Is Our UK Food Supply Chain Broken?

The Oxford Farming Conference Report 2024
Written by Ged Futter

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About this Report

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On behalf of the Oxford Farming Conference I would like to thank our report sponsor Horwich Farrelly and Ged Futter for researching and writing this report. Ged has over three decades of experience in the retail sector, 15 years of which were as a senior buyer in the world's largest grocery retail company.

Ged commentates regularly on all things retail for the BBC, 5Live, The Grocer, The Guardian and The Times. His expertise is in retail behaviour with an insider's understanding of buyer priorities, strategies and the rules they are supposed to follow. His consultancy business works with supermarket suppliers to provide deep insights into supermarket retailer behaviours and to deepen their understanding of the protections afforded by the Grocery Supply Code of Practice (GSCOP) which is enforced by the Grocer Code Adjudicator - the UK Government's independent regulator. Ged approached this report by speaking with over 40 of the most senior business owners and representatives from fresh produce, poultry, eggs, pigs and importers to the UK.

This report is the result of those conversations and draws together clear recommendations for how to improve our supply chains by reflecting on the actions needed by farmers / growers, retailers and the UK Government. My thanks must go to all those who spoke with such honesty to Ged.

This report concept was developed by OFC Director and farmer, Ali Capper who is a Nuffield Scholar and holds various roles in the industry including Chairman British Apples & Pears, board member and previous chair of NFU Horticulture & Potatoes Board, Director of NFU Mutual. Ali has represented the fresh produce sector for over 10 years.

The OFC 2024 report builds on the findings of the 2023 report. The new business landscape of today's supply chains with volatility created by geopolitical challenges, unprecedented inflation, increased interest rates, climate change and the cost of living crisis require everyone responsible for feeding UK consumers to re-think their approach to supply chains before it is too late.

Ali Capper
NSch, NFU Horticulture & Potatoes Board, Chair HCP, BAPL & Wye Hops, Director OFC, BHA & NFU Mutual

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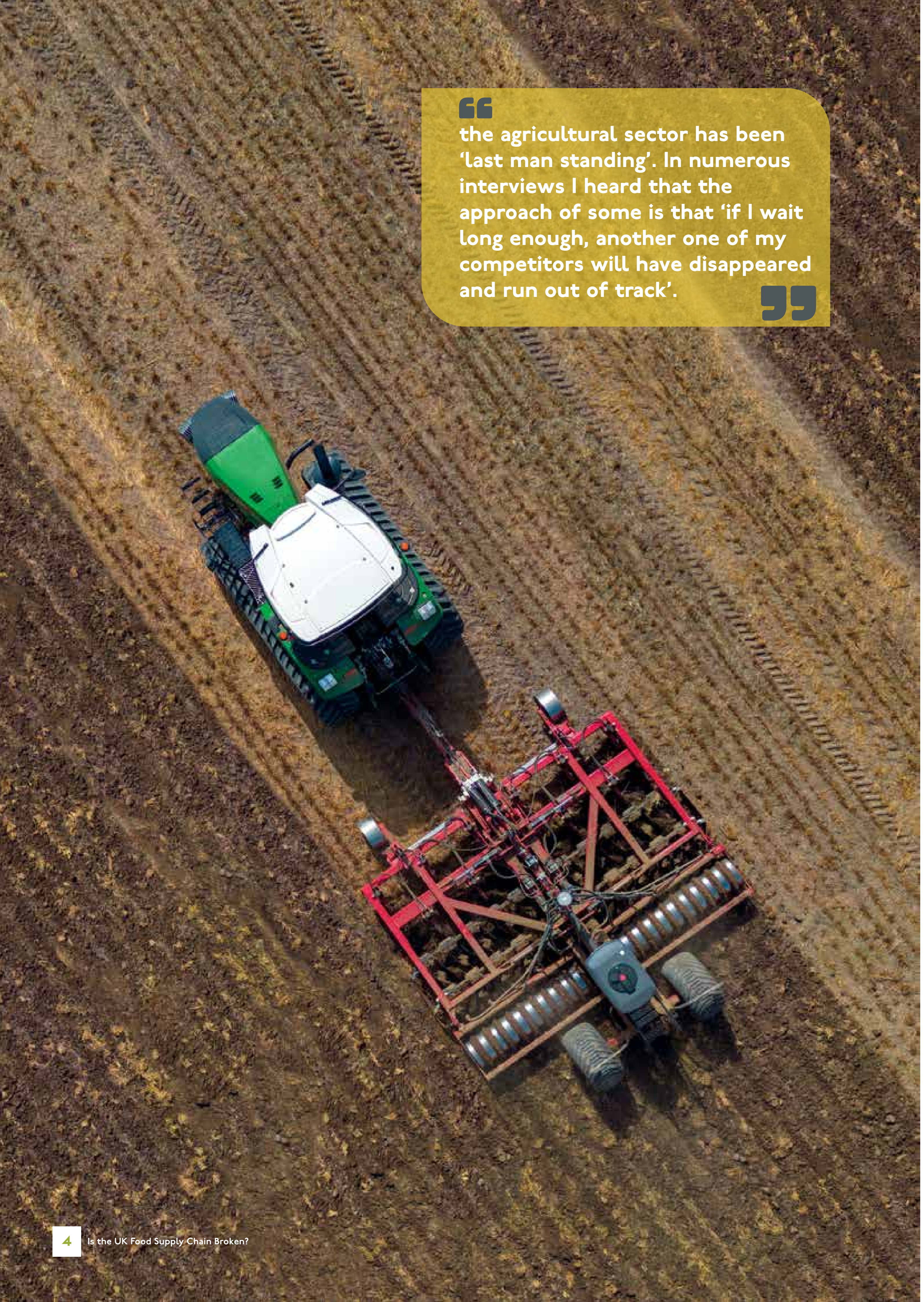


the agricultural sector has been 'last man standing'. In numerous interviews I heard that the approach of some is that 'if I wait long enough, another one of my competitors will have disappeared and run out of track'.

EXECUTIVE SUMMARY

Is our UK food supply chain broken?

The UK food supply chain is broken, and responsibility sits solely with the retailers. This is a headline much peddled over the past five years, but it fundamentally ignores the fact that there are other active participants in the industry: farmers; grower; Governmental bodies and NGOs.

They have all played a role, to a greater or lesser extent, in bringing us to this current position. Between July and September 2023, I spoke with figures from across the industry including farmers, growers, packers, technical experts from many different sectors. Overall, the answer is unclear. For some, it seems that it is the end of the road: glasshouses are being closed and orchards are being grubbed. Increasingly, farmers are leaving the sector and using the land for non-agricultural uses because they simply cannot afford to continue subsidising the cheap food that the UK consumer has been used to.

Over the past four to five years, the sector has experienced significant shocks. 2019 saw the inception of Brexit closely followed by the Covid – 19 pandemic and then, in 2022, the War in Ukraine. In addition, throughout 2023, there were several climate events across the globe which impacted multiple crops and harvests. Consequently, the sector has been drained, specifically of cash. Permacrisis was the Collins Dictionary word of the year in 2022, and 2023 was no different with food inflation reaching a peak of 19.1% in March. These events have acted as catalysts that have exposed pre-existing and fundamental weaknesses in the supply chain. We are now in an era of volatility.

This report, based on qualitative data gathered through a series of over 40 interviews will identify key themes presenting in the key experiences of two major stakeholder groups:

The issues raised are analysed and discussed in the context of Government policy and practice. The report will present key insights that have emerged and consider the workability of a range of potential solutions.

The risk v reward is now out of kilter, more farmers are asking, is it worth doing?

FARMERS / GROWERS / PACKERS

The Curry Report in 2001 highlighted what farmers needed to do; 'farmers will need to listen to their customers — or lose money. They will need to be better at marketing, better at working together, and better at understanding their business as a business'.

Furthermore, this emphatic statement from James Baxter (Chairman, British Free Range Egg Producers Association, BFREPA) in 2023 echoes many experiences across the industry. 'To enable us to play our part, we need to make a fair return for our products. An empty bank account does not allow you to do anything, and farming has been running on an empty bank account for some time now'.

Twenty-two years since the Curry Report and what has changed? Are farmers or growers better at understanding their business as a business?

Farmers and growers are not reporting all issues equally. However, there is sufficient parity to be a cause for concern. Multiple interviews have highlighted core themes: the level of risk is at all-time high, there is consistent oversupply, a deep understanding of the numbers and the cost of production and the profitability of a farm is often lacking.

