-one discussions were conducted with one farmer and one consumer each in six German regions. In Flensburg and Kempten, the focus was on criticism of the dairy processing industry, in Borken and Giestrow on the pork processing industry, and in Vechta and Magdeburg on the poultry processing industry. Interviews were recorded, transcribed and analysed qualitatively. The results showed that both farmers and consumers criticized the following areas: the treatment of products during processing, the processing industry's adaptation to market demand, and pricing. In addition to these aspects criticized from both sides, farmers additionally criticized vertical integration in the case of the processing industry and its marketing strategy. Additional consumer criticisms related to the working conditions of workers in the processing industry. Although most of the areas criticized were the subject of criticism in the discussions of all three groups of farmers (dairy, pig, and poultry farmers) and consumers, the treatment of products during processing was criticized only in the discussions between dairy farmers and consumers, and the marketing strategy was criticized only by dairy farmers. The lessons learned from this study are useful for the processing industry, other actors in the value chain, such as food retailers, to align their activities with the expectations of producers and consumers. Implications can also be derived for policy makers in order to strengthen trust in the food system. From a methodological point of view, one-to-one discussions can generate in-depth insights into controversial topics.

*Key words: processing industry, farmers, consumers, criticism*

## 1 Introduction

As a result of increasing trade liberalization, agricultural and food markets have undergone structural and organizational changes at the global level. As a result, food value chains are no longer local and composed of multiple fragments, but spatially longer and at the same time more integrated (Borsellino et al., 2020). This change affected both the beginning and the end of the value chain, increasing the importance of retailers and processors. Production has been made more capital intensive and dependent on external inputs. Ultimately, the increased use of external inputs led to a decline in the marketing share of agriculture in the overall value chain (Swinnen, 2020).

All of these changes impact food security and nutrition, bringing many benefits and opportunities, but also challenges faced by some actors in the food value chain (Borsellino et al., 2020). Some of the benefits that farmers and society as a whole derive from the growth of food value chains include increased productivity, application of technology, knowledge transfer, opportunity for employment, and increased wages for farmers

(Scoppola, 2022). However, the growth of food value chains also has negative implications, especially for farmers. There are numerous cases of farmers complaining about the abuse of oligopsonistic market power by large retailers or processors (Bonanno et al., 2018; Grau et al., 2018; Swinnen, 2020). Retailers and processors set standards that are based on consumer needs and food safety rather than farmer concerns (Murphy, 2006). A study conducted by Faletar et al. (2022b) showed that German dairy, poultry, and pig farmers echo consumer criticisms of food retailers' pricing, profit distribution, standards, and marketing strategies. Alarcon et al. (2014) showed that English pig farmers are critical of supermarkets' pricing of pork. The study published by Proudfoot et al. (2022) showed that some Canadian farmers criticize the dairy industry's lack of care for male calves, and the study conducted by Rell et al. (2020) among various dairy industry stakeholders in Switzerland found that they believe dairies set the price of milk, to which dairy farmers respond by expanding their farms and increasing production to remain economically efficient. Chicken farmers operating under contemporary contracts are generally critical of the availability of information about marketing opportunities and barriers in the value chain (Hendrickson and James, 2016).

Consumers also have complaints against some actors in the value chain, which raises the issue of trust in the value chain. The role of trust in the value chain is critical because it drives each stage of the value chain so that each member does its best (Trienekens et al., 2018). Consumers doubt the ability of the food value chain to ensure safe, healthy, and sustainable products with desired sensory attributes (Macready et al., 2020). Research conducted in Germany (Sonntag et al., 2019) confirmed that consumers do not believe that farmers can provide better animal welfare conditions due to the high production costs and low producer prices of their products. The same study showed that they doubt that organic labels are transparent and trustworthy, and ultimately do not trust them to buy healthy meat products and eggs.

