



Environment, Food and Rural Affairs Committee

Oral evidence: Food Security, HC 622

Tuesday 8 November 2022

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[Watch the meeting](#)

Members present: Sir Robert Goodwill (Chair); Geraint Davies; Dr Neil Hudson; Robbie Moore; Mrs Sheryll Murray; Julian Sturdy; Derek Thomas.

Questions 52 - 145

Witnesses

I: Minette Batters, President, National Farmers Union; Will Jackson, Director for Beef and Lamb, Agriculture and Horticulture Development Board (AHDB); Ed Barker, Head of Policy and External Affairs, Agricultural Industries Confederation (AIC).

II: Andrew Opie, Director of Food and Sustainability, British Retail Consortium (BRC); David Thomson, Director of Strategy and Devolved Nations and CEO, Food and Drink Federation (FDF) Scotland; James Walton, Chief Economist, Institute of Grocery Distribution (IGD).

Written evidence from witnesses:

[National Farmers Union](#)

[Agriculture and Horticulture Development Board](#)

[Agricultural Industries Confederation](#)

[British Retail Consortium](#)

[Institute of Grocery Distribution \(IGD\).](#)



Examination of witnesses

Witnesses: Minette Batters, Will Jackson and Ed Barker.

Q52 **Chair:** Welcome to the EFRA Select Committee's hearing on food security. We have two witness sessions this afternoon. Could I ask the witnesses in the first session to introduce themselves?

Ed Barker: Good afternoon. My name is Ed Barker. I am head of policy and external affairs at the Agricultural Industries Confederation, or AIC. We represent arable marketing, animal feed, fertiliser, crop protection and agronomy and seed sectors in the UK. We are UK-wide, with Welsh and Scottish offices.

Chair: I was at your fertiliser conference on Thursday last week and met a number of your members in the manufacturing sector.

Minette Batters: I am Minette Batters, president of the National Farmers Union, representing 50,000 farmers across England and Wales.

Will Jackson: I am Will Jackson. I am divisional director for engagement at the Agriculture and Horticulture Development Board, the statutory levy board. We represent beef and lamb, pork, dairy and cereals in slightly different areas across the UK. That is who we are. We are a non-departmental public body, so we will probably not be able to comment on some things, but we are here to offer evidence and insight.

Q53 **Chair:** You and the research and promotion work you do on British produce are well-known and respected. As a farmer myself, Minette, I feel your pain in terms of the price of things like fertiliser, feed and fuel. Could you outline for the Committee how increases in input costs are affecting farmers on the ground?

Minette Batters: I certainly can, Chair. It is an extraordinary situation. Whoever you speak to—certainly whoever I speak to—says that they have never witnessed anything like this at any time in living memory. It is unique. It is a story of two halves. The intensive sector is facing a real hammering at the moment. We have the situation with avian influenza and poultry, and pigs obviously. The national pig herd is a third smaller than what it was. There are huge challenges for growers, with the double whammy of challenges of access to labour, and rising energy costs, rising wage costs, the impact from the war in Ukraine and huge volatility in general in the gas market.

The CPI was at roughly 10.1% in September, and food inflation is now sitting at 15%. If we look at agricultural inputs, the inflation levels there are, by Defra's own figures, over 30%. In every sector, even though prices look quite good in the arable sector and, in some ways, in the livestock sector, those inflationary costs are driving massive problems.

All our intentions survey work, looking to the future—to 2023—and what farmers are planning, shows contraction, particularly for growers. We are



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seeing huge contraction in the protected crops sector. Tomatoes and cucumbers are at the lowest levels since records began in 1985. There is also a massive contraction in field veg. A lot of that is driven by access to labour. For livestock, the figures are quite stark: 75% are saying they will be using a lot less nitrogen fertiliser, so there will be impact there. Volume of milk is down too.

I do not think there is any sector that is not being massively impacted. For horticulture, pigs and poultry, those are extreme, and we need to find a way, I guess. Many things are really appreciated, like the Energy Bill Relief Scheme, but we need to look into the detail as to how we manage inflation, how we try to drive down inflation and put our arms round production collectively.

Q54 **Chair:** Are we in a historic situation where it is “up corn, down horn”, with some cereal producers doing reasonably well, despite their input costs going up, whereas the livestock sector, I have heard, is losing £45 on each pig? Is that sort of figure one that you recognise?

Minette Batters: Whether it is eggs, poultry meat, pigs, dairy or even livestock, those feed inflation costs are massive. In many cases, they are struggling to be passed on, because there is the issue of affordability for the end consumer. This is the challenge that we face into. Everybody is saying that we need to keep volume of production up to stop further food inflation being felt as we go into next year. That really is the challenge.

How do we give farmers and growers the confidence to keep making these big investments when many of them have been producing food below the cost of production? That, in itself, will be unsustainable in the longer term. The danger is that this is Europe; this is global. That potentially drives higher inflationary costs for consumers at the end of it as well.

Q55 **Chair:** If farmers are cutting back on nitrogen fertiliser, is that going to have an effect on quality as well as quantity of produce? If they are going to be cutting back on other types of fertiliser—phosphate and potash—is that going to have a long-term impact on soils? I will ask Ed about that after, but what about from the farmers’ point of view?

Minette Batters: That is going to drive different approaches. Our survey into cereals and oil seeds very much showed that farmers were looking at the cost of nitrogen fertiliser. I know Ed will say that we are seeing triple digit inflation there. Many are making changes from producing milling wheat to producing feed wheat. That remains a significant challenge with the climate here. Of course, there is a global responsibility with the situation with Ukraine and Russia and availability across the world.

Q56 **Chair:** We are going to come on to a specific question about fertiliser later. Will from the AHDB, how are input costs going to affect food prices over the short and long term?



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Will Jackson: Minette has covered an awful lot off there, and I agree very much with her synopsis. We are seeing huge downward pressure, and there are a few graphs we can share with you afterwards that show the contraction zones in various things. In dairy for example, although we have seen a lift in milk price, feed prices have taken a lot of that up, so we are seeing the contraction. I agree with pretty much everything that Minette has said.

As Minette said at the end, when you follow that through to the retail end of things, we have a situation where consumer confidence is at a very low point. We have 61% of consumers saying that they feel they are going to be worse off and so are looking for ways to be able to cut back, trade down and do things in a different way.

We also have retailers, as Minette alluded to, that are looking to remain competitive in all the ways that they possibly can do. A lot of that is on price. Ultimately, as that files its way down the supply chain, farmers at the bottom of the pile are price takers in this. It is going to contract prices from retail downwards. With all these things, one thing compounds another as you go through, and it just makes the situation more and more difficult as you go on.

To revisit one of the other points that Minette made, we have had a very dry year this year, and that may have masked some of the problems that we have. If we have favourable conditions next year, you may see the impact of input costs intensify into that period as well.

Q57 **Mrs Murray:** Has the Government's food strategy and the Energy Bill Relief Scheme helped to manage any of these costs and support food producers?

Minette Batters: At the end of the day, the food strategy is a White Paper. It is the start of a discussion. The Energy Bill Relief Scheme is, without doubt, enormously appreciated by the industry. We need the tools, effectively, that will help the market work better. Businesses are missing the detail of how this can help and how we make the market function better.

The Prime Minister's comments about focusing on driving down inflation have been enormously appreciated by the industry. That is the challenge. I talked about the 30% figures of inflation that we are feeling. If we can deal with those elements, that will help everybody.

In terms of the volatility in the gas market, if we knew a price and it was a fixed price, everybody could coalesce around that. At the moment, you have such volatility in the gas market. It is very difficult when you have negotiated your contract as a grower, for example, and you have that contract signed off, and suddenly we see this enormous volatility in the gas market. That is the challenge. It is about delivering certainty back to the farm gate. Farmers and growers are taking the vast majority of the



risk in all this. If we can show them some certainty as to what this is going to look like and find some stability, that will make a big difference.

Mrs Murray: Do you have anything to add, Will?