Widely, retailers get a bad press but, as I was told on a number of occasions, 'The most sustainable and efficient distribution model is retail to consumer' and that the UK has probably the highest standards of production in the world, the further you move away from the UK the lower those standards can become and the bigger the food safety risk as well as the food security risk.

> the focus on price by buyers is relentless, all to try and reduce the impact of the cost-of-living crisis.

The Risk v Reward Imbalance

Risk versus reward came up consistently for farmers and growers: 'The risk v reward ratio is now out of kilter, more farmers are asking is it worth doing?'

This theme was reinforced by James Baxter's (Chairman BFREPA) comment: 'Reward must outweigh the risks if farmers are to continue producing eggs'.

Interviews also highlighted that the risk and investment are also front loaded for farmers and growers as can be seen in the table below.

of the Cost of Production in soft fruit. All risk up to this point sits with farmer / growers, it is only once a product is accepted at a retailer's depot that the risk is transferred to them. For example: Strawberries have a 7-day life once picked, with just the final five days where risk is with the retailer. This has considerable implications for farmer growers who must rely on capital once their cash business becomes unsustainable in this scenario.

Product	Order new plants / seed	Plants / seeds arrives	Part harvest	Full harvest
Apples	Year 1	Year 3	Year 5	Autumn Year 7
Blueberries	Year 1			Summer Year 3
Strawberries	March Year 1	Jan Year 2		May – Sept Year 2

From when an apple farmer places an order for new trees, to when full crop begins, it takes approximately seven years. This means change is to take years of investment not just in the trees themselves but also the management of the orchard before growers can realise a financial return. The cycle that most top fruit buyers work on in the UK is a season, often less than a year. It is from when the first apples are harvested until the last ones are taken from cold storage, usually a period of about 10 months. The risk therefore sits solely with the growers. Growers are planting trees that they will be picking in seven years' time, but the buyer is focused on the price for this season. For Strawberries the upfront cost of ordering / purchasing plants for next season is generally done eighteen months before the first pick; for Blueberries it is approximately two years.

There is also significant risk related to harvesting. When certain soft fruit are ready it must be picked immediately and once picked has a shelf life of a matter of days, depot life plus two days in store for raspberries. If fruit is not picked then it will just rot, if it is picked and has no home then all costs, up to that point, still must be made, including labour, which makes up over 50%

Clearly the risk is varied across various products, the risk in eggs is different to the risk in potatoes; the risk in raspberries is different to the risk in apples. However, retail buyers will often treat them all in the same way i.e., fixed price, annual contracts. As one interviewee said 'long term agreements in produce treat everything in the same way, despite all the differences'.

The risk in different sectors has been rising exponentially and a significant element of this has been a volatile climate. After the floods in Scotland in October 2023 Managing Director Liam Stewart (Stewarts of Tayside) said 'there's body blow after body blow and farmers are no longer growing the same amount of buffer as they traditionally would, so if something grows wrong, we take the hit…. The cost of growing crops now is so high that you cannot grow in the hope you will sell it. We need everything to happen, otherwise it is the difference between making money and not making money'. ("Millions in food crops lost to floods, say Scottish farmers") Berry growers have historically grown above forecasted volumes to ensure they meet the demand. In several conversations with those in this sector I was told 'in the previous world everyone planted a bit too much', but that 'growers have stopped taking the risks as it's now just downsides'.

Feed, fuel and fertiliser have been consistently highlighted as areas where costs have increased significantly in the past two years. The additional risks of labour (over 50% of costs) and energy, which are inherent in these areas, make this sector extremely high risk. Fertiliser prices rose on average 77.7% in 2021-22 reaching almost £1000/tonne in 2022 (peak inflation was almost 200%). It should be noted that the last remaining Nitrogen fertiliser plant in the UK closed in 2023.

Between March 2022 and April 2024 the National Living Wage has increased from £8.91 / hour to over £11.44 / hour, an unprecedented increase of 9.8% annually, and 28% over the period. In sectors where labour cost is over 50% of turnover, the unprecedented increases in costs such as these have meant that many farmers and growers simply cannot react fast enough and losses have escalated.

One grower highlighted that the frequency of events that have a material impact on production and profitability is getting greater and expressed concern that: "Time Between Disasters"; TBD is getting shorter".

According to Defra, the harvested area for potatoes in 2022 was 115,000 hectares. Since 1960, the harvested area has shrunk by half, this fall in planted area has been paired with a long-term rationalisation in the number of registered growers. In 2019 the number of registered growers fell to 1,751 – a reduction of 715 growers since 2000. But with this fall in harvested area and growers we have not seen the same fall in output. Between 2003 and 2022 potato production in the UK varied from 4.6m metric tonnes to 6.4m metric tonnes. The crop harvested in 2022 is only 153,221 tonnes greater than the severely impacted crop in 2012, which was ravaged by a particularly rainy season, to put the production reduction in perspective. The harvested area for 2022 of 115,000 hectares, but industry sources predict that the 2023 harvest area may be much less. The National Farmers Union (NFU) published research at the end of 2022 revealing the cost of producing potatoes had increased by 20% compared to 2021 and this, combined with the price hike in energy bills impacting on production and storage, has made many decide to cut production. This is likely to result in a decrease in overall production in 2023 compared to 2022. Farmers are reducing potato production as the alternatives are not as risky and returns are expected to be higher.

"we warned 10 months ago that producers would pause or halt production if they weren't paid a fair price for their product, and that the knock-on effect would be fewer hens and fewer eggs."

According to the UK Food Security Report 2021, 'field vegetables overall have seen a steady decline in production (down 10%), which varies between crops following consumer tastes. For example, brassica production has halved over this period, but within this category cauliflower production has fallen to approximately a third of 1990 production while broccoli production has nearly tripled over the same period'. The field crops that historically have been grown in the UK are the hardest to pick, requiring a skilled labour force. With an inability to consistently secure the skilled pickers needed, together with increased risk with our changing climate, many growers are cutting production and some are exiting the sector altogether. This, in turn, means that the UK will need to import more of what are our staple food products. According to the latest Government figures the UK produces slightly over 50% of vegetables consumed domestically, the current direction of travel for UK production is not a positive one.

Increased risk has had implications for the entrepreneurial spirit that the sector is renowned for. Several farmer growers have reported that they are attempting to manage these risks through diversification, in order to subsidise loss making food production. Initiatives such as setting up as a wedding venue, wind farm, caravan storage or a dog field. Risk always comes with dealing with UK retailers, the greater the proportion of business that is with Retail then the higher the risk. This is known though, so it should be incumbent on the farmer or grower to ensure that risk is minimised by having alternatives.

"the further you move away from the UK the lower those standards can become and the bigger the food safety risk as well as the food security risk."

The Issue of Over Production

As a buyer, it was drummed into me that 'sales are for vanity, profit is for sanity'. Over the past twenty years many farmers have become increasingly efficient at producing and growing. Farmers and growers are experts at growing, but continually strive to improve, after all, this is their central tenet. This approach was emphasised in discussions with farmers from some sectors who described that, when a farmer or grower leaves, production volume is picked up by another ensuring that abundance is more frequent than scarcity.

Over the past 25 years soft fruit production has grown by 600% in the UK. It has grown from £206m in 1996 to more than £1.5bn today. However, the UK only produces approximately 15% of the fruit the country consumes. One of the key reasons for this, according to British growers, is that the berry industry has seen significant innovation including varietal developments, new growing techniques and the use of new technology. As a result, the self-sufficiency of the British berry industry has increased, and the UK season now extends from 6 weeks outdoors to May to November utilising polytunnels and glasshouse. This amplified existing forecasting practice, creating significant oversupply. Historically, the way that the sector has worked is that growers will often over forecast, buyers will increase their forecasts and the result has been oversupply, in short there has been abundance, and with abundance, any buyer will expect lower costs.

To give an example of this abundance. In the case of Blueberries, production in the UK has grown significantly from 281 tonnes in 2008, in 2023 it is expected to be over 6,000 tonnes, however over 45,000 tonnes are imported, historically from Poland and Chile, with Peru becoming increasingly more important. Additionally, in the findings of the 2023 State of the Global Blueberry Industry report, there is 'A move to southern hemisphere production with increasing challenges for UK growers. The report warns that a combination of factors, including Brexit, labour shortages, soaring costs, and inflation, have severely dampened what could be a promising story for Blueberry production in the UK'. Unless these variables and perception changes, the report concludes that Blueberry growing in the UK may not be sustainable.

This has significant implications when we look at countries like Peru. Cultivated production volume in Peru which has increased from 135,000 tonnes in 2019 to 299,000 tonnes in 2022. During this time exports to the UK have grown by 71% from 8,500 tonnes to 14,500 tonnes. With increased imports from Peru, and increased costs for UK growers, there has been a significant reduction in the number of new plants being planted. Oversupply is ending and we will be moving from abundance to greater scarcity for some UK soft fruit.