When we consider this critical view of two "end actors" in the value chain, the question is whether the food value chain is successful. A successful food value chain can be viewed as one that effectively fulfills all of its management and logistics roles in each segment (Stevenson et al., 2011). In order to find out what bothers farmers and consumers about one of the main actors in the value chain, this study aims to investigate farmers' and consumers' criticisms of the animal processing industry in Germany. The following research questions (RQ) serve as a guide in this task:

RQ1. What are the main criticisms farmers and consumers have of the animal processing industry?

RQ2. What are the similarities and what are the differences between farmers' and consumers' criticisms?

## 2 Data and methods

Data for this study were collected during 24 one-to-one online discussions in October 2020 adapting concepts of one-to-one encounters developed by Berkes et al. (2021; 2022). Each session included a direct conversation between a person involved in livestock production and a citizen\* unrelated to livestock production but familiar with the topic. The role of moderator was to ensure that the discussion flowed well. She/he intervened only when there was deviation from the topic, the panellists were passive, certain questions needed to be clarified, or a potential conflict arose between the panellists. In this way, the validity of the data could be ensured (Boeije, 2009).

To cover the representation of specific types of livestock production regionally, dairy cow farmers and citizens discussed in Flensburg and Kempten, poultry farmers and citizens in Vechta and Magdeburg, and pig farmers and citizens in Borken and Guestrow. Four discussions were held in each region. These discussions were held as the first phase - the criticism phase of the future workshop. The future workshop is a method that creatively approaches the solution of various social problems in three phases, the critique phase, the utopia phase, and the realization phase (Kuhnt and Müllert, 2006).

During the discussions in the critique phase, respondents were guided by a series of open questions. Among other, the questions covered criticisms of food retailers, the processing industry, agricultural policies, dairy cow, pig, and poultry farmers, and criticisms to the detriment of consumers, among others. The subject of this article is criticism by farmers and consumers of the animal processing industry in Germany.

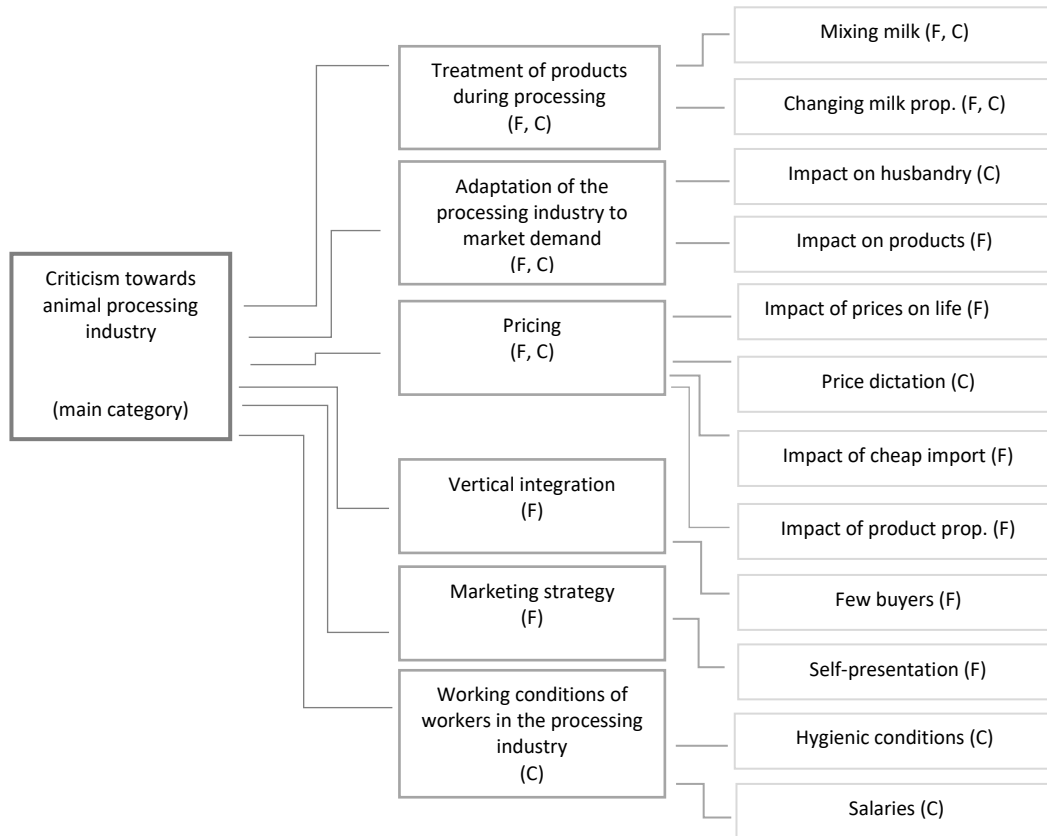
The discussions were videotaped and audio-recorded, and the transcribed material was analyzed using content analysis, using a combination of inductive and deductive approaches (see Mayring, 2015). Based on the analyzed content, a category system was created to serve as a framework for understanding the results.