Will Jackson: Not really, in terms of the Government policy. We will come on to talk about things such as the Sustainable Farming Incentive later on. We have done quite a lot of analysis on that, and this feeds into how the sector will react to various things. We will probably pick that up later on.

Mrs Murray: Edward, is there anything you would like to add to that before I delve down with other questions?

Ed Barker: The Energy Bill Relief Scheme was hugely welcome. We were looking at considerable—as Minette said, triple-digit—increases in energy costs. Across the Board, 700% or 800% were costs that we had been quoted from feed and fertiliser manufacturers. It is really welcome. It is only a six-month scheme. We still need to know what is going on beyond it.

A lot of brokers and suppliers are not still providing the level of savings. They are not willing to put a price out for their customers. Some of that is down to misinformation or misunderstanding. Others have said that it is down to the customer to find that out. As a result, we still have businesses that are waiting on a rebate to do that.

A real challenge within it is alternative fuels—diesel, for example, or liquefied natural gas. A lot of businesses still operate off those fuels. A lot of Minette’s members will use red diesel and heating oil as well. We have very little by way of information as to how that is working in practice. A lot of the brokers are not providing information. A lot of feed companies, for example, are using those for their generators and alternative supplies. There is very little by way of guidance.

We also really need to know what happens beyond March because, at the moment, businesses are buying their energy forward and not being given a price. How do you plan for the future and advise farmers what prices are for inputs if you cannot fix your own energy cost yourself?

Q58 **Mrs Murray:** I will continue my questioning with you, because you have almost touched on my second question. Should energy bill relief be guaranteed for a longer period for food producers? Are there any other measures that you think the Government should be taking to help food producers in the short term?

Ed Barker: Yes, is the simple answer. Clearly, we need to be able to look beyond March. There are a lot of agri-supply businesses that are unable to price beyond then. A lot of businesses in the supply chain have a significant draw on energy after March—for example, grain drying. This year we were lucky. We did not require a huge amount of fuel for grain drying and energy. Next year could well be very different. In the arable



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marketing sector, there is a big pull on energy over the summer. It is very difficult to know where they fit within that.

Businesses need to know where they stand with regards to critical infrastructure throughout the whole food supply chain. Quite often, the issues are discussed purely at the consumer end and not right the way back throughout the supply chain. We need that really early engagement with Defra and BEIS to be able to understand which businesses fit where. I appreciate that it may not be feasible for every business to be covered under the scheme.

Mrs Murray: Minette, do you have anything to add to that? Do you agree with what Edward said?

Minette Batters: I absolutely agree with everything that Ed said. With the Energy Bill Relief Scheme for the longer period, we need to focus on the fact that this is not just about affordability; it is about availability. There are going to be massive issues in availability if we do not keep the primary production sector functioning. As I said earlier, it is about the different tools as we work through this that can be put in place that will bring down those costs of inflation and will give a level of certainty and stability. That is the double whammy—the more we shorten supply, the more we are going to drive food inflation.

Mrs Murray: Will, do you have anything to add?

Will Jackson: This is one part of it, and we have to look at the whole picture. It is how we build resilience into the farming sector. The Energy Bill Relief Scheme is one element of it, but there are more elements, as I said, like SFI, that we need to take into consideration as well.

Q59 **Geraint Davies:** I want to ask Minette a detailed question, if I may. You mentioned input inflation at 30%. How much of that is imports? What is that 30% made up of? Is that purely imported stuff?

Minette Batters: This is Defra's own figure. It is across the piece, effectively, of input costs, whether that be fertiliser costs, fuel or general impact from the war in Ukraine on many of these different areas. The 30% is Defra's own figure.

Q60 **Geraint Davies:** A lot of that is out of our control, is it not?

Minette Batters: A lot of it is out of our control, yes. If you look at the CPI at 10% and the 5% difference between CPI and food inflation, and then you come down into the jaw-dropping situation of 30%, you see the massive challenges around food. We tend to focus everything on affordability. I would urge everybody to focus on availability, so that we do not drive further challenges on affordability going forwards.

Q61 **Julian Sturdy:** Availability is a good point to come in on, because that is what I wanted to touch on. There is obviously huge concern about the current price of fertiliser, but also access to supply. If you do not have access to supply secured, there is concern for next spring that you will



not be able to get that access. Should the Government consider further intervention to try to secure the UK's fertiliser supply?

Minette Batters: I am sure Ed is better placed to answer this. We have to do everything we can to make sure that we have access to fertiliser. It is not just about the production of ammonia and making fertiliser. You also have the by-products that are just as vital, CO₂ being a classic case in point. That really has to be looked at, taking Russia and Ukraine off grid for the foreseeable future. When I talk to European colleagues, they are enormously concerned about availability of fertiliser. We are extremely concerned about that too.

Ed Barker: Part of the problem in all this is that the key feedstock for fertiliser is gas. It is extremely expensive. About this time last year, we saw the real increases come through. That led to the price of fertiliser around Europe and globally going up significantly. Farmers were not in a position or were unwilling to purchase it. Therefore, plants went offline. Therefore, it could not be purchased, and we got into this cycle of demand destruction.

As Minette has pointed out, the variation and volatility in the gas market has been so difficult for the industry to work with. We looked at some costs and estimated them ourselves, and we worked out that, within the European market, for every change per therm of €1, it adds about €0.5 million per day to the cost of a fertiliser plant to run. If no one is buying your product, there is serious difficulty in justifying the continuation of production.

Europe is a really interesting example. We have seen a number of measures taken this year. There is some support at the manufacturers' end by different member states. Others have looked to support individual farmers, to try to incentivise that purchasing, because we need to continue the purchasing throughout the year. Fertiliser is a constantly produced product. You cannot just turn it on and off. Historically, the industry has worked by trying to incentivise that even continuity of purchases throughout the year. Over the last year, we have had very uneven purchases, which has led to gaps, and that is why we could have challenges in the early part of next year.

As a wider industry, we really need farmers to have that confidence to be able to make purchases. Whatever the policy levers are to do that, in Europe or in the UK, that is something that we would leave for policymakers to decide. Those are the challenges that we have, and that is why we could well be in difficulty if farmers leave it for this year.

Q62 **Julian Sturdy:** You believe that there should be some policy levers pulled—is that what you are saying? You are not going to commit to which one should be pulled.

Ed Barker: We represent all fertiliser producers and importers, so we have to look at it on a cross-EU and UK basis. Given that all of our



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competitors in Europe and the United States are intervening in their own fertiliser sectors directly, it seems completely remiss for the UK to do nothing.

Q63 Julian Sturdy: There has been a bit of chatter about the talk that some producers that were buying gas forward bought it at a low price, and actually it was better for them then to resell it, rather than to physically make the fertiliser. Was there any truth in those rumours that have been floating about?

Ed Barker: I would not know anything about that, I am afraid. I would not be able to comment on what individual businesses do with their energy strategies.

Will Jackson: There is a practical point of view here as well. We did a couple of reports at AHDB for Defra this year. Higher prices mean less application, which in turn means less productivity, whether that is from crops or livestock units. Ultimately, we went back to the availability point. If you drop availability, is the slack then made up, potentially, by imports in other areas? There are knock-on practical effects on farm, even if people are able to get hold of it.

Q64 Julian Sturdy: There has also been a lot of talk about how new technologies could play a role, either to minimise the fertiliser inputs or to produce different forms of fertiliser. Minette, do you see that as a way forward, or is that a medium-term strategy and we need to have a short-term strategy in place before that?

Minette Batters: The whole focus on resource use efficiency offers enormous opportunities. Certainly, the whole industry is united on that. The sustainability school at Harper Adams is doing a huge amount with the whole supply chain on resource use efficiency. There are some very exciting start-up businesses that are looking at drying and pelletising digestate and sewage sludge, allowing things to be moved, transported and traded.

Those are game-changing technologies, but we must not forget in all of this that 4 billion lives are, effectively, at this moment in time, reliant on nitrogen fertiliser. It is about building bridges. That is a big part of it, but it is not a replacement. There is a danger that we think we can take nitrogen fertiliser out and manage. We certainly cannot even remotely think of doing that yet. In time to come, those innovations will be game changing, and the journey to net zero should massively help speed them up.