The reason there is a lack of investment in new plants, which is illustrated in the graph above, is because growers recognise that their cost of production is higher than the returns that they are making. In berries there is a gap of approximately 20% between the increase in costs and inflation recovered from retailers, meaning many growers are now in a deficit with regards to cost of production and are either exiting or not investing.

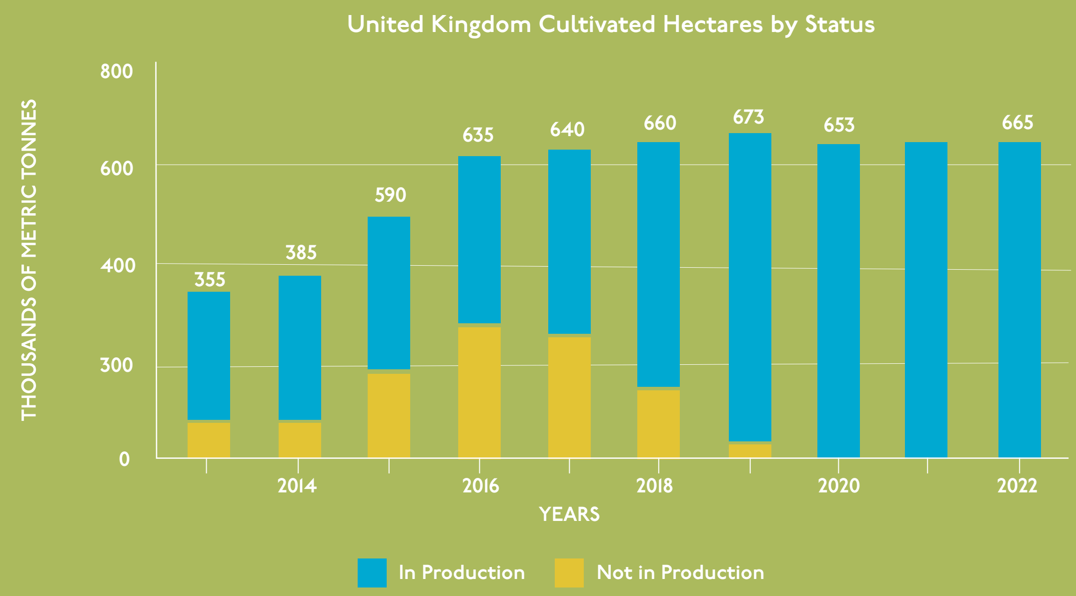
Consequently, due to increased risk issues understanding the cost of production is more important now than ever before with unprecedented swings in costs and yet a deep understanding of the costs of productions at times is often missing.

> "Several farmer growers have reported that they are attempting to manage these risks through diversification, in order to subsidise loss making food production."

Global State of the Blueberry Report 2023

Planting and Production Data

(Denominated in Hectares and Thousands of Metric Tons)



Better Understanding of the Cost of Production

The focus is often on being better farmers or growers and it can be forgotten that they need to be better buyers and sellers to be better farmers for the long-term. In certain sectors there are smaller, family-owned businesses which may be less commercial in their approach. However, in more than one discussion I heard 'growers are not great at looking at their numbers very well'; 'it's a classic case of shoe box accounting, one for cheques and another for receipts'. Or that, profit or loss for the year would be discovered once the accountant works their 'magic' or when the money ran out.

The long-held theory of many farmers has been that 'if we grow more then that is better', farmers acknowledged that this approach has also often been encouraged by successive Governments wishing to deliver a cheap food policy. In addition, interviews revealed that there are still several farmer growers who use outdated accountancy practices. This belies the fact that understanding the full Cost of Production is critical to any business, with all costs fully accounted for. Not knowing the full cost of production has resulted in some growers accepting retail offers without understanding the impact on their business; this then became an expectation for the retailers. Several interviewees recognised that 'The key is knowing the cost of production'. This acknowledged the growing urgency that farmers are beginning to feel regarding understanding their cost of production that has come with the ending of the Basic Payment Scheme. In the words of one farmer 'you have to know how much it is costing and 'if it's not going to make you any money then don't do it'.

Some farmers / growers may say we never get enough money, no one understands us, passing the responsibility on to someone else, invariably it is the well-trained Retail buyer who knows exactly what they want. As one interviewee said, 'The perfect storm has been going on for quite a long time now'. Where farms have multiple parts i.e., arable, fruit, dairy, etc., it is harder for them to know exactly what the numbers are, and it is here where some of the greater issues will be felt. But it certainly is not impossible to be on top of the numbers in these instances. I spoke with numerous businesses who knew, on a weekly basis, where their numbers were.

The crux of the matter was demonstrated by the thoughts of one grower 'A lot of the problem is that there are too many of us still and there are so many of us in terms of smaller, minor producers that you will always find one that will give in and that is all they want is that one supplier to capitulate down to a point and then they have the ammunition to say you're now X% too high, there needs to be a more concerted ability by UK agriculture and horticulture to fight their corner and it is not wrong to ask for the values we know are correct'. Collaboration is often seen as a negative and only happens when 'backs are against the wall'.

Historically one of the strategies taken by certain parts of the agricultural sector has been 'last man standing'. In numerous interviews I heard that the approach of some is that 'if I wait long enough, another one of my competitors will have disappeared and run out of track, this gives me a greater market share'. This meant that years of losses were acceptable, subsidised by a different part of a farm, until you were the only person left and ultimately should have control of the market. This approach though is often a Pyrrhic victory, as after a brief period suppliers from overseas are then brought in by the retailers! A lack of trust in the industry has meant that 'everyone is worried someone else will steal their order' according to one source. Although these strategies are not as prevalent as they were, they still exist in certain categories and it clearly plays into the hands of the retailers. Combine this with the fact that many farmers or growers are hard wired into lower profit on a higher volume and you have a major issue. A fragmented industry which is not on top of its numbers is seen as fair game to any retailer.

However, 'There are alternatives there, which were not there before that are not food production which is a very risky thing. Renewable energy for instance, where you do not have to put the capital costs in and can get £1000/acre for it'. I was given the example of a farmer who 'put a 100-acre solar farm in who also got the contract for cleaning the panels and cutting the grass being paid a very good wage on top'.

Understanding the costs of production is often missing.

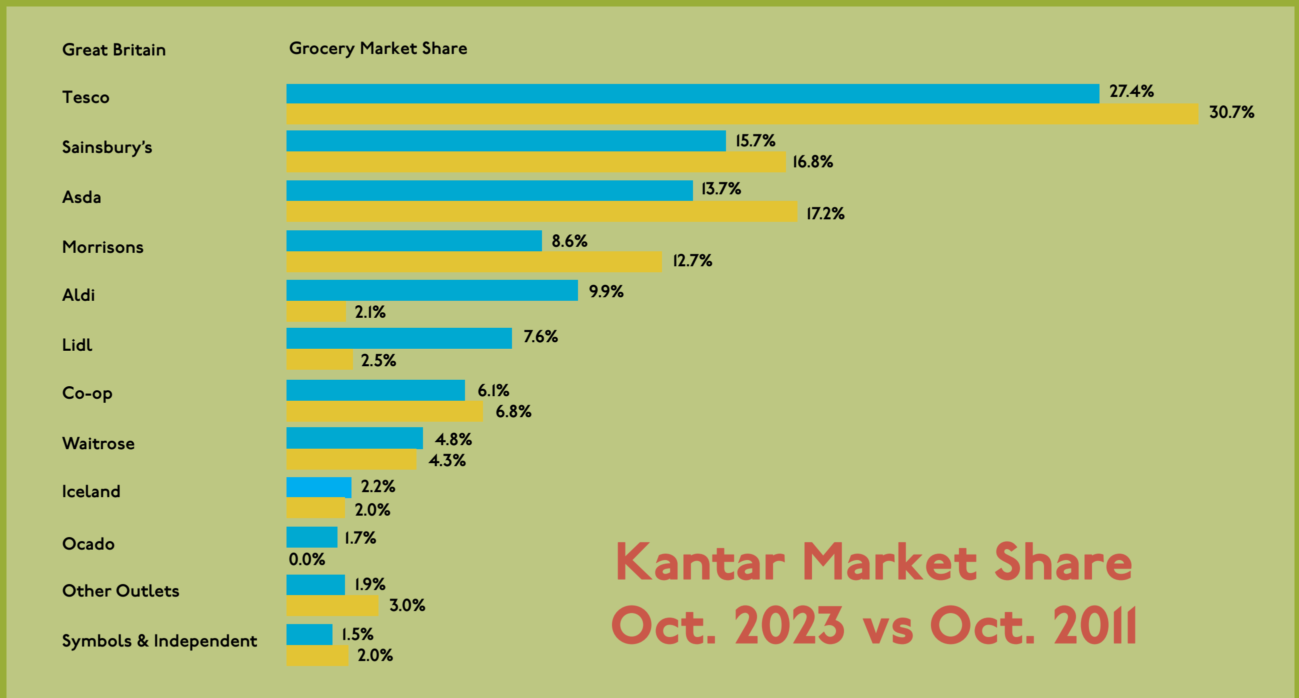
RETAILERS

'Over 95% of people do their main shopping at a supermarket, and there are no signs that this is going to change soon. The trend to consolidation gives supermarkets, food service chains and major processors significant influence both over consumers and farmers. They will use this power to require higher, more consistent standards from producers at lower prices'. 'Curry Report, 2001'

