

Mr P Frew
Chairperson, Committee for Agriculture and Rural Development
Room 244, Parliament Buildings
Ballymiscaw
Stormont, Belfast
BT4 3XX

Dear Mr Frew

Questions on horsemeat and pork DNA in beef products

Thank you for contacting us about your inquiry into the issue of horsemeat and pork DNA found in beef products. We welcome the opportunity to respond to the Committee's questions.

Tesco is first and foremost a food retailer and our customers must be able trust, without question, that the food they buy is as described on the label. We know that customer trust in the food industry has been eroded as result of the events of the past two months, with customers concerned about the accuracy of food labelling and the complexity of the food supply chain. As the UK's largest food retailer, we know that customers expect us to take a lead on this issue, and we have taken firm action from the start.

ACTION TO DATE

When we found out on 15 January that two Tesco own brand products (Tesco Everyday Value 8 x Frozen Beef Burgers (397g) and Tesco 4 x Frozen Beef Quarter Pounders (454g)) had tested positive for horsemeat, we immediately withdrew these products from sale both in store and online. We told our customers about the problem as soon as we could through all the channels we could — in stores, on email, on social media, on television, and through full page newspaper advertisements. Some examples of our customer communications on the issue are at **Annex A**.

On 5 February we withdrew a Tesco frozen Everyday Value Spaghetti Bolognese which subsequently tested positive for horsemeat DNA. On 12 March we withdrew our frozen Tesco Simply Roast Meatloaf (600g) from sale after it tested positive for between 2-5% horsemeat. The product tested was manufactured between October 2012 and January 2013 at Eurostock in Craigavon, Northern Ireland. We have also withdrawn a further 46 lines on a precautionary basis.

DNA testing

We have been working closely with the FSA and FSAI to thoroughly investigate these issues. We have been, and remain, determined to do whatever it takes to stop it happening again. We know that we have a well-equipped, expert technical team and world-class checks in place but this incident has shown that, in spite of our stringent tests, checks and controls there remained a small possibility that something could go wrong. We therefore announced on 30 January that we would introduce a world-class, comprehensive programme of DNA testing. This testing programme will set a new standard and will be a significant investment for Tesco, borne by Tesco. Under no circumstances will the costs be passed on to customers or suppliers.

To date we have tested 662 products, including high risk own brand processed meat products as requested by the FSA. All have been found to be negative for horsemeat DNA with the exception of the four products named above. To enable our customers to see the progress we are making with our testing programme, we have set up a website where customers can view a full list of the products we have tested so far with test results.

Restoring confidence in our supply chain

We know that DNA testing alone is not enough to restore our customers' trust. Nothing matters more to us than our customers and they have told us that they want to buy more from the British Isles, and that the journey from farm to fork should be less complicated. We have listened to what they have said and we are making some further real and lasting changes:

- We are going to bring the food we sell **closer to home**. Already all our beef – fresh, frozen and in ready meals – comes from the UK and the Republic of Ireland. From July, all our fresh chickens will come from UK farms, representing an annual investment of £15m in the British poultry sector. We will also move, over time, to ensure that all the chicken in all of our products – fresh and frozen - is from the British Isles.
- We will **reduce the complexity of our supply chain**. We only retain a link in the chain if it makes a product better for our customers. To hold us to account, we are establishing an **independent panel of experts** which will help us to improve the way the supply chain works in practice.
- We are expanding our **Tesco Sustainable Farming Groups** to cover all meats, and will explore the potential to extend this approach to other products. This builds on the success of the Sustainable Dairy Group that we launched in 2007, which guarantees our milk farmers a price reflecting the cost of production, and the Sustainable Pork and Beef Groups we launched in November last year, which pay beef farmers an above market price for their meat and offer pork farmers a cost that is directly linked to the price of animal feed
- To give our suppliers greater certainty to maintain and grow their businesses, we will offer **contracts with a minimum of two years** to all our suppliers who want them.
- We are establishing an **interactive website** to give our customers greater insight into what is in their food. We will use video to open up the supply chain, enabling our customers to trace every step of the journey from farm to fork. The website can be found at www.tescofoodnews.com, and also includes a list of the products we have tested so far as part of our DNA testing programme.