Q65 Julian Sturdy: You would say that there is a short-term issue here and then a medium to longer-term issue.

Minette Batters: Yes. There is the Sustainable Farming Incentive. There are a lot of things that will happen that will drive better practice. It is really about looking at the science and evidence to do it. It is part of a



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longer-term transition, rather than an immediate fix. It is not going to deal with the here and now.

Q66 **Julian Sturdy:** Ed and Will, do you want to comment on the new technology options?

Ed Barker: Clearly, there are opportunities in the medium to long term. There are really interesting projects going on at the moment. Scalability is a big challenge. As Minette has highlighted, there is a need, year after year, for a regular, consistent supply of product and to have agronomists on hand to be able to advise how to use that product. Changes in systems or shifts in products take a long time. You build up your farm system over that time.

This is obviously about food security. We need to understand mineral security as well. Over the last year or two years, we have suddenly realised that there are critical individual products in the supply chain that we had not appreciated. Fertiliser is one of them, but there is also CO₂. A good example is amino acids, which are critical in the feed sector. They come into the country in very small concentrations. They are critical for the wider pig and poultry sectors. We learnt that as a result of EU exit, for example.

Understanding where those critical single products are that we rely upon across the whole agricultural supply chain, right the way to the consumer, is vital, as we saw with CO₂. Glyphosate is another really important example. If we do not understand those pinch points and where we access them from—domestically or from abroad—we are not really going to be able to have much of a food security policy, because it is entirely dependent on those critical inputs in minerals.

Q67 **Chair:** I have a couple of questions on fertiliser. I buy about 30 tonnes a year, and two years ago we paid £278 per tonne. This year we paid £630, which we will use to grow next year's crop. With the current gas price, including the Government subsidy, what sort of price can ammonium nitrate or urea be put on the market at?

Ed Barker: As per today's prices, I would not want to put on the record exactly what it would be today, but I can provide that today.

Q68 **Chair:** Is it three figures?

Ed Barker: As far as we understand, but I would have to double check that with our fertiliser team.

Q69 **Chair:** I have heard maybe as much as £1,000, even with the subsidy.

Ed Barker: Again, to be absolutely sure, I would have to check those figures with our team.

Q70 **Chair:** It is not just nitrogen you need; you need phosphates and potash—the three major plant nutrients. Phosphate and potash have a degree of storage in the soil. Is there any evidence that farmers are



taking a holiday from putting on those nutrients? Could that have long-term implications for soil health and crop health?

Ed Barker: In terms of feedback, we have heard that some farmers are looking to either minimise or reduce their applications. A lot of these are very important for other crops in the rotation as well. As Minette said, this year we have seen quite a consistent production of wheat and barley in comparison to previous years.

Our real concern as an industry is that we are not growing enough other crops in the rotation. Oil seed is a really good example; there is linseed and other crops as well. A lot of these alternative or minor use crops have a really important draw on those other fertilising products. It is a concern. For the sake of short-term decision making, we need to reflect on the fact that we have fundamental medium to long-term challenges. The gas futures market is very clear as to where we stand. As a wider industry, with AHDB, we need to consider how that knowledge transfer to farmers will work.

Q71 **Dr Hudson:** We have heard that fertiliser supply is pivotal to food security, and the Government perhaps needs to think about policy interventions to shore that up. Minette, you touched on the point about by-products in terms of CO₂. We know that that is so important in the food and beverage sector, but also in the animal sector, in terms of the slaughter process for pigs and poultry. Do you feel that, unless we keep a handle on this, we are potentially storing up animal health and welfare issues in the present and future?

Minette Batters: What has happened to date has shown us that we are, yes. It remains an enormously volatile and uncertain market. In many ways, we are lucky that CF is based here, but it has been reliant on importing ammonia. We absolutely need to be making fertiliser—we need to be making the ammonia—in order to be able to deliver on the CO₂ market. We have had shortages.

It is often forgotten in this country that it is a very big population. We have a lot of livestock here that is linked into our self-sufficiency figures. Seventy million people provides quite big challenges on distribution. We have worked incredibly well, and it has been a huge success story. Nobody quite realises the great successes that have been achieved with food affordability, availability and distribution, but that cannot be taken for granted. We have seen the challenges with CO₂ many times in the last six or seven years.

Q72 **Dr Hudson:** Will and Ed, do you have anything to add on CO₂ in terms of animal welfare and the slaughter issue?

Ed Barker: Not from our side on CO₂, no.

Q73 **Dr Hudson:** Okay, fair enough. We have heard today about some of the real challenges to food security, in terms of input costs, fuel and fertiliser. Through our inquiry, things like access to abattoirs, water insecurity,



supply of labour and climate environmental factors have all been raised with us as significant risks to the UK's food security. We touched on this in some of the introductory comments to the Chair's questions, but what do you three individually see as the main threats to UK food security?

Minette Batters: It is very easy for us to forget water. We are incredibly lucky with the temperate climate that we have here. When I look at other countries, 95% of Portugal is in drought. Italy is declaring a state of water emergency. We have put huge reliance on Spain, which we cannot continue to do, and indeed other parts of the world that are going red.

How we allow growers to have more flexibility, bearing in mind the summer and drought that we have had here, with abstraction licences to top up reservoirs, is a big challenge. We have too much water in some places and not enough in others. We are wasting a lot of diffuse water into the North Sea. We must not forget that, in all of this, to deliver on food security.

Ed has alluded to this. Food should sit at the heart of Government, along with energy security. There is a danger if we try to leave it in one Department. The Farming Minister, Mark Spencer, is doing an outstanding job, but I applaud what the Prime Minister set out in the summer that he wanted to do by bringing about a roundtable discussion every year to look at our domestic food security. That really needs to happen, because this impacts on every Department.

What we are finding a challenge is how we join all this up. That is what needs to happen. The market cannot deliver on food security alone. We tend to focus on affordability. If we are going to focus on domestic food security, we have to bring that in for a discussion. The metrics are not yet defined as to how we will deal with food security. It is a different thing to self-sufficiency. We would be very keen, as the NFU, to work with Government on what domestic food security looks like and what measures we put in place to deal with it.

Q74 **Dr Hudson:** Before I come to Ed and Will, your comments about cross-Government working are very important. Your comments about water and the environment are particularly pertinent, as COP 27 is sitting as we speak. There is a role for countries to work together on these environmental issues that affect water supply. Ed, what do you see as the main threats to food security?

Ed Barker: It is certainty, or lack thereof. It is very difficult at the moment if you are either a grower in the arable sector or looking to put down a shed for pigs and poultry as to where you start. There are huge investment costs now. Growing food affordably and efficiently to a quality that we want requires considerable investment decisions. Borrowing costs are likely to go up in the short to medium term.

That requires a bit of legislative certainty as well. We have had a lot of changes in legislation. EU exit still lingers over us in the agri-supply



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sector. We are still dealing with issues such as UK REACH and registrations on plant protection products. It is extremely expensive for approval holders to be able to apply those into GB post-EU exit. It is extremely challenging.

You want to be able to grow a more diverse rotation. We know that there are farmers out there who want to put down more sheds and increase their volume of output, but the incentives just are not there. The certainty is not there in the system. Understanding that across all Departments, not just as a Defra issue, is vital. It is planning. It is within trade as well, for all of those.

Q75 Dr Hudson: That is helpful—certainty. Will, what would be your key factor?

Will Jackson: It is everything. With all these things, it is not an either/or. It is all of them together, to be able to create an environment where we can produce high-quality food and so that the certainty is there for people to go ahead and do so.

Labour is a huge issue. It is another hangover from EU exit. We have 97,000 people working in the meat processing sector, according to the British Meat Processors Association; 62% of those are EU nationals. We are seeing huge challenge in terms of the labour market. Ed is talking about that long-term certainty.