Retailers are often lambasted as being the sole cause of all ills in the sector, this is a gross distortion of the truth. As one grower said, 'We wouldn't have a business if it wasn't for the multiple retailers, we just want to engage in the right way'. Retailers and buyers are not all equal and behaviours across the industry are inconsistent. Some retailers understand the importance of strong relationships with their suppliers and this is mirrored in behaviour from senior directors down to the most junior buyer. Some retailers say that they understand the importance of strong relationships with their suppliers, but there is a disconnect between senior teams and the buyers dealing with suppliers on a day-to-day basis. It is these retailers where I will focus my insight and recommendations.

The UK Grocery market is more competitive now than at any point in the past 20 years, the focus on price by buyers is relentless, all to try and reduce the impact of the cost-of-living crisis. This has led to a bigger disconnect between retailers and the agricultural sector than ever before. Why has this happened and what can be done? There are solutions that can restore a balance back to the industry, ones which do not require unrealistic changes in behaviour. They will require a change of mindset, from all parties involved. It is important to remember, as was eloquently expressed in one interview, retailers are 'The means that enables mass food supply and distribution, without the retailers you are not going to have a market'.

In 2011 Aldi and Lidl had a combined market share of 4.3%, the traditional 'Big four' of Tesco, Asda, Sainsburys and Morrisons had a combined share of 77.4%, by late 2023 this had changed to combined share of 17.7% for Aldi and Lidl and 64.4% for the 'Big Four'. In 2001, when the Curry Report was written Aldi and Lidl had about six hundred stores between them, they now have almost two thousand with ambitions for many more.



The influence that the German retailers have had on the sector has been enormous and will continue as they continue their expansion plans. They have models that the 'traditional retailers' simply cannot replicate. We are three years into the Aldi Price Match 'price war' that shows no sign of abating. But are supermarkets solely responsible for the parlous state that the sector finds itself in? The simple answer is 'no'.

It is important to understand what has happened between retailers and the agricultural sector and why trust has disappeared. In a conversation with one industry expert the analogy used was that 'The current landscape is the equivalent of Premier League footballers playing against a pub team with regards to negotiation and then the pub team complaining when they lose 38-0 that the other team didn't play fair!' The retailers have become more sophisticated at finding ways of getting better prices and most farmers / growers / packers have not kept up.

As one grower said, 'The supermarkets have evolved within a system to become highly specialised in what they do, the system has encouraged that specialisation, how they negotiate, how they tender and they are doing what they do exceptionally well'. 'Twenty years ago, there may have been a bit of slack in the system, which allowed the sector to 'get by', one grower said, 'There is now no slack in the system, growers are no longer prepared to bank roll an account, margins have been squeezed and squeezed'. This is a phrase that I heard on multiple occasions, 'Margin has been squeezed and squeezed, we used to grow 110 tonnes for a 100-tonne contract and be confident you could sell the crop, not anymore, we can't afford the risk'.

This Report will focus on three areas that came up on multiple occasions in the interviews. Fixed price Long Term Agreements, the impact of inexperienced buyers and the audit burden. These three issues, over the past 10 years, have squeezed every drop of profit from many of their suppliers.

The Issue of Fixed Price, Long-term Contracts

In some categories (mainly produce), the way that retailers and their growers / suppliers do business has fundamentally changed. The model has changed from a trading model, based on short, often weekly prices, based on supply and demand, to long-term fixed price contracts. At their worst these contracts can straddle more than one growing season. I heard from growers and farmers in multiple sectors just how destructive this model has been. I also heard on several occasions 'retailers would rather have empty shelves than break a fixed price'. The fixed price model appears to have originated from one of the German retailers, at the time their volumes were low and their buyers had multiple categories to look after. It suited all parties, at that time the risk to the grower / supplier was limited as volumes were not significant and specifications were less restrictive. Over time volumes have increased and as buyers have moved between retailers the model has moved into most of the retailers. 'This model treats Produce like baked beans' one grower said and puts all the risk with the grower / farmer. Risk is something that will be covered throughout this report as it is growing exponentially. Risk has been pushed further and further down the supply chain, away from the retailers.

The model of fixed price year-long or season long deals is unique in the UK. This approach can work well when input prices, inflation and interest rates are benign. However, as soon as there is any volatility, fixed or season prices become very difficult to manage for the grower. Across Europe (as our closest market / competitor) this model does not exist. There is a real inconsistency in how this model is applied. In some categories prices are required from growers nine months in advance of a harvest, in others prices are not agreed until product is being picked. This is designed to reduce risk for the retailer and to maximise the opportunity for lower prices. The model in Europe and also in the UK, away from Retail, is a model based on supply and demand. Pricing in Europe is more likely to be weekly or monthly, giving the market the ability to react. When supply is tight then prices reflect this and increase, when there is an abundance in any market then prices will soften. The fact that this model is causing widespread, long-term availability issues has been headline news on multiple occasions in the past two years. On multiple occasions I heard 'It used to be a cardinal sin to have empty shelves, now it is just normal'.

It used to be a cardinal sin to have empty shelves, now it is just normal.

Egg Shortage - Nov 22 - Aug 23

retailers would rather have empty shelves than break a fixed price.

In March 2022 retailers were warned by the NFU, the British Egg Industry Council and BFREPA (British Free Range Egg Producers Association), as well as several packers, that there would be a shortage of eggs later in the year unless higher prices were paid to egg farmers. BFREPA found in a survey that 51% of farmers are "seriously considering stopping production" until the price they are paid improves. A further 18% said they will make their decisions at the end of their current flock. At the time Andrew Opie, Director of Food and Sustainability at the British Retail Consortium responded saying: "retailers have long-standing, established relationships with their suppliers and know how important maintaining these are for their customers and businesses." He said, "supermarkets source most of their food from the UK and know they need to pay a sustainable price to farmers but are constrained by how much additional cost they can pass onto consumers in this very difficult market." At the same time DEFRA said, 'The UK's food supply chain is resilient – there are 38 million laying hens across the country, and we are not expecting any significant impact to the overall supply'.

In October 2022 ADAS, based on their data, said that a typical free range egg farm in the U.K. is on course to lose more than £382,000 per flock, as the cost of feed, electricity, labour and other inputs continues at record levels. They put the total average cost of a flock of 32,000 laying hens at £1.24m, with average income from egg sales bringing in only £921,000. In July 2022 BFREPA said that U.K. consumers were typically paying 20p more for a dozen free range eggs, but that only 4p was reaching producers. By November 2022 the impact was being felt on the shelves of the retailers with shortages reported, and seen, across almost every retailer, blaming avian flu for shortages when cost of production inflation was the primary reason.

When the gaps on shelf started to appear the egg industry said, 'We warned 10 months ago that producers would pause or halt production if they weren't paid a fair price for their product, and that the knock-on effect would be fewer hens and fewer eggs.' From November 2022 through to August 2023 some retailers were rationing the number of packs of eggs customers could buy, limiting them to a maximum of three packs. At the time the BRC said 'While avian flu has disrupted the supply of some egg ranges, retailers are experts at managing supply chains and are working hard to minimise impact on customers'. This statement ignores the actions that retailers had failed to take earlier in the year.

By October 2023 the price for half a dozen eggs in most of the retailers had increased by almost 50%. Throughout this period retailers continued to announce their 'support' for egg farmers. In November 2022 Tesco announced £27.5m of support for their egg farmers with a further £10m announced in August 2023, at the same time Aldi announced £12.5m of support on top of £25.5m it had made from April 2022. Tesco have a market share of approximately 27%, Aldi have a market share of 10.2%. In September 2023 Lidl, with 7.6% share, announced an extra £40m investment into existing egg suppliers. They also announced they would start offering financial incentives for farmers, to enable farmers to diversify their existing business and will be supported by long term contracts. Does this mean that the egg sector is now more resilient and able to ride whatever shocks arrive next? Only time will tell.