## 3 Results

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\* The term „consumers“ is mainly used further in the text for the same group of research participants.

Criticism of the discussants refers to six areas<sup>†</sup> of the activity of the animal processing industry. Both farmers and consumers criticized the treatment of products during processing, the processing industry's adaptation to market demand, and pricing. Two other areas that farmers criticized were vertical integration and the marketing strategy of the animal processing industry. In addition, consumers criticized the working conditions of workers in the processing industry (see Figure 1).



Note: F - Farmers; C – Consumers; prop. - properties

Figure 1. Category tree for criticism of the animal processing industry

The first area of criticism relates to the treatment of milk at the processing stage. Both farmers and consumers are critical of this process because they believe that processors do two things that negatively affect the quality of the milk itself. In their opinion, the mixing of milk from different producers by the processing industry makes it impossible to determine the origin of supermarket milk. One consumer said: *"Sometimes it bothers me that when you buy conventional milk at the supermarket, you do not know who mixed it together and you end up not being able to trace where it came from."*<sup>‡</sup> They also believe that the milk processing industry is altering the sensory characteristics of milk with the goal of extending the shelf life of the milk itself, which ultimately does not have a positive impact on the quality of the milk. *"The milk will have a longer shelf life. But this has nothing to do with the milk itself (...), the value of UHT milk is not comparable to that of whole milk or farmers' milk. This is a development. I do not think it is good, but that is the way it is,"* said one dairy farmer. A consumer added, *"What do you want to do with normal milk that tastes good anyway? Probably just to extend the shelf life or make it more durable."*

<sup>†</sup> Six criticized areas (treatment of products during processing, adaptation of the processing industry to market demand, pricing, vertical integration, marketing strategy, working conditions of workers in the processing industry) are six subcategories in the category tree (see Figure 1).

<sup>‡</sup> Citations were translated from German.

The adaptation of the processing industry to market demand was the second area criticized by both farmers and consumers. On the one hand, consumers feel that the processing industry dictates to farmers how to keep their animals for the benefit of market demand, and they cited the situation in poultry production in particular as problematic. One consumer pointed out: *"But also in the processing industry, I think that is particularly noticeable to me, also in terms of poultry farming, that they are already starting to dictate to the producer how they should market their product later, how they should produce it, how they should do certain things, how they should feed it, and I just think that the industry has too much influence on poultry farming in particular."* On the other hand, some dairy farmers criticize dairies for adjusting to consumer demand so that products that are in higher demand are actually produced. *"Dairies and retailers are adapting to trends and consumer behavior. What is in higher demand is produced"* said one dairy farmer.