There is resilience—having a resilient farming sector is absolutely vital to be able to fulfil that. If people are not able to see that way forward, they will find it really difficult to provide the food that is needed. When you look back to SFI and schemes like that, there has to be enough certainty over the next few years for farmers to be able to see a way forward. We want the people who are forward-looking and who want to invest and do things in the best way possible. If they cannot see a way through, it is going to become increasingly difficult to fill that gap. This is where we have to make sure that policy decisions are having a positive impact on people.

Q76 Dr Hudson: That tees me up for my next question. In terms of policy interventions through which the Government could help to create some of this certainty or affect things such as labour, what would be on your wish list?

Will Jackson: Speaking for the AHDB, I do not want to comment too much on specific policy. Whatever happens always has to be well thought through. Some of the detail has to be looked at. With things like SFI, there is not the incentive there at the moment for producers to necessarily take up all those means, because the productivity that they have in terms of producing food at the moment outweighs that. There has to be the right balance to be able to fill some of the gap where we are moving away from BPS.

Q77 Dr Hudson: I take your point. You cannot make specific policy asks.



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Minette, you probably can make specific policy asks—go for it.

Minette Batters: How long do we have? Without any shadow of doubt, access to people is really holding growth back. It is probably the single biggest issue. It is not just about seasonal; it is about workers, and it goes throughout the whole supply chain.

There is a real challenge that we do not make food production the poor relation to everything else. The Environment Act has, rightly, set legislative targets on nature and species reintroduction. We have housing and tree planting targets. We must make sure that food production has a statutory underpinning, so that we do not downsize our self-sufficiency, and look at, effectively, how we can produce more of what we are good at, fruit and veg being a classic case in point.

We are going to see a lot less field veg. If you are on productive land, you are making the decision to be producing grains rather than continuing to produce field veg. You cannot have the labour to pick it, and that is a massive challenge.

We are all part of Defra's market monitoring core group. The industry has all the solutions, actually. If we can work together on the tools that will help the market work better, that would be enormously appreciated.

Ed Barker: To take a step back and look at wider food security, strategically, a lot of it is about infrastructure. We have a real problem of moving goods in and around the UK, into the UK or even out of the UK. Port capacity is a real challenge still. There is a reason why we have to trans-ship a considerable number of bulk goods via the Netherlands; we do not have enough deep-water ports to be able to bring in goods that we need for inputs or to feed the UK in certain product lines sufficiently.

Internal transport is extremely challenging, certainly going east-west. In the agricultural sector, we have different sectors in the east and the west. We often have that trade of goods between the internal market. On IT infrastructure, there are a number of departments and processes for trade that still require paper in the 21st century. All these are an accumulation of friction that simply adds to challenges and costs throughout the whole supply chain.

We need to take a step back and have a much better understanding of our food infrastructure. Processing is a really good example of that. If you take our pig and poultry sectors, processing infrastructure has consolidated very quickly. Having a broad understanding of that within any food security plan is vital.

Q78 **Dr Hudson:** We have had some discussion already about the funding system coming in—the SFI—and that side of things. We have a parallel inquiry on the ELMS transition. Significant disquiet has been raised by various stakeholders about the phasing out of direct payments and the incoming new payments. That transition has to be smooth, with no cliff



edge. Do you feel, in your sectors, that the phasing out of these payments is threatening our resilience, in terms of producing food? If so, what advice can we, as a Committee, give to the Government to remediate that, so that this transition works for all of us?

Will Jackson: We submitted some written evidence before this, which shows some work we did a couple of years ago looking at the percentage of profit margins that the Basic Payment Scheme makes up. If you remove that from producers, a lot of them become not very profitable very quickly. As you say, there needed to be a smooth mechanism across to be able to do that. At the moment, we have until 2027 for that. If we look at, for example, SFI, I think the Secretary of State at the time talked about 70% take-up to be able to look at a smooth transition. We are well short of that at the moment.

Q79 **Dr Hudson:** What is your estimate in terms of uptake?

Will Jackson: Defra have not come forward with anything. We think that it is quite a long way short of that.

Chair: It is early days.

Will Jackson: It is early days at the moment, but we are a way off that. It is the way that producers are looking at it as well. Not everybody is in the same place in terms of their preparedness for the removal of the Basic Payment Scheme and movement across. We did a big piece of work with Harper Adams University on this, which we can share with the Committee.

For a lot of producers, it does not make sense at the moment, unless they are already set up or taking part in some of the things, to be able to leverage anything out of the scheme. There is a big risk that we see a lot of producers fall into a big gap. You will potentially see a lot of change and consolidation in the sector at that point. A question I would ask is whether that is the right sort of consolidation at that point in time.

Minette Batters: You have heard a lot of cries from everybody about certainty. What we have missed more than anything across trade, labour and future policy is lack of strategy and plan. Michael Gove said originally, if you think back to "Health and Harmony", that we needed 70% of farmers actively engaging for the Environmental Land Management Schemes to work. We have to have that. If we are going to deliver on the Environment Act and the legislated targets, we need as many farmers in England as possible taking part.

On that basis, we have always said that you have to see a large percentage of the budget—65% of the budget—in the SFI. You have to get farmers incentivised to be farming on that platform, and it has to be delivering for both food production and the environment. Ultimately, you need to be focusing on what is in the field, not just what is round the perimeters of our fields. If we can get a profitable platform that farmers want to actively engage with, there is an enormous opportunity.



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There is a grave danger that, with the manifesto commitment on the budget, if only 20% of farmers want to be involved, there will be an underspend. It will not be doing the job that it was sold to do. It needs urgent attention to make sure the Sustainable Farming Incentive encourages the vast majority of farmers to be part of it, otherwise those targets will fail, and we will fail on our commitment to food production as well.

Q80 Dr Hudson: With that urgent attention, do you think the Government need to look at the level of payments, to incentivise the farmers to get enrolled and make sure the transition works smoothly?

Minette Batters: We have continually called for that. We want this process speeded up. It has been a long time without making the progress that is needed. It needs to be less prescriptive, easy to access and profitable. Farmers will not get involved if it is not a profitable scheme. It is as simple as that.

Ed Barker: The cost of kit, gear and stuff has all gone up as well. This is part of the problem. A number of capital items, goods and inputs are required in order to carry out ELMS SFI works. Even if it is something as trivial as whips for bamboo canes, they have all gone up in price. There is the machinery and contractors' fees. These all have to be understood within that.

It is completely understandable that many farmers or growers have taken a step back, looked at a very uncertain market and taken a fairly risk-averse approach. In the arable sectors, a lot have taken a step back. There are favourable drilling conditions this autumn; put it down to a crop for this autumn and see how this year goes. It is a simple balance of costs, one against the other.

Dr Hudson: That is very helpful, with some very pragmatic recommendations.

Chair: For anyone watching this at home who is a bit confused about what is going on with all these acronyms, the SFI is the Sustainable Farming Incentive, which is part of the ELMS, the Environmental Land Management Schemes. We are currently in a seven-year transition from basically giving money to farmers for being farmers to giving money to farmers for delivering not only food but environmental objectives as well. We are two or three years into that project.

Q81 Geraint Davies: Minette, you mentioned earlier that inflation is 10%, food inflation is 15% and input inflation is 30%. The costs are being absorbed largely by the producer, and therefore the quantity of production will be reduced. Do you have any projections on the total supply of food from UK producers this year versus next year?

Minette Batters: We are already seeing liquid milk down 1% in volume. It is probably fair enough to say that, without the power and strength of Arla in the marketplace moving the market forwards, we could have well



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been in a very different place on that. In the protected crops sector, as I said earlier, you have the lowest level of production since records began. We should be producing a lot more field veg here. Why would you, as a grower, when you can take all that risk out? On livestock, we are seeing 40% of our members, which is quite unheard of, saying that they will be having fewer beef cattle and sheep.

We are seeing contraction pretty much across every sector. A lot of that is lack of certainty. The phrase that we have used is that we have to put our arms around production and give them confidence. They want the confidence and certainty, and then they will produce. For any business, it does not matter what you are producing; if you are facing into huge risk, there is a limit to how long you are going to keep producing below the cost of production. Many people will be seeing that playing out right now in eggs. We have a shortage of eggs.