At its worst I have seen a retailer / grower fixed contract that was across several seasons and yet when there was a bumper crop but significant inflationary pressures the retailer refused to accept any increase, citing the terms of the agreement. The fixed price agreements that UK retailers use widely across the produce sector ignore the simple fact that almost every product is different with some crops picked daily with shelf life instore of days, others are picked over 6–8-week periods and then stored for months. With some of the retailers these fixed prices are agreed well before the crop is ready, but some retailers hold off agreeing a price until the crop is being picked, ignoring the fact that cash is required by growers and farmers especially to pay the pickers. The timing that prices are agreed adds further risk to the growers / farmers and is designed by the retailer to increase the pressure and use jeopardy to keep prices low. At its simplest, according to one grower 'Long term agreements in produce treat everything the same way despite all the differences'. It came up on several occasions that some retailers are looking for 'The best price, not always the best produce'.

Food shortages hit the headlines again with the salad shortage in March 2023, once again poor availability was exacerbated by retailer behaviour. Spiking gas prices in 2022 had led to clear warning from British salad producers that glasshouses would not be planted during the winter putting early 2023 production in jeopardy. The UK historically imports almost all retailer requirements for salad products between October & February. In February salad products would usually become available from UK glasshouses. In 2023 this did not happen, some growers threw away tomato plants that they had bought rather than incur the huge cost of production, knowing that they had not secured any increase from British retailers.

When shortages appeared in stores and retailers once again resorted to rationing, Andrew Opie from the BRC said '"Difficult weather conditions in the south of Europe and northern Africa have disrupted harvest for some fruit and vegetables including tomatoes and peppers….. supermarkets are adept at managing supply chain issues and are working with farmers to ensure that customers are able to access a wide range of fresh produce".

This is only part of the reason and omits actions that UK retailers could have taken in autumn 2022 to ensure that UK produce was available. With fixed price deals and an unwillingness by buyers to break them when faced with super-inflation in gas prices and unseasonal weather in Spain and Morocco. As a consequence, the UK suffered shortages across several salad products. As Clive Black, Director and Head of Research at Shore Capital said 'The more pertinent question is why the UK is short of produce compared to continental Europe. The supermarkets are well stocked there. It comes down to basic economics. The UK is not very attractive now to salad and vegetable suppliers around Europe'.

The answer, as I consistently heard, was that the UK was not prepared to pay soaring prices when availability was short, and Europe was. Add to this the difficulties dealing with UK retailers and Brexit paperwork, and it was an easy choice to divert products to European retailers. As Copa-Cogeca (the voice of farmers and agri-cooperatives in the EU) said at the time 'While there has been a squeeze on the supply, due to weather conditions in Spain and the decreased production in Northern Europe, due to high energy prices for greenhouse growers, the supply to the retailers has been managed, the fact is that the EU production, at such time, is simply more likely to remain in the internal market'.

Empty Salad Shelves in Feb. 2023

The current retail model is being stretched further with the introduction of service providers into the mix. Previously, retailers may have dealt with marketing desks in Produce, but more are now using service providers who may work solely with one retailer. The role of these service providers is in the name, they provide a service to the retailer. In several conversations, I was told that the service provider would give a price to their retailer partner without any discussion with their growers. The growers were then told 'this is the price you need to achieve'. Feedback I was getting from multiple conversations was that 'service providers only speak positively, only say yes and don't challenge retailers sufficiently'. The relationships that some service providers have with retailers have meant that they have grown their share of the category, often into categories where their experience is either minimal or non-existent. One of the other concerns is that the service providers are the 'memory' of the category as buyers change frequently.

"some retailers hold off agreeing a price until the crop is being picked, ignoring the fact that cash is required by growers and farmers especially to pay the pickers."

The Impact of Inexperienced Buyers

In any other industry, including procurement, experience is looked upon favourably. It appears to be only Retail where experienced buyers are deemed an expensive luxury. buyers are younger than ever before with less experience, with larger buying areas and managers who are often equally inexperienced. Buying teams lack farming knowledge and they lack diversity. Buyers look to move roles because they are searching bigger, more high-profile roles which come with higher pay. This is normal behaviour but is it puts stress on the suppliers who are constantly re-training and educating their buyers.

The inexperience of buyers within many of the retailers was brought up by most of the people with whom I spoke. In the Grocery Code Adjudicator's Survey's in 2021 and 2023 buyer inexperience was highlighted by suppliers as causing friction in the industry. The 2023 Survey said 'Whilst buyer turnover has continued to vary between retailer types, poor handover processes and buyer in education has continued to pose problems'. The 2023 Survey had responses from suppliers saying, 'Rotation means that you have people who don't understand the category [...] working on the category and when the category faces challenges relating to poor harvests affecting yield etc. – how well aware are they of the situation to respond to us?' and 'I think the standard of buying in the retail trade is at the lowest ebb I have seen in 40 years' The 2021 survey highlighted a 'new breed of buyers coming through – who are more aggressive and less empathetic'. Participants in the Survey 'felt that this new breed of buyers lacked the crucial experience in terms of understanding the supply chain'.

> new breed of buyers coming through – who are more aggressive and less empathetic.

Over the past ten years the experience that existed across Buying teams in most of the UK retailers has been eroded, in the name of cost. Experienced buyers are more expensive and when retailers are struggling then they will look at central costs first. Invariably these cuts are badged as part of a turnaround or reset.

In 2017, there were 1,200 jobs lost at Tesco's Head Office as part of a new service model, which Tesco said would change the way it did business to serve shoppers better. In 2019 Waitrose reduced the number of senior buyers from 89 to 54, increasing the number of junior buyers to improve the team's efficiency. According to The Grocer, Waitrose said that 'Individual roles will change. For example, buyers will become more exclusively focused on negotiating, while improved support systems will reduce their administrative workload'.

In September 2023 Asda announced a new buying system with thirty-seven redundancies across Supply and Buying functions, losing hundreds of years of experience overnight. Asda said it was a 'move to a more agile way of working, with simpler processes and extra investment in key areas like buying, will help strengthen our relationships with suppliers and ultimately deliver better outcomes for our customers too.' Twenty-eight extra, junior buyer roles were created.

When experience is lost from a retailer the costs are not just savings from lower wages. The reality of many of those who I interviewed can be illustrated by the experience of one grower who said they have 'had 11 buyers in 10 years, none have come into the category with any Produce experience. These inexperienced buyers are often now guilty of 'waiting for the issues to happen rather than preempting them'. This should not be a surprise if the buyer is new to a role and will also be moving on in under 18 months.

When buyers move into a new category there are rarely adequate handovers (GCA Survey 2023) and it is dependent on the suppliers to educate the buyer in the category, the products and how everything works. The training that the buyers generally have today is often focused on one thing, negotiation and how to get the best price. External consultancies are regularly brought in to train the buyers. One of the retailers, in the Summer of 2023, took their buyers out of their roles for a week long intensive training on negotiation skills. This is part of its 'relentless focus on value'.

In almost every conversation that I had the buyer's focus on value and how to get lower prices, was mentioned. As one grower said, 'There is a belief from UK retailers that there is a sea of plenty out there and if they lose a UK grower, they can just replace it with an import'.

> change takes years of investment not just in the trees themselves but also the management of the orchard before growers can realise a financial return.

> These inexperienced buyers are often now guilty of 'waiting for the issues to happen rather than preempting them.

Buyers have become more sophisticated at extracting value from their Suppliers. Therefore, profit has been consistently squeezed by retailers and yet their own category profits have often increased. Certain produce categories have profit margins of 40-50%, these are categories with no added value, it is simply Produce in a bag. As previously mentioned, all retailers are not equal and there are a few retailers where long term relationships are truly valued.

The 2021 GCA Survey highlighted a new breed of buyer who are often unable to relate to real world scenarios and apply these to conversations with suppliers. Indeed, it was said that 'you are getting spreadsheet buying as opposed to collaborative face to face conversations ….it's made it easier for them to execute some of these more aggressive strategies'. A point that often came up was 'There is no such thing as an average week in Produce, volumes / sales vary week to week, year to year. There is no point looking at what was sold last year, it is meaningless!' And yet this is exactly how some buyers behave, this can mean that forecasts and programmes from buyers are based on what was sold last year, not taking into consideration the increased volatility in the weather that we are seeing. At its extreme it will mean that promotions instore are planned at times of scarcity instead of abundance putting suppliers under extreme pressure to deliver product that is not available. The lack of experience was highlighted in one conversation 'The buyer I am dealing with is often in their first job, they are so young and inexperienced, they are not prepared to rock the apple cart'.