Detailed answers to the Committee's questions can be found below. We hope the Committee find this information helpful in understanding our supply chain and the steps we are taking to address the meat contamination issue.

Yours sincerely

Victoria McKenzie-Gould
Head of Government Affairs

Please explain the food supply chains in place for processed beef products supplied by Tesco Stores Limited.

Our supply chain is based predominantly on UK farmers and processors and our fresh and frozen beef is sourced from Britain and the Republic of Ireland.

All beef ingredients in our products are purchased to a detailed specification agreed with the supplier requiring adherence to safety, legal and quality standards. All our fresh and frozen beef and the vast majority of the beef used as ingredients in processed beef products will be sourced from our approved suppliers, namely farms that are required to comply with our own Livestock Codes of Practice (see below for more detail). This includes products such as burgers, ready meals, sandwiches, cooked meats, pizza, filled pasta, pies and pasties. We are in the process of moving the remaining very small number of grocery lines containing beef to the same approved supplier sources.

In more detail, our checks break down into four key stages, with extensive quality control processes at each stage:

1. Farm.

- Farms supplying beef must be compliant with the Red Tractor scheme in the UK or the Bord Bia scheme in the Republic of Ireland, as well as our Livestock Codes of Practice. Our Livestock Codes of Practice cover a variety of standards including animal husbandry and welfare, transportation, abattoir standards, traceability, product specification, and food hygiene.
- To ensure these Codes of Practice are followed, our suppliers are audited at least every 12 months by Integra, an independent accredited audit company. Any non-conformances are followed up by our technical team and the most recent audit rating awarded determines the frequency of ongoing audit required.

2. Abattoir and butcher plant.

- Our beef abattoirs are also audited to our Livestock Code of Practice by an independent third party at least once a year.
- During this audit we check to ensure supplying farms are Farm Assured (Red tractor / Bord Bia), the passport details of the animals (where relevant), as well as the welfare standards within the abattoir itself.

3. Manufacturer.

- **Becoming a Tesco supplier.** Before we take on a supplier, we complete a thorough audit against the Tesco Food Manufacturing Standard through our dedicated 2nd party audit organisations. The auditors are trained and approved by Tesco. This includes a detailed site visit where sites are given an audit rating and any non-conformances identified must be followed up by our technical team before the site can be approved to supply us. In addition to a detailed site assessment, we undertake a series of additional tests and checks. We agree the exact specification for every product we sell with each of our suppliers in advance. Each specification has to be uploaded to our online technical library and, once approved by Tesco, this specification is locked and cannot be changed by the supplier without our consent. For meat products this includes, for example, the cuts of meat to be used and the country of origin of the meat. The supplier must also complete a Hazard Analysis Critical Control Point Assessment to be approved by us, which identifies the food safety risks on the site and how these will be managed and controlled in an appropriate way. We conduct traceability and microbiological nutritional tests, assess a product's shelf life, undertake factory production

trials, and agree labelling and packaging with the supplier so both parties have a clear agreement on what is in a product, and how it is labelled and presented.

- **Ongoing checks and processes.** Once a supplier has been approved to supply us, we have an ongoing program of site visits and audits to ensure our standards are being maintained. These are in addition to those carried out by the relevant food authority, and the suppliers themselves. Of course, many of our suppliers also provide products to other retailers who will have their own checks and processes. Any non-conformances from site visits and audits are followed up by our technical team and the most recent audit rating awarded determines the frequency of ongoing audit required. Audits are usually undertaken annually, unless there has been a non-conformance in which case audits will be brought forward. If an audit is failed, production at the site is suspended immediately.

Our on-going checks also include a comprehensive program of product testing. Every own brand product is tested annually (with some tested twice a year) against its specification to ensure accuracy and quality. In addition, we undertake surveillance product testing, completing over 100,000 tests annually. These tests look at a range of issues including compositional standards and food hygiene, speciation testing (involving surveillance of meat and fish products for declared-labelled species) and a project based program focussed on new and emerging risks. In addition to this, our central quality team complete checks on our products to ensure the eating quality is acceptable and on packaging information, for example to ensure a product's weight and nutritional value is accurate. This year we aim to carry out 15000 detailed quality assessments of our products.