We have to come together to be able to deal with this and incentivise the market. I do not know whether you plan to come on to it, but in terms of the conversations around affordability of food, I have faced into many challenges that have talked about imports of cheaper food to fulfil the marketplace that we have. I have always felt that that is a very flawed argument. You look at the value of the pound on the back of everything that we are dealing with and, right now, it does not stack up as something to do. We have to look at that.

With the current CMA—the Competition and Markets Authority—you cannot talk about price. It is illegal for me to be in any meeting talking about price. I feel that that is slightly the elephant in the room. When I had the Americans over to see us last week, they were astounded that, with our competition law, we are prohibited from having those conversations. Ultimately, we need to be able to have them and look at how we intervene in the market. Of course, there is totally different competition law in the US. They can intervene in the market, which drives out a lot of volatility. That is a big discussion to have, but it has not been had, and having left the EU, it is probably one that ought to be had.

Q82 Geraint Davies: You may know that, since 2014, food production from Russia has grown by something like 15%, since the time there were some sanctions due to Crimea. Russia's resilience and food production is much greater than it was and yet, since the Ukraine episode, it seems we are being told that, partly because of the input costs, fertilisers and gas, we are looking next year at a much smaller productive capability for the UK in the midst of this global conflict. How much lower do you think it could fall to, if nothing is done?

Minette Batters: It is impossible to know, quite honestly. We can say that the gas market is going to remain very volatile. There are things that we could do, and I said it at the beginning. If we could find some certainty in the price of gas, it would help a lot for the longer term. It is



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impossible to forecast, but this is going to remain the situation for the foreseeable future.

We have not mentioned climate change at all. We are facing into ever more volatile weather events across the world. If we look at harvests and what has happened in India and China, we are seeing far greater challenges globally. If you take Ukraine and Russia out, which are responsible for 30% of global wheat exports and, not least, 70% of sunflower oil, that is hugely significant. These are all things that are here to stay for the time being.

There is a lot that we can do. I am conscious in everything we say that, actually, we are better off than many member states in Europe. We still have the back-up of nuclear. We have a very good renewables sector. We are probably not going to face rationing in the way they are in Europe. We need to look at all those tools for how we drive inflation down in what is a very gas-hungry sector, from farm to fork, which is the food industry.

Q83 Geraint Davies: Do you feel that the Government should make some sort of broad statement to give confidence to the producers who are absorbing all these costs and then saying, "Hold on, this does not make sense, so I am going to pull back and pare down my production"? There could be some sort of statement or proposition from the Government to say, "We want to give the industry confidence. Our objective is to at least keep production at the same levels for next year. We will make whatever policy interventions we need to make sure that happens." Would that be a helpful start point?

Minette Batters: There are multiple levers that could be pulled immediately that would make a huge difference. I have personally been talking about access to seasonal workers. We are talking about 70,000. We have had 30,000. That could be resolved tomorrow, and it would give a lot of certainty to growers who are literally moving their businesses abroad.

On field veg production, it is not going to be easy, but we could incentivise field veg production. There are multiple levers that could be put in place that would provide a level of certainty. I do not think, for a whole chain, we have ever felt so bereft of any policy levers. When I talk about a plan, it has been the plan for food production that has been missing. It has not been the fault of anyone, perhaps, but we have worked with three very different Governments.

Q84 Geraint Davies: You mentioned that Ukraine and Russia have something approaching 30% of global wheat exports. My understanding is that in Russia they have reduced the price of fuel, gas and oil to farmers and other people to enable them to have food production in the south of Russia feeding people in the north of Russia. Suddenly the transfer costs became more affordable within Russia, stimulating the overall amount of production of food in Russia. At the same time, the impact of what they are doing in Ukraine, in terms of energy prices, is basically making



farmers produce less in the UK. Is that not something that should be acknowledged by Government and taken much more seriously?

Minette Batters: That all comes into the wider food security piece. Talking to our opposite numbers in Ukraine, they are facing into the fact that probably 40%-plus of the cropped area will not be planted. They have been told specifically by the Ukrainian Government that they have to focus on feeding their own people and growing things that will fulfil their own food security challenges, rather than exporting. I am not so familiar as you are with what is going on in Russia, but in Ukraine it is already having huge global impact. It is going to have to concentrate on its own food security. That is certainly what they have been told, and they are growing other crops that fulfil that.

Q85 **Geraint Davies:** Do you feel that, as a strategy, we should be aiming to become more self-sufficient, given that we suddenly realised the risks of critical inputs that Ed was mentioning, for instance, and that we should be looking at somehow producing these things to manage risk at home?

Minette Batters: Without any shadow of doubt, yes. We are an island nation. We have an enormous population—we have a population of 70 million people. There are enormous opportunities that Ed has alluded to around building resilience: more solar on rooftops, which would make a huge difference, and individual turbines within farm holdings. You could make farms far more resilient and less reliant on importing. They could build their own circular economies. We have to deal with it all in the round.

If we downsize our self-sufficiency, which has been predominantly static—around 60%, for the last two decades—it would be to the enormous detriment of this country, especially facing into the global challenges that we are. I talked earlier about a statutory framework. Again, the Prime Minister committed to that back in August. I realise the world was different in August, but that is really important, so that it gets factored into local plans and planning requirements for new buildings. If you want higher welfare standards, you need bigger buildings. All this must be joined up together, and time is not on our side to do that. There is a real level of urgency.

Chair: We are probably straying into an area that Robbie Moore is going to ask about a bit later.

Q86 **Derek Thomas:** It is nice to see you all; thank you very much for coming. This is taking an interesting turn towards the Groceries Code Adjudicator. If I remember correctly, the industry welcome the adjudicator and saw a need for and value of it. We come to a time when the Government are reviewing the role it has, its powers and how it should go forward. Will, what is your suggestion for how that review concludes?

Will Jackson: That is not really one for us at AHDB, so I will pass that on to Minette or Ed.



Minette Batters: Sorry; I feel that I have said enough already. What the role of the Groceries Code Adjudicator has achieved has been really important. It remains critically important if we are going to continue to see best practice. It cannot resolve the situation, though, on contractual relationships and price. It goes so far, but it cannot go any further at the moment. Yes, we need it, but we perhaps need to have a fresh think outside of the European Union as to how we manage.

For me, the two hardest things to land with Government have been how we deal with risk and volatility in the marketplace. To a certain extent, direct support has been one way—the only way—of managing that level of risk. When your business is outside and you are facing into all the elements, how do we manage risk and volatility? That remains the outstanding question for Government to answer.

Q87 **Derek Thomas:** I was trying to turn the conversation slightly towards how we support the producers on the ground. Obviously the adjudicator looks after the level just before the supermarket. Ed, did you want to comment?

Ed Barker: Our members do not sell directly to retail, so we would not be involved in that.

Q88 **Derek Thomas:** Minette, I will come back to you. Would you want to see the role of the adjudicator extended to those farmers I know in west Cornwall that will be producing into the food chain that eventually gets into the supermarket back in Penzance, for our consumers?

Minette Batters: Today we will be publishing a report on behalf of fresh produce that Promar have done for us, and I would urge you to look at that. That will look into the findings that they have seen and, ultimately, the outcomes that we want to see. The hardest thing in my experience is that I will get growers coming to me very upset about what is going on. I am sure you experience the same. Getting people to speak up within that marketplace is difficult.

Derek Thomas: I have been really stunned this year to see how the cost of producing potatoes has risen; there is no question about that. The potatoes themselves have not sold. If anything, they have been selling cheaper because there are so many of them. We, as consumers, believe that farmers are getting a better deal, but actually they are being squeezed even more in many places. That is all I have to say on that.

Q89 **Robbie Moore:** Ed, this question focuses on around self-sufficiency targets. We are around 60% to 63% self-sufficient in the UK. Do you think the Government should set targets for how much of the food we consume is produced in the UK?