What is clear is that where issues between growers/farmers and buyers are at their worst there is a real disconnect between what is being said at a Senior level and the daily actions of the buyers. What seems to be missing and was voiced by number of those that I spoke with is that 'There is a cost to everything'. The ongoing 'Price War' that retailers are engaged in with the German retailers is increasing the pressure on farmers and growers costs. At the same time other departments of a retailer are coming in with additional demands which add more cost, not less cost e.g. carbon accounting, audits, worker welfare, renewable energy. One of the reasons why UK retailers are a less attractive place for Importers is that they are, as stated by one supplier, 'The Diva of the World for Buying'.

The specifications required by UK retailers are tighter than anywhere else in the world, apples must be between 63mm and 68mm, Strawberries need to be a minimum 27mm in diameter, herbs must be 15-18cm in height. Are these specifications that add value to the Customer? Are they getting a better product? If the answer is 'no' then why is it being done? The answer usually is 'efficiency', 'consistency' or 'to reduce customer complaints'. The 'Diva' mentality can be demonstrated by one buyer saying to a grower, with unreasonable price demands 'We are X, don't you know who we are?', to which the reply was 'yes, you are 0.1% of our business!'

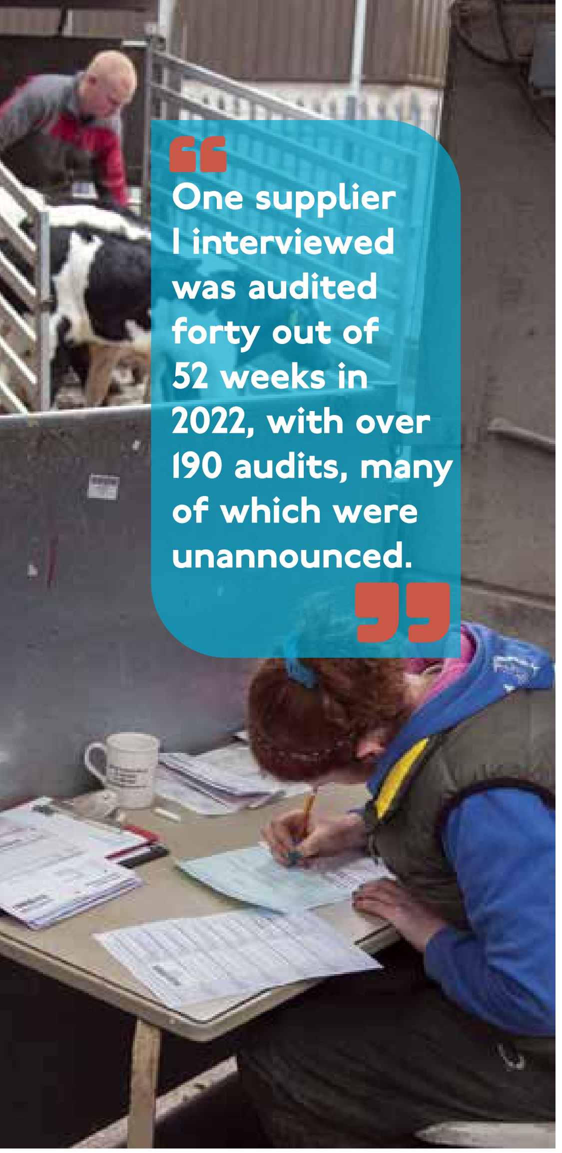
The Audit Burden

A common theme that came from my discussions was that 'working with UK retailers there are often two streams of conversations being had, one with commercial (price) and then another with technical or agriculture teams (cost)'. There is an increased focus by retailers on ESG (Environmental, Social and Governance), this may include their agriculture teams, but it will not include the technical teams. In conversations with those involved implementing retailers ESG and technical policies these policies are often adding cost in, rarely taking cost out. It is clear from my time as a buyer and in most of the conversations that I have had that working with British retailers is difficult and expensive, no more so than with the technical demands or specifications that are required.

The burden of audits from retailers on growers and suppliers is at a record high. The issue of audits was raised by BAPL (British Apples and Pears) in October 2023 where they highlighted all the various audits that their members may be required to undertake. They included Red Tractor, LEAF, BRC, SMETA, GRASP, ETI, Home Office audits (often unannounced), Labour Provider audits, grower audits of labour providers as well as unannounced audits from all their Retail customers. One supplier I interviewed was audited forty out of 52 weeks in 2022, with over 190 audits, many of which were unannounced. Each audit requires people not just on the day but also to follow up afterwards to ensure any actions are done. With one retailer 75% of the responses back, resolving issues were rejected. The actions of technical teams can close sites down for days, in extreme examples businesses have folded because of retailer actions.

Each retailer's audits invariably are slightly different, there may be a BRCGS (British Retail Consortium Global Standards) requirement or IFS (International Featured Standards) but on top of this many retailers have their own additional standards or specifications. BRCGS was set up in 1996 with the intention of reducing audit duplication by UK retailers. Today, one of the premium retailers in the UK is introducing a third audit for their suppliers / growers. On top of 'integrity' and 'supply chain' audits there will now be a 'quality' audit. Their aim for this additional audit is to put clear

> There is a belief from UK retailers that there is a sea of plenty out there and if they lose a UK grower, they can just replace it with an import.



> One supplier I interviewed was audited forty out of 52 weeks in 2022, with over 190 audits, many of which were unannounced.

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blue water between them and their competitors, the reality is that it just makes dealing with this retailer more expensive. The average cost of an audit with a UK retailer is about £2000-£2500 and, not taking into consideration the employee cost of the time it takes for the supplier to take part and follow up. Each audit is usually 1.5-2 days long with even more time required to follow up and close out issues.

To deal with the audits and the ESG requests growers and suppliers are having to add additional resource into their teams. The ESG teams for many retailers may be two or three people, who must cover every single supplier working with that retailer. There is a constant pressure to deliver the goals that have been set, especially on carbon and water reduction. This means that they have limited time but huge targets to achieve, ones that are often published widely. Implementing some of the initiatives can be difficult because once again there may be inconsistencies between each retailer. One supplier working with all the retailers now has a team of almost thirty working just on technical, specifications and NPD, previously that the same supplier only had two in the same team. This level of resource is a rarity, invariably this role is often added in as part of an individual's wider responsibility.

However, with more focus being put on audits and ESG by retailers many growers have no alternative other than to recruit individuals on a full-time basis. The costs of these individuals are all added to the costs of the produce.

Another example of where cost is added in has come from one retailer where they are asking for positive release of all fields by crop. The only rationale for this is that it is being done in another, non-related part of the business. The question that often came up in interviews about audit requirements was 'where does it add value?'. If it adds value and the consumer benefits then growers are less likely to have a problem making the changes, but if it does not add value then why bother? The impact of all of this is 'that it ensures that the Supply base never feels comfortable and never feels secure'.

A slightly harder issue to fix is the disconnect that can happen in a retailer. Teams in retailers can be operating in silos, fixed on delivering their agenda, not working cross-functionally. Messages can also be diluted, the message that senior directors give to their growers / farmers / suppliers may be one of long-term collaboration, positive engagement and partnerships but the actions of individual buyers may be focused on hitting the quarterly numbers. The reality for some of the growers / farmers dealing with some of them can be vastly different from the language spoken by senior retail directors. In the words of one grower 'those not in charge of the pennies speak a good game'.

The current situation is, as a very experienced supplier said, 'buyers keep trying to beat the market, but in the end the market will win, it always does!' another grower said, 'they are paddling themselves up a creek with this one and they are running shorter and shorter of people who are capable of supplying them'. retailers can make simple changes that will provide them with security of supply and better, long-term relationships with their farmers and growers.

Governmental & Political Impacts

Governmental and political decisions clearly have a significant impact on our food supply chain. Following the UK's exit from Europe the focus has been on trade agreements where UK Agriculture often appears to come off second best. Our exit from Europe followed by the Pandemic in 2020 and 2021 put pressure on a part of the food supply chain that was already creaking, labour. One interviewer revealed that Brexit 'sped everything up, it exposed those who have struggled and all the weak spots in the supply chain'. Post Brexit, Government policies have had a two-pronged impact on the labour within agriculture and horticulture, firstly with caps on the migrant work force and secondly on the cost of wages.