4. **Tesco Depot.** At this stage we will carry out sample checks on incoming products to ensure compliance to our specification. This includes checks on a broad range of critical parameters, for example product temperature which is critical to food safety. In Northern Ireland we have a dedicated Quality Control team that ensure 70% of all raw meat and poultry is inspected at Depot before onward shipment to stores.

We deliver these supply chain controls through our team of over 300 Tesco technical staff who are responsible for food product standards, supported by external approved laboratories and dedicated 2nd party audit organisations.

However, the meat contamination scandal has shown that in spite of our stringent tests, checks and controls, there remained a small possibility that something could go wrong and it did. We have therefore decided to introduce a world-class, comprehensive DNA testing programme across our meat products. These checks will be a significant investment for Tesco, borne by Tesco, and under no circumstances will the costs be passed on to customers or suppliers. As part of this DNA testing programme, we have now tested 662 products, including high risk own brand processed meat products as requested by the FSA.

If fraud or criminal activity is happening, where, in the opinion of Tesco Stores Limited is it most likely to have happened?

Our investigation into the horsemeat contamination in our Everyday Value Beef Burgers Frozen Beef Quarter Pounders showed that the meat that went into our products did not, as we specified, come from the UK or Ireland. It is not possible for us to know exactly what happened at the site but what we do know in this case that our supplier breached our contract with them, and breached our trust.

At a wider level we have been completing our own a root and branch review to understand how we can prevent these issues recurring in the future and we believe that the measures we have recently

announced will help to give us and our customers the confidence they need. These measures include shortening our supply chains where we can, sourcing closer to home and increasing co-operation between producers, processors and retailers, for example through the expansion of our Sustainable Farming Groups, and offering two year contracts to all our suppliers that want them.

We believe these actions will help to give our suppliers greater certainty to grow and maintain their businesses and that this will provide the whole supply chain with greater security. We will still need to remain vigilant to the risks, which is why we have introduced our programme of DNA testing at the same time.

What can be done to protect the food supply chain - given the complexity, where is the best place for testing to ensure the produce authenticity – that the label and product match?

Our DNA testing programme is primarily focused on the final product, as our customers would purchase it, which means we are sampling from within our own operations at our stores or distribution centres. We are, however, carrying out additional sampling of meat at the pre-production stage within our supply base and have requested that our suppliers also carry out their own tests on beef raw ingredients.

Does this complexity not allow that each part of the chain manages to make money, except the farmer at the beginning of the chain and also pushes up prices for the consumer? What is Tesco Stores Limited doing to ensure the interests of the farmer at the one end of the food supply chain and the consumer at the other are protected?

Over many years, the way retailers source food has been allowed to become too complex. Reducing this complexity is in everyone's interests, specifically by shortening the supply chain where possible and increasing co-operation between producers, processors and retailers. To achieve transparency and reduce complexity in our supply chain, we are completing a root and branch review of how it works. To hold us to account, we are also establishing an independent panel of experts which will help us to improve the way the supply chain works in practice.

We are strongly committed to ensuring that farmers receive a fair price while keeping prices low for customers, and have a significant track record in this area. For example, we set up our Tesco Sustainable Dairy Group in 2007 to address the huge uncertainty our milk farmers face as a consequence of volatility in the markets. The Group guarantees our 700 dedicated dairy farmers a price reflecting the cost of production, as calculated by an independent cost tracker.

Our decision to set up our Sustainable Pork and Beef groups in November 2012 was another step on this path. Farmers in these groups will be given direct contracts with Tesco, and in response to requests by the farming community, these will last for up to 36 months, giving livestock farmers more security so they can plan ahead. The groups will pay beef farmers an above market price for their meat and offer pork farmers a cost that is directly linked to the price of animal feed; something we know has been a major recent concern for farmers. This represents a new £25 million annual investment in British Agriculture and is the first time in the UK that a retailer has had direct contracts with livestock farmers alone.

Working directly with farmers is key to our vision of the future, and we were pleased to announce earlier this month that we will be expand our Sustainable Farming Groups to cover all meats, and explore and the potential to extend this approach to other products. To give our suppliers greater certainty to grow and maintain their businesses, we also announced that we will offer contracts with a minimum of two years to all our suppliers who want them.