Pricing is the third area criticized by both groups and the most comprehensive. Farmers believe that the way the processing industry sets prices is not fair. The small amount of money available to farmers when they have fulfilled all their obligations not only negatively affects their business, but also their daily lives. One of the pig farmers said: *"They are bleeding us dry, the processing industry. All the costs now with swine fever, the Covid-19 pandemic and so on. They are all being pushed down. If you are talking somewhere about the minimum wage that an employee should have, we are in agriculture, private, we do not count how many hours we are in the barn, we just look at what is left at the end of the month and hope it is enough."* Consumers added that some processors, especially some big dairies, use their market power to set prices to guarantee their profit. One of them said: *"These big dairies, Mueller, Kropper and so on. They have a very big market power and of course they can influence the prices to some extent."* In addition, dairy farmers believe they are under pressure to sell their milk cheaply because the processing industry has a comfortable situation due to the open market and can always resort to importing products from abroad. *"The Allgaeu farmers have to produce so cheaply because of the open borders, (...) the processors and industrial companies then buy the Irish milk,"* said one dairy farmer. Another reason given by the processing dairy industry why dairy farmers have to sell their milk at a low price is that milk is a perishable product. One of the dairy farmers commented: *"Milk is a perishable product, it is picked up every two days and cooled down to 5 degrees Celsius. We cannot say no, we do not want to deliver at that price."*

The fourth area, criticised only by farmers, is the vertical integration of the processing industry. Poultry farmers believe that there are a few companies that have a great influence, not only on the sale of poultry meat, but also on the whole production process in poultry farming. *"I think it is fundamentally critical that we have so few buyers when it comes to broiler poultry. So, it is an integrated production, (...) so there are two big companies that control the whole area. And I sign a contract with them and I am relatively immobile and limited in my decisions,"* said one of the poultry farmers. Some dairy farmers believe that dairies, under the influence of food retailers, require dairy cows to stay out of the barn for a certain amount of time so that retailers will eventually use this as added value when selling the milk. As one dairy farmer pointed out: *"Locked in the barn all year? The dairies take care of it, so the food retailers say we only want milk from cows that are not tethered year-round."*

Dairy marketing strategy was the fifth area of criticism. Dairy farmers mentioned that the processing industry, not food retailers, distorts the image of how dairy products are produced and that they (the processing industry) are often misrepresented as being CO<sub>2</sub> neutral. *"I do not blame food retailers for advertising, I blame the processing industry. I think that our ideal world views of Allgaeu yogurt are not true (...). You have to blame the dairies for that,"* said one dairy farmer, and another added: *"It is a big problem with the dairies because they want to present themselves as CO<sub>2</sub>-neutral or as neutral as possible."*

The sixth area, which is criticized only by consumers, is working conditions. Some of them believe that the hygienic conditions in which workers work, especially in the pork and poultry processing industries, are poor. Together with the low wages, the workers are exposed to exploitation. One of the consumers stated: *"Whether it is the hygienic level or the socioeconomic level, people are exploited and have to work in very unpleasant conditions and then the meat is processed in undignified conditions. I think it's very disgusting."*

#### 4 Discussion and conclusion

The analysis of the interviews between farmers and consumers revealed a broad spectrum of criticism of the animal processing industry in Germany. In relation to the first research question, it was found that the criticisms of these two groups of discussants relate to six areas: the treatment of products during processing, the adaptation of the processing industry to market demand, pricing, vertical integration, marketing strategy, and the working conditions of employees in the processing industry. For the second research question, it is clear that the similarities between the farmers' and consumers' criticisms are reflected in their criticisms of the

treatment of products during processing, the processing industry's adaptation to market demand, and pricing, while the differences are reflected in the farmers' criticisms of vertical integration in the processing industry and its marketing strategy, and the consumers' criticisms of the working conditions of workers in the processing industry.

One of the most common criticisms of both farmers and consumers related to the mixing of milk from different producers and the addition of substances that make the milk last longer than it normally does. On the one hand, it can be concluded that the critical view of farmers on the treatment of milk during processing is due to their dissatisfaction because their product loses its authenticity due to mixing with others. This kind of treatment by processors certainly has an emotional impact on farmers and their motivation to devote as much as possible to milk production. On the other hand, it can be said that consumers criticize the interventions in milk because they believe that the product supplied to them by the food retailer in the previous phase does not offer the maximum that it can. Many previous studies have shown that consumers are dissatisfied with interventions in milk during the processing stage (e.g., Hüppe and Zander, 2021; Kaya, 2016; Lee et al., 2015).