The seasonal worker scheme launched in March 2019 initially had a quota of 2,500 places per year. In 2023 and 2024, there are at least 45,000 places per year (plus another 2,000 for poultry workers). This can be increased by another 10,000 a year if the Government considers it necessary to meet demand. However, this Government wants farmers to gradually replace overseas workers with domestic labour and machines (Independent Report on Automation in horticulture review). This report said that growers have stated that given the short timescales and fragility of retailer contracts, they might be reluctant to invest in high capex systems that have ROIs longer than retailer contracts.

In some sectors labour costs can be up to 52% of a growers cost so any change in wages has a significant impact on them. On 1st April 2023 the national living wage increased by 9.7%, on April 1st 2024, it could be another a further increase of 7%. Between March 31st 2022 and April 2nd 2024 the national living wage will have increased from £8.91 to £11.44, 28% over the period. This is an increase that most growers / producers have been unable to recover from their customers.

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In one conversation a large grower said that 'The Government policies, especially around the environment, net zero, seasonal workers scheme have basically tied the growers' hands behind their backs straight away so we can't compete'. Another grower said, 'the biggest problem is Government, they might say all the right things, but they don't actually support British ag and hort'. Rather than further reviewing issues that require political intervention it may be better to simply ask a few questions. Is self-sufficiency for our food supply chain important to our government? If it is important than what level is appropriate? 60%, 50%, 40%? Without action the number will continue to drop. Will government departments continue to operate in silos with policies that contradict each other about the UK food supply chain, or will there be a joined-up approach, all aligned in one direction, a secure food supply chain? Whose job is it to Feed the Nation and who picks up the cost?

In 2021 The Home Office said: "We continue to work closely with industry to understand labour demand and supply, including both permanent and seasonal workforce requirements, while encouraging employers to make long-term investments in the UK domestic workforce and automation technology." But where is this investment to come from when profit has been squeezed dry? There will not be a robot that can pick a cauliflower more efficiently than a person in the foreseeable future.

What can be Done?

Despite the multitude of issues that are clearly facing the industry it is evident that the answers are there and change can happen from within the industry, itself.

It is imperative that there is a change of mindset from all stakeholders. This is essential to ensure true collaboration, built on trust. Time and commitment is required with an emphasis on action.

What can Farmers / Growers do Differently?

To reiterate, multiple interviews have highlighted three core themes: the level of risk is at all-time high, there is consistent oversupply, a deep understanding of the numbers and the cost of production None of these issues are unsurmountable.

Managing Risk

Risk must be redistributed fully across the supply chain instead of sitting with farmers and growers. This can be achieved in several ways.

Long Term Agreements

(LTAs) with price mechanisms built in are a key tool for the future for reducing risk. LTAs are not a new way of working for retailers, back in 2016 Asda and ABP announced a six-year agreement after working with Asda for over 45 years. They already exist in milk, eggs, beef and more recently pork, in May 2022, Waitrose said it would cover the full cost of rearing and producing pigs – including labour, feed and fuels. At Fruit Attraction in Madrid in October 2023 it was also announced that a couple of retailers are in discussions with a fruit grower to set up longer term deals. Vicky Rye (CEO of Chambers), said it was important to build in price flexibility as well, including currency and labour as these can have a significant impact on price. Any LTA must consider significant cost areas for each category as the current level of volatility, and this will require trust and collaboration not only from farmers / growers but also a retailer's buying team.

Since conducting the interviews, further insights into the benefits of this model have come to light. In September 2023 Lidl announced they would be investing into existing egg suppliers and were also financially incentivising farmers to diversify their business into egg production. According to The Grocer, Robert Chapman, of Farmlay Eggs (one of Lidl's packers) said 'The security that Lidl has given us with long term contracts and a cost of production model ensures a good return, back to the primary producer'.

Previous models in the egg sector came under pressure for being focused on the cost of feed and not taking other factors into account such as energy or labour. The spike in energy costs in 2022 caught many by surprise and where LTAs did not factor in energy it forced many egg farmers to simply stop. Increased LTAs are not about a move towards Open Book costing but a greater

transparency for key areas to redistribute the risk.

There are alternatives to retail such as food service or export. Both markets are seeing growth and are often more profitable and easier to deal with than retail. Food service is hugely straight forward compared to retail. Both have a much-reduced audit burden. One farmer I spoke with said 'If I have to supply retail I will quit', another said 'We refuse to enter the race'. Alternatives are there, one grower said that 'This year there are better prices for our products in Pakistan than with UK retailers, export to them is a doddle, quality requirements beyond the UK's standard quality requirements are virtually zero'. Although part of the solution is to increase exports, this will not be easy as unlike many of our European neighbours we don't have the same level of heritage in exports.

Brands

As an alternative to retailer brand products, we are starting to see more brands in produce emerge. Developing a brand that can be sold not only in retail but also in food service & export gives growers greater control. In some instances brands are not even recognised as such by the end consumer such as Pink Lady apples, which consumers see as another apple variety. Pink Lady apple retails are between 50% & 100% more than a Gala apple adding value throughout the supply chain. Another example is Annabel's strawberries. This Yorkshire brand is supplied to retail, food service as well as exporting to such countries as Japan, Singapore and Dubai. As Annabel Makin-Jones said to The Times newspaper, 'Before I was just a strawberry producer for big retailers with no presence or opinion, Annabel's Deliciously British has given me a voice". The most successful example of a brand in Produce is Albert Bartlett, who specialise in potatoes. They have developed their brand not only in fresh potatoes but also in frozen (2015) and chilled (2018).

Negotiation Training

Alongside this diversification it is crucial that farmers and growers invest in training their teams to ensure that they can negotiate successfully and confidently with their buyers. With more inexperienced buyers in the industry a reliance on growers / producers will only increase. This is why we need better trained, business-like farmers, multi-skilled & business savvy, able to buy & sell.

Moving Away From Oversupply

It is important that the farming sector moves away from over production as a perceived solution. The solution is not always about growing /selling more it is about farming for a sustainable profit. This can be realised with a mindset shift towards commerciality and a greater understanding of the volume a market requires. Although it is not as prevalent as it may have been, the 'strategy' of 'Last Man Standing' must stop, it is not helping the future survival of the sector.

One of the ways that this can be achieved is by working closer together instead of being a fragmented industry with multiple voices. When sectors reduce production, as we saw with the egg industry, they are more powerful and more able to assert pressure on retailers. An industry that is aligned and vocal with one voice will have more impact that isolated growers or farmers. These collaborations must also work at amplifying the voice of British agriculture overseas to assist with the growth of exports. A model based on 'just enough' instead of abundance brings in jeopardy for retailers, especially when taking into account the potential long-term impact of our changing climate.

As with risk management robust alternatives to Retail will facilitate effective negotiation. In any negotiation power sits with those that have alternatives. By having alternatives to Retail, it becomes easier to say 'no' and walk away when the numbers do not stack up. Successful growers are already looking at export as the future to reduce reliance on the unstable UK market. Increasing volumes through a growing food service and export market will reduce exposure to the riskiest sector, Retail.

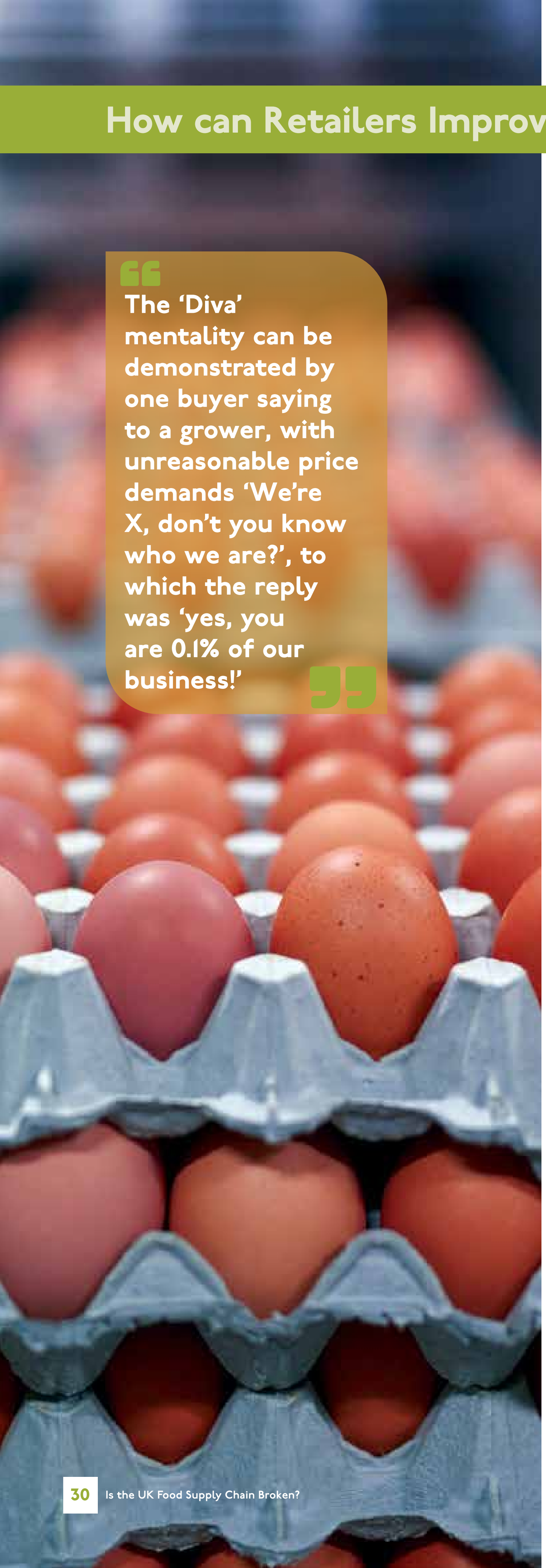
The Key to Success is Knowing the Cost of Production