Ed Barker: We think that it is actually quite difficult to bring in self-sufficiency targets. Food is such a granular and detailed area to try to look at for a broad overview target. If you were to look at the pig sector, for example, we are completely self-sufficient in certain cuts of pork. In



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belly and shoulder, we are more than self-sufficient. We are completely self-insufficient in loin and leg, for example. Similarly, if you look at our wheat production, we import around 2 million tonnes of wheat. A lot of that is made up of milling wheat and high protein wheats. In the last year, we have exported about 0.5 million tonnes of wheat to the EU.

We clearly have this issue where we are producing a number of goods that we do not consume and either need to export or find alternative uses for. We have this phenomenon where we have to import certain goods as well. Setting targets on self-sufficiency is challenging because of that granularity within every sub-species.

That should not pull back from the fact that we need a much better set of data, a better index and a much clearer set of dashboards in order to understand not just what we are producing but what we are capable of producing as a nation, in terms of what our maximum output is. There is so much more we can do with productivity gains.

Also, what is the consumer in the UK consuming that we cannot produce here, or in very limited supply, and what do we oversupply on? We are exporting a lot of pulses, for example. We grow them for a very good reason—because they are great in a rotation, they clear up weeds and are great for nitrogen fixing—but we are not really consuming many of them; maybe a bit in animal feed. Most of them are going to North Africa as exports. These are all the issues we have to pick up, but I certainly believe that, in a wider food security strategy, we should be able to pick these up and understand this data so that we have it to hand very quickly.

Q90 **Robbie Moore:** I appreciate that it is complex, as you just indicated. In your view, is it aspirational for the Government to have a direction of maintaining at least the self-sufficiency we have at the moment?

Ed Barker: The words that were put in the food White Paper last year were about maintaining a broad productive base at the moment. Having some kind of aspiration to work towards is extremely helpful. How that manifests itself is a challenge that we as a wider industry need to work at, bearing in mind a lot of land use is flexible; it is fungible. We produce a number of goods that are for ornamental markets—malting barley for the malting sector, biofuels and animal feed. There are a number of non-food outputs that are grown by UK farmers that we have to consider within that as well. That is down to individual farmer or grower choice, based on the market.

Robbie Moore: Minette, is there anything that you wanted to expand on from your previous answer to Geraint on this?

Minette Batters: There is a lot of misunderstanding about the word “self-sufficiency”. A lot of people tend to think that it is about pulling up the drawbridge, and self-sufficiency is what we are only going to consume in this country. Self-sufficiency is purely a metric. If you look at



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southern Ireland—the Republic—they are exporting 90% of their beef to other markets. Look at it as a metric. It is that fragile line of linking consumption with production.

There are many things that we are really good at producing here. We grow grass. We have a temperate climate. Actually, we should be exporting what we are not consuming here. The national diet might well change. If you look at the Eatwell plate, there are things that perhaps we should be growing here that we are not. For red meat or dairy products as an example—carcase balance—it is absolutely vital that we have a vibrant export market. Those all come within the metrics of self sufficiency.

Q91 Robbie Moore: Should the Government be looking at actual targets to do with this?

Minette Batters: They most definitely should, but this again goes back to lack of plan and lack of strategy. This has to link into your trade strategy as to volumes that you are going to want to look at adding value to, and opening up new markets, and what those new markets are wanting, so that we, as farmers and growers, are producing what the market wants. That is the key thing. That may well change over time, but you have to be joined up on that plan, and that has to be bought into by everybody.

If you look at Origin Green and what it has achieved in southern Ireland, if we had that model here, that would be of massive value, not only to our domestic consumer and the role of the NFU, AHDB and AIC, but also to our export market. There are existing models that we should be looking at that deliver to your point.

Q92 Robbie Moore: The NFU and you have called on the Government to develop a national food security index covering input prices, global risk factors and food prices. What would the purpose of that index be, and how would you see it influencing Government policy?

Minette Batters: It is fair to say that, at this moment, it is totally undefined. We can talk about food security and domestic food security, but all of us would really value coming together with Government. We have the market monitoring core group. There is a real opportunity for us to come together and look at what those metrics and indices are going to be and how we genuinely measure our domestic food security within a world food security system.

Robbie Moore: Will, is there anything else that you would like to add?

Will Jackson: A lot has been covered there. You have to think as well about how we measure that. Is it value? Is it tonnage? Is it nutritional value? There are lots of different ways of looking at it.

To come back to Geraint's question a bit earlier, we are very good at farming over here. We are very good at food production. If you look at



climate impact and the carbon footprint of beef, lamb and dairy, it is much lower over here than global averages. All these things have to be taken into account when you are thinking about metrics and how you measure, because it is not as simple as saying, "We want X% of whatever produced here." It is a very complicated landscape.

Q93 **Mrs Murray:** What would you like to see contained in the land use strategy that the Government are currently developing?

Minette Batters: It is really important, on behalf of food production and the environment, that we try to garner cross-party support for all this. To be flip-flopping under parliamentary cycles is disastrous for all those areas. I see the land use framework as a great opportunity to look at where food production fits. We have the statutory targets for taking land out of production. We have the Environment Act with further targets for nature, clean water and clean air. We have housebuilding targets. We have massive tree planting targets. We have nothing on food production at all.

We are hearing in many cases—I think of Kevin Hollinrake's patch—of the situation with solar compromising other parts. Balance is everything. Solar has been a great success story. What is not to like? It is locked in for 25 to 30 years, index-linked, but there is a real danger right now that we make food production the poor relation in all this. I see the land use framework as the opportunity to level up on food production, make sure that local plans have it properly incorporated and that we do not see rural constituencies where food production gets factored out.

Mrs Murray: Chair, I apologise, but I think we were going to the previous question from Geraint.

Chair: I took them out of order. I will go to Geraint to ask about Henry Dimpleby and some of the frightening ideas for hill farmers he laid on this Committee.

Mrs Murray: Will and Edward, do you have anything to add on my question?

Will Jackson: Minette is right that food production is really important within this. Policy has to reflect that. As we said earlier about SFI, the incentives have to be there for farmers to make the decisions. None of this is about either/or; it is what the balance is. It is about both and how we do it effectively. Going back to the conversation we have just been having, if we want food security and people to produce it, we have to have the ability for them to do that.

Ed Barker: I have mentioned the need within all this to fit in minerals. We need to understand our land use productivity potential and the full allocation of the asset that we have as a country for our land. The last point is to really understand what the market wants. It sounds really obvious, but, at the moment, there are a lot of disincentives in place to



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produce food goods for the market. Producers have a lot of incentives not to produce them, and those are restrictions on crop protection, on the agronomy, the chemistry and the availability of goods or machinery.

A lot of food manufacturing companies and food production businesses are crying out for a number of different products and goods to be grown or reared in the UK. We simply need to move beyond what we are doing at the moment and try to diversify our food supply. Arable crops are a really good example of that, but there are plenty of other examples as well.

Q94 Mrs Murray: How much potential is there for greater multifunctional land use? I was going to cite the solar panels with the sheep, Minette, but you have already mentioned that. Are there any other ways in which we could perhaps incorporate other uses with food production?

Ed Barker: We can. It is clearly happening at the moment in many respects. We are seeing more farmers bring livestock back into rotations, for example, which is very welcome, but the infrastructure has to be in place to do that. You need to have abattoirs in the right places. A real challenge that we have in livestock sectors is vet availability. At the moment, that is a real challenge. You will see that there is a decline particularly in large animal vets across the UK in certain areas. On abattoir availability, long journey times is obviously something that we do not want to see. As I mentioned, there are a number of disincentives in place to try to do that, which I think we could all agree would be something we would like to see.

Minette Batters: We are going to have to triage priorities. When I look at the bandwidth of what is going on in the Department that I know best, Defra, we have animal sentience committees, we have species reintroduction committees and we have all these targets. The war in Ukraine has changed everything. I thought dealing with no-deal Brexit was quite challenging. It pales into insignificance right now. There is a real need for triaging priorities right now and making sure that we are focusing on the must-haves. Those are nice-to-haves and important, but let us triage responsibilities and priorities to get us through these enormous bumps in the road that we are facing.

Will Jackson: I do not have much more to add to what has been said.