Consumers feel that farmers are under pressure when it comes to a whole range of demands from processors about how they should raise their animals, while farmers criticize the processing industry's pressure on them to diversify their production process. When these aspects of criticism are considered in the context of the processing industry's adaptation to market demands, it remains unclear whether consumer criticism is sincere and to what extent, given that processors are instrumental in shaping the characteristics of the products that food retailers ultimately deliver to increasingly demanding consumers. However, matching livestock production to market demand has been a common trend for years, and there is no indication that this will change, as analyzes show that animal protein consumption will increase in the coming decades (Henchion et al., 2021).

As expected, farmers were the most critical when it came to pricing. While consumers know that the processing industry, especially the dairy industry, has more than enough power to shape prices to make profits in the first place, farmers believe that the way processors have shaped prices, along with the crises caused by other factors, actually threatens their survival. According to farmers, their survival and the profitability of their work are also threatened by the "maneuvering space" that processors have and use because milk does not have a long shelf life and because processors can easily replace domestic milk with imported milk. The Swiss study also showed that dairy industry stakeholders believe that dairy farmers are under price pressure when it comes to milk production (Rell et al., 2020). Similar aspects of pricing were criticized by these two groups of value chain stakeholders when criticizing food retailing in Germany (Faletar et al., 2022b).

Farmers believe that buyers know that there are few of them and that they can exploit this to influence the way broilers or cows are raised, ultimately making it appear that farmers are part of their business. Vertical integration is increasingly present in the agri-food value chain (ILO, 2017), which rarely suits farmers, unlike some other value chain actors.

Exclusively dairy farmers believe that dairies are already leading the way in advertising when it comes to dairy retail, as they increasingly portray not only themselves but also producers as carbon neutral in their operations. Although it is obvious that they are doing this to improve their position in the continued supply of milk and dairy products, this approach puts additional pressure on farmers because it shows that more is expected of them.

Consumers are critical of the working conditions of workers in the animal processing industry, especially in the meat industry. They believe that workers are not paid adequately and that sanitary conditions should be much better. It is likely that consumers have this view of the meat processing industry based on information from the media about certain scandals that have affected it in recent decades. Due to these unfortunate events, the meat industry does not enjoy much public and political support in Germany (Seeliger and Sebastian, 2022).

From a methodological point of view one-to-one discussions offer possibility to integrate divergent views (cf. Berkes et al., 2023). It has been somehow surprising that there were not more opposing or conflicting views between farmers and citizens. This might be related to the specific topic covered as there were few incentives to blame the respective other side but rather blame a non-present third party. Conducting one-to-one interviews online instead of face-to-face makes the implementation more flexible but requires more guidance. Online communication does not fully exploit potential of more immersive communication contexts and leads to more rule-based conversations and less intuitive communication processes. Still, we consider one-to-one conversations are a useful tool to generate a dynamic communication context.

The results of this study provide valuable insights that can be used to bridge the dissatisfaction with the processing industry when it comes to two actors in the value chain: those at the beginning of the chain, the farmers, and those at the end of the chain, the consumers. These findings could serve as a guide for the animal processing industry to steer its activities in a direction that is more acceptable and beneficial to farmers and consumers. In addition, agricultural policy makers, whose activities are highly criticized by farmers and consumers (e.g., Faletar et al., 2022a), should also participate in finding solutions that significantly protect the

position of farmers and provide consumers with greater transparency and safety in animal-derived products. Finally, to gain sufficient insight into the issues raised in this study, it is recommended that a survey of farmers and consumers be organized using a quantitative approach to test the extent to which both view the issues identified in this qualitative study as problematic and whether there is a relationship between the evaluation of these issues and certain sociodemographic characteristics of survey participants.

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