To understand the nuances of production costs there needs to be a level of commerciality that ensures that profit and loss is seen on a weekly basis, broken down to each part of the business. I spoke with numerous growers who have an iron grip on their commercials. Some growers are now pricing to three or four decimal places! I heard from one grower, who at their weekly sales meeting, was asking the question 'why was labour 6p per pack not 4p per pack last week?' Understanding the cost of production must be at a line level detail, this will replicate the level of detail that a Retail buyer works at.

Other growers / farmers have monthly management accounts for every part of their business. For example, one has thirteen separate cost units varying from property to dairy to arable, he knows exactly how much is coming in and going out monthly and so can react with speed to fluctuations.

I also heard from businesses about how they are laser focused on areas that turn the dial significantly such as labour and energy. They not only take advice from energy consultants, but invested time themselves in better understanding options. In addition, there needs to be increased networking to share best practice and build a supportive community to help replicate it.

How can Retailers Improve?



> The 'Diva' mentality can be demonstrated by one buyer saying to a grower, with unreasonable price demands 'We're X, don't you know who we are?', to which the reply was 'yes, you are 0.1% of our business!'

The three key issues that have been highlighted with regards to retailers were inexperienced buyers, the way certain categories are bought and the audit burden. There are achievable solutions to all three of these issues, all of which will go a long way towards building trust and value back into the whole supply chain.

A Better Way of Buying

If retailers insist on having the majority of their buyers who are inexperienced, then this can be improved by managing the number of changes that a buyer has within any given period. Categories such as Produce, Meat, Fish, Dairy do require buyers to have a much deeper understanding of the category. This can be achieved by treating categories differently, ensuring that in categories where long-term agreements may be in place that the buyer is around to see them through. Having buyers in role for a minimum of two years ensures that the buyers themselves will learn more, not only about their categories but also about themselves.

The way that many buyers approach forecasting must also change, looking back at what was sold last year is of no use in any Produce categories. Better forecasts come from better relationships, retailers and growers want to sell more, but it must be done profitably for both parties. buyers need to make deeper, more rewarding relationships with their suppliers and be there to see the fruition of the changes that they will inevitably want to make. If a buyer is in place for a minimum of two years, then growers / farmers will be able to educate them better on what a good agreement looks like, one that unlocks more investment in the full supply chain and better availability.

Making Long-term Agreements work for all parties.

Long Term Agreements (LTAs) are prime mechanism, but they need to be more balanced with risk shared. An LTA is about the retailer buying availability with mechanisms that will reflect changes in price. Such agreements are already being implemented by more forward-thinking retailers. They should not be long-term, fixed price contracts in a world with increased volatility. Using effective caps and collars and having greater transparency in certain key elements, such as energy and labour, will mean that LTAs are workable for both parties, without the need for full open book agreements. buyers need to understand that just enough for farmers and growers is not enough. growers / farmers need to make a sustainable profit that they can reinvest in their businesses and continue to innovate. For an SME business, growers have said this requires a double digit profit.

This is something that I have seen done well by McDonald's with their supply base. The McDonald's approach is 'We trust what you are saying to us,' unlike UK buyers who constantly have a FOMO approach (Fear of Missing Out). McDonald's tend to have one Long Term Agreement with each supply sector based on trust with fewer and deeper relationships. We are a long way away from this in most UK retailers.

Improving the Audit Burden

The harder but more urgent area to fix is the Audit Burden. There must be a simpler, more pragmatic approach to audits and the requirement for them. Put simply, every category should not be treated equally as the level of food safety risk in every category is not equal. When you look at the vast majority of product recalls they are for undeclared ingredients, this clearly is not an issue in areas like Produce. The level of food safety risk for raw chicken versus raspberries is completely different and yet both are required to be audited annually, multiple times. retailers are looking at how cost can be removed from the supply chain, reducing the level of duplicate audits must be a starting point. The duplication that is rife in the sector must be stopped. Every retailer believes that they need their own standards, slightly different to their competitors, this is not the case.

We have, in Aldi, an approach that is more realistic and less invasive than any of the other retailers. There are not countless updates to their policies and they have a pragmatic BRC based approach. It does not mean that they are not focused on quality or standards, but that they recognise how to go about it. When policies and frameworks are written then looking at them through a Plain English lens would help. The style of audit could change to a 50/50 approach, with 50% document and 50% evidence. and then audits can be cut down from 2.5 days to 1.5 days. There needs to be more earned recognition for growers who successfully and consistently pass audits. The money spent on audits and follow ups can then be reinvested by farmers / growers back into their businesses, building a reservoir or upgrading worker accommodation. The money must not flow back to the retailers in lower cost prices.

The result will be experienced buyers who understand the supply base and the risks within it. They will be better able to manage Long Term Agreements which are focused on delivering a sustainable, profitable supply chain. Together with a more focused, joined-up and pragmatic approach to Audits then the industry will have room to thrive, not just survive.

Governmental and Political Answers are Already Written

I am not going to make any suggestions with regards to what political decisions and actions Government needs to do differently, there are decades of reports written by industry experts that have suggested changes including these reports.

- House of Lords' Inquiry into Horticulture 2023
- Outcomes from the UK Farm to Fork Summit 2023
- Independent Review into Labour Shortages in the Food Supply Chain 2023
- The Government Food Strategy 2022
- National Food Strategy 2021
- The Agriculture Transition Plan 2020
- The Agriculture Act 2020
- A Plan for Public Procurement – Food and Catering 2014
- UK Food & Drink International Export Action Plan 2014
- The Beddington Report – The Future for Food and Farming 2011
- The Curry Report – Farming and Food 2002

Labour Shortages Report of 2023 focused on labour shortages and has ten recommendations, this is one of the priorities for government to address. The politicisation of seasonal labour requirements for the sector has done untold damage to the sector. UK government and Defra need to take forward the recommendations from their successive reports and inquiries.

Government has allowed departments to work in silos, each trying to achieve their own goals, they could work in a way that is more aligned, with a goal of achieving a more sustainable, less risky food supply chain. Instead of a "cheap food" policy at any cost, if future governments chose to champion UK grown food for home consumption and for export, appropriate policy would be developed and implemented. The UK will remain a good, secure place to grow food in the future and the UK has a huge opportunity and obligation to feed its own society at the same time as considering the role it should have in exporting food to parts of the world that will not be able to grow food in the future, due to climate change.

Agriculture has been part of the fabric of the UK's landscape and economy for centuries. Over the past twenty years it has been rocked by various challenges and it has survived them all. The foundations of the industry that has been built up over generations of farmers is still strong it is the walls that are crumbling in parts. The industry must move from a mode where it survives to one where it can thrive.

I have outlined several recommendations that will support this move and will encourage a more aligned, long-term approach for all parties. A move towards a financially sustainable, long-term and commercially savvy way of working must happen in every sector to ensure that the future opportunities that will exist can be maximised. Maybe one day we can have an industry where food production and farming is independently profitable without the need for continued diversification into solar farms, dog fields or caravan storage? Is that too much to ask?

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- https://www.gov.uk/government/publications/defra-led-review-of-automation-in-horticulture/automation-in-horticulture-review
- https://www.gov.uk/government/statistics/united-kingdom-food-security-report-2021/united-kingdom-food-security-report-2021-theme-2-uk-food-supply-sources
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Interviews Conducted

In compiling this report Ged Futter conducted over forty, hour long interviews with business owners across fresh produce, eggs, poultry, pork, importers, frozen food manufacturers and various consultants.

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