To ensure that our customers can have complete confidence that what is in the label is in the pack, we have decided to introduce a world-class, comprehensive DNA testing programme as outlined above. We are determined to protect the interests of the customer by continuing to offer a range of great products at affordable price points. Whatever a customer is able to afford, there can be no compromise – what is on the label will be what is in the product. We apply the same strict quality standards to all of our food products regardless of their retail price.

What checks and balances are Tesco Stores Limited putting into place to ensure that this type of food fraud does not happen again? Please provide reassurances that costs associated with protecting against food fraud are not passed down the food supply chain to farmers or upwards to consumers?

To ensure our customers have complete confidence that what is in the label is in the pack, we have decided to introduce a world-class, comprehensive DNA testing programme. These checks will set a new standard and will be a significant investment for Tesco, borne by Tesco. Under no circumstances will the costs be passed on to customers or suppliers.

To achieve transparency and reduce complexity in our supply chain, we are also completing a root and branch review of how it works. To hold us to account, we are also establishing an independent panel of experts which will help us to improve the way the supply chain works in practice.

Regarding the food authenticity tests being carried out on behalf of the FSA, can you clarify what testing methodology you used and if this methodology was approved by the FSA. Was the testing done in house or externally?

The testing process is carried out by independent, accredited laboratories. All tests are carried out in line with the standards set by the Food Standards Agency.

While the focus has been on horse meat in beef products, what is Tesco Stores Limited doing to ensure that pig DNA does not appear in beef products?

Our focus, to date, has been on horsemeat DNA contamination but we are testing for porcine DNA as part of the DNA testing programme we have introduced across our meat products.

The Committee will be aware that the UK Government has begun a research project through the Laboratory of the Government Chemist, with the FSA, into what is a practical cross contamination threshold and has commissioned some research into what threshold consumers find acceptable. A Tesco microbiologist is represented on the Steering Group and we await the results of the project with interest.

Annex A: Example customer communications

16 January newspaper advert

An apology from Tesco

We apologise.

You have probably read or heard that we have had a serious problem with three frozen beef burger products that we sell in stores in the UK and Ireland.

The Food Safety Authority of Ireland (FSAI) has told us that a number of products they have recently tested from one of our suppliers contained horsemeat.

While the FSAI has said that the products pose no risk to public health, we appreciate that, like us, our customers will find this absolutely unacceptable.

The products in our stores were Tesco Everyday Value 8 x Frozen Beef Burgers (397g), Tesco 4 x Frozen Beef Quarter Pounders (454g) and a branded product, Flamehouse Frozen Chargrilled Quarter Pounders.

We have immediately withdrawn from sale all products from the supplier in question, from all our stores and online.

If you have any of these products at home, you can take them back to any of our stores at any time and get a full refund. You will not need a receipt and you can just bring back the packaging.

We and our supplier have let you down and we apologise.

If you have any concerns, you can find out how to contact us at the bottom of this page, or go to any of our customer service desks in-store, or ask to speak to your local Store Manager.

So here's our promise. We will find out exactly what happened and, when we do, we'll come back and tell you.

And we will work harder than ever with all our suppliers to make sure this never happens again.

28 February newspaper advert

What burgers have taught us

The problem we've had with some of our meat lately
is about more than burgers and bolognese.

It's about some of the ways we get meat to your dinner table.

It's about the whole food industry.

And it has made us realise, we really do need to make it better.

We've been working on it, but we need to
keep going, go further, move quicker.

We know that our supply chain is too complicated
so we're making it simpler.

We know that the more we work with British farmers the better.

We've already made sure that all our beef is from the UK and Ireland.
And now we're moving on to our fresh chickens.
By July, they'll all be from UK farms too. No exceptions.
For farmers to do what they do best,
they need to know they've got our support.
We know this because of the work we've been doing
with our dairy farmers to make sure they always get paid
above the market price
We know that no matter what you spend
everyone deserves to eat well
We know that all this will only work if we are
open about what we do.
And if you're not happy, tell us.
Seriously.
This is it.
We are changing.