Chair: Henry Dimbleby told us that 20% of the land in this country only produces 2% or 3% of the calories, therefore, let us not produce food on that land. Geraint's question is quite a pertinent one about what he said.

Q95 Geraint Davies: Henry Dimbleby, as you no doubt know, suggested that the least productive farmland, like uplands and peatlands, could be taken out of food production. Do you think that would be a good idea in the round?

Minette Batters: No, I absolutely do not think it would be a good idea. If you are farming in the uplands, it is the hardest place to farm. Productive



farming has underpinned and shaped our iconic landscapes for millennia. When I get that challenge put to me—that we can just take production away from the hills—my continual pushback is, “What about the people who have shaped this landscape?” They have evolved throughout millennia. They will continue to evolve and will farm with the policies that they have available to them.

Those upland farmers are just as ambitious as farmers anywhere else. They know they can deliver climate-smart agriculture. They know they can deliver on net zero. Work with them—work with the people. I cannot believe that we would ever support a situation that effectively sounds equivalent to land clearances. Those people have shaped those iconic landscapes, and they underpin the rural economy in those areas. They are absolutely vital to maintaining them. That is my pushback to it. I really do not agree, and I find it a very challenging and unfair conversation to have.

Q96 Geraint Davies: In Wales, as it happens, there have been cases of British Airways trying to buy up sheep farms in order to plant trees to offset carbon, to fly more planes. Then we have an Australian trade deal, where we could end up flying sheep into Wales to eat because it is full of woodland on the hills. Is that something that you recognise? What is your view on that?

Minette Batters: It is something that Government are going to have to act on very swiftly, or we are just a country that is, effectively, up for sale. Of course, we want to plant more trees. There is nothing wrong with planting trees, but there is a big issue with selling land, potentially to foreign investors who are not even paying their taxes here, who, before we know it, will be potentially pulling down public moneys—taxpayers’ moneys—to be able to plant those very same trees with. This area needs critical attention.

It is why I made the point earlier about making sure that food production does not become the poor relation. There is a real danger that big corporates buy up farmland. You are seeing the requirements on net gain for housing developers, and food production will become unimportant in the bigger scheme of things. We have to make sure that trees are planted, but also that food production is happening alongside that.

Fundamentally, this is about land sharing. We have ever greater requirements of our land use. Let us share that land, let us do it better, but let us not make this binary choice about land sparing as a way forward. It has to be about sharing our land and working together on it.

Q97 Geraint Davies: Would that include inshore wind farms, as we do in Wales? Farmers could combine food production with more green energy from wind farms on some land.

Minette Batters: There is enormous opportunity with renewable energy in general. We have huge amounts of farm buildings that could have solar



put on them. Why are all buildings not collecting rainwater? Why are they not all being covered in solar? Turbines on individual farms are not going to be blotting the landscape at all; they will be making them far more energy resilient and will be helpful to local communities. There are challenges with a national grid and not a local grid, but that can all be overcome. I try to focus all the time on agriculture and farming being the solution to the wider economy and not just for food production.

Q98 Geraint Davies: Do you have a final comment, Ed, on taking uplands and peatlands out of food production, in terms of Henry Dimbleby's suggestion?

Ed Barker: We represent a number of international businesses that have UK parts of that. They cannot believe that it is being discussed and that money will be paid to not produce food in this country that has a climate that is entirely designed and well-suited to a variety of different food and land use types. They cannot fathom the fact that it has been mooted that money is being paid to disincentivise that. For them, it will speak a lot about where the Government's priorities are, in terms of understanding food production at a time when food inflation is as considerable as it is.

Chair: You do not need to go far to see it is happening already in south-west Scotland, in Dumfries and Galloway. We have seen massive areas taken from agriculture and put into trees. We were at the Northern Farming Conference last week and we had first-hand evidence of that. Thank you very much indeed to our witnesses. We appreciate your time, and it has been very helpful.

Examination of witnesses

Witnesses: Andrew Opie, David Thomson and James Walton

Q99 Chair: Welcome to our second panel from the retail and food grocery sector. Could I ask our three witnesses to introduce themselves?

David Thomson: I am David Thomson. I am the director of strategy and devolved nations for the Food and Drink Federation. I am also the chief exec of FDF Scotland. We represent over 1,000 members in the food and drink manufacturing industry, which is 20% of total manufacturing in the UK, with a turnover of over £112 billion, employing 475,000 people.

Andrew Opie: Good afternoon, all. I am Andrew Opie. I am the director of food and sustainability at the British Retail Consortium. We are the UK trade association for retailers, and our members include all the major food retailers.

James Walton: I am James Walton, chief economist at IGD. IGD is a membership organisation supporting the food and consumer goods industry. We have members from across the whole supply chain, from farming right through to small retail. We have a commercial arm, which



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sells data and services, and we use the profits from that to support our social impact work, which covers things such as nutrition, economics and people.

Chair: IGD stands for the Institute of Grocery Distribution.

James Walton: That is correct.

Q100 **Chair:** We heard in the first evidence session how input costs have risen astronomically. How are increased input costs affecting the food supply chain?

David Thomson: As we heard in the previous session, food price inflation is currently at 14.6%, which is the highest ever level since information was collected in the late 1980s and estimated to be the highest since April 1980. A significant period of time has passed since we have seen food inflation this high. That is because of the fact that everything has got more expensive. I am sure we will talk about energy, ingredient, labour and logistics costs. All these are more expensive, in part because the energy cost is embedded in all of those throughout the supply chain.

In particular on ingredients, at the moment UK-sourced ingredients for the industry are up 16.7% and imported ingredients are up 27.8%. That is having a significant impact on the food and drink manufacturing industry. By the end of August—eight months into the year—we had already seen more insolvencies in food manufacturing than we had in 2019 and almost three times the number of insolvencies in drink manufacturing alone. There has been a significant impact on businesses already this year.

Andrew Opie: There are two points I would make. First, to support David's point, there has been a huge impact on the supply chain, from farmers earlier right through to retailers at the end. Everybody has done everything possible within the UK supply chain to keep the prices down for customers, who also face an unprecedented squeeze on their own income at the same time. That makes this whole situation, as David said, really unprecedented and the biggest challenge that the food industry has ever faced into. Everybody is taking the squeeze, and they have done everything they can to take any possible fat out of the system before it gets to consumers, to try to keep prices down.

The second thing is that we are starting to see major shifts in the market itself, with consumers using their buying power to manage their own basket inflation. We are seeing people changing their shopping habits to try to make their household income go a little bit further than it would do normally if they had continued to buy the same products.

There are shifts out of fresh into more ambient frozen products, for example—things like fewer ready meals, more cooking from scratch than we had seen before, and less eating out, potentially. People are eating more in the home, so there is more of a home focus, but an absolute



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focus on household budgets. That pervades right through the supply chain. It is what our members talk about all the time, and I am sure David's do as well. That message of household affordability is driving changes in the supply chain.

James Walton: Rising costs in the supply chain are being passed through to consumers, but, as we heard from the other witnesses, that process is not complete. The cost increases are not being passed through in full, therefore you have pressure on the margins across the whole of the supply chain.

Consumer food price inflation is currently around 15%. This is as bad as it has been to date, but we think it will go further. Today, we issued a new forecast of where we think food price inflation will go. We think it will probably peak in the first part of next year at between 17% and 19%. That is a fairly daunting prospect. We think that inflation will start to dissipate over the course of 2023, but it will still be above zero by the end of the year. That means that we will have annual inflation on top of annual inflation.

We have already heard that shoppers have agency and take action to protect themselves in everything that they do regarding food, in home and out of home. Nevertheless, our shopper research shows that food stress is becoming increasingly prevalent in the UK, not just among the least well-off households but among households further up the income ladder.

Q101 **Chair:** Andrew, we often hear in the media that, because fertiliser prices have gone up, wheat prices have gone up. Actually, they are two completely different markets. We heard in the first session that, despite the fact that pig feed has gone up dramatically, the price of pigs has not gone up, nor poultry. Where in the system are some of these costs being absorbed, or is most of it being passed on to the consumer?

Andrew Opie: Unfortunately, a large element is being passed on to the consumer, but the consumer is making choices. They are coming out of some of the traditional proteins that they would have bought in a supermarket and looking at cheaper proteins. It is no surprise that chicken sales, for example, which is a relatively low-cost and affordable protein, have been reasonably strong. Even things such as eggs are increasing, as people see that as a cheap form of protein.

Consumers are really the ones who are driving the market. That is then affecting some of the sales of products for the pork industry, for example, and others. Those industries are also heavily reliant on things like carcass balance to make the most of it, so they are also looking at exports to try to supplement that. There is nothing necessarily that you can do within the UK that is going to help some of those farmers anyway.

The point to stress is that it really is consumers who are driving this market, and consumers have not faced into these types of problems for a



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long time. It is really interesting that, probably for the first time, after decades of deflation in food prices, consumers are really alive to prices now. They are following prices. They are shopping around. They are using their purchasing power to put pressure on the retailers, manufacturers and everybody in the supply chain, because it is so difficult for them at the moment.

Q102 Chair: Retailers have energy bills from heating their shops and running their freezers, but the food processing sector is very energy-intensive. Is the Government's Energy Bill Relief Scheme having an impact and helping, and to what extent, or is it just a drop in the ocean?

Andrew Opie: It has had some impact. I will defer to David in a minute to talk on behalf of manufacturers. From our perspective at least, most of the major retailers hedge their energy bills some time in advance, so we are as worried about when the scheme unwinds in six months. They will not be picking up that much of the support at the moment, because they will have hedged at a lower price. Those hedging deals will unwind into 2023, and they are going to face significant energy prices. We have seen prices treble or quadruple for a retailer. What used to be not an insignificant cost but not the major cost that a retailer would look at has really jumped up the agenda in terms of cost. There is that.

The energy support has helped some of the smaller suppliers, retailers and chains that we have in our membership; they have definitely benefited from it. The problem is, if you look at the larger retailers, they are the ones that service the vast majority of us in the country. They are facing much larger energy bills coming into 2023. The scheme as it stands at the moment is not going to help them.

Q103 Chair: David, perhaps you could comment. Scarborough is the home of the oven chip, by the way, so we understand. It is a very energy-intensive process.

David Thomson: I am aware of that; it is a proud member of ours, which is good. In terms of the support from the Government for those 475,000 people who work in food and drink, they have gained a benefit from that. That has been incredibly useful. It has been incredibly useful for businesses as well.

Having said that, as Andrew said, as people have come off hedging and come off the lower prices, we are still seeing a significant increase in energy prices even with the Government cap in place. Our state of the industry survey—we will publish quarter 3 over the next week—shows an over 80% increase in energy costs as a proportion of total business costs. Last year, energy costs were 12% of total costs for businesses. This year, they are reported as 22% of total costs, which is a huge increase in energy as part of your overall bill as a business. Those numbers—an increase of three, four or five times—are what people are living with just now, even with the Government energy cap.



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Q104 **Chair:** If a factory has a long-term energy contract, which means it is paying historic prices, that scheme will not kick in until it gets its new contract.

David Thomson: Yes, because their level of payment will be underneath the Government's cap.

Q105 **Chair:** We are not sure if the scheme will be renewed in the spring, are we?

David Thomson: Exactly; we do not know. In the earlier session, we talked about business confidence and planning. In particular, at the end of that six months lots of businesses are really unsure about what will happen for them. That is crippling, in terms of investment and planning. We would make the case very strongly that all through the pandemic, food and drink was recognised as critical national infrastructure. If Government are looking at supporting businesses beyond the six-month period, they need to prioritise the food and drink supply chain as a whole.

Chair: James, have you anything to add on that?

James Walton: I have nothing further to add.

Q106 **Derek Thomas:** Will measures contained in the Government's 2022 food strategy improve the resilience of the food supply chain?

Andrew Opie: They are not going to make a huge difference now, if I am honest, because the problems we have at the moment are global supply chain and global commodity issues, primarily, and the strategy will not make a huge difference. There are a couple of problems with this strategy as it stands. It is not a UK strategy. It is an England strategy, and it is relatively limited in its coverage.

There are a couple of things in there that we would definitely support. We heard earlier about carbon dioxide, and the strategy talks about looking at the proper market for some of these products that are key inputs into food production. We would definitely support that. It also looks at labour and the availability of labour, which we have heard—and we would definitely support this—is a key factor in terms of maintaining the efficiency and productivity of UK production here. We would echo those comments.

The problem with the strategy, though, is that it is not comprehensive enough for our purposes. We heard a lot about production before. We were probably looking for a food strategy that encompasses all the areas of food, which includes nutrition, obesity, the value of food for sales and right through the chain. It is relatively limited, but it is not going to save us at the moment, unfortunately.

Q107 **Derek Thomas:** James, before you comment on that, can I pick up on the point that Andrew made about labour shortages in the food supply chain? Can you unpick the concerns you might have about the impact of labour shortages?



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James Walton: We studied labour in some detail last year. The labour crisis, if you like, has been brewing for quite some time. It is the consequence of a number of different issues all coming together simultaneously. A key one that I would point to is a lack of skills and qualifications that are relevant to the food industry—for example, nutritionists, food engineers, food scientists and that sort of thing. We are not producing enough of the people with those very specialist types of expertise.

Furthermore, at school leaver level there is a lack of engagement with the food industry at a very early stage. Most young people when they leave school have only really seen the people who work the checkout at their supermarket and the people who serve them in a restaurant or café. They do not see the huge infrastructure behind and all the different roles that they might potentially take up. They might want to be a computer programmer or a mechanical engineer—they can do that in the food industry.

At IGD, we have attempted to give people a taster of exactly what is involved in the food industry. We know from our follow-up research that those young people who have at least engaged briefly with the food industry have a much greater willingness to consider it as a source of employment later on in life. We need to give the food industry a better employer brand as a part of the solution to the labour crisis.

Q108 **Derek Thomas:** That is really helpful; thanks very much. David, I will bring you in on the final part of my question. There is the just-in-time model that we heard a lot about during the Brexit debate; we all carry the scars.

Chair: Order, order. We have a Division in the Commons. I think the Conservatives are abstaining, but Geraint will need to go and vote, so we will adjourn for 10 minutes or until Geraint gets back, whichever is sooner.

Sitting suspended for a Division in the House.

On resuming—

Chair: Derek was asking questions before we were so rudely interrupted by democracy. Carry on, please.

Q109 **Derek Thomas:** This was to David, who had a fair bite of this. How does the just-in-time model for food supply affect resilience, and how important is it?

David Thomson: My colleagues will have stuff to add on this. There are a number of arguments about this, but essentially food is available if you are willing to pay the price for it. That is important, but I would also reflect that the just-in-time model got us through the pandemic. It continues to provide food in supermarkets around the country and has lots of advantages in terms of efficiency and the way that we are working. From our perspective there are always improvements, and each



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company is looking at their supply chain all the time. I am sure we will get into that when we talk about shortening supply chains, but in general it has worked very well over the past few years.

James Walton: We recently conducted a survey of senior supply chain leaders in around 60 food companies around the world. One of the interesting things we pulled out of this is that interest in driving stock out of the supply chain—interest in just-in-time—had actually fallen very quickly versus previous surveys, whereas interest in resilience had actually come up much more. It may well be that the future is about building more stock and holding more stock in order to protect the interests of shoppers. Ultimately, just-in-time delivery relies on abundance—abundant food, abundant labour and abundant transport. A lot of those things may not be 100% reliable in the near future, particularly as climate change and labour shortages take effect.

Q110 **Derek Thomas:** Is there a message for the consumer about what to expect, particularly in terms of fresh fish and fresh vegetables? We have heard stories about issues with parsnips because of too much water and lettuce because of not enough water. Is there a conversation to be had with the consumer to say, “If we want these things, there is a price we pay?”—which I guess you are saying, David—and not to expect that as resilience becomes more important than just-in-time. Does that make sense?

James Walton: Shoppers are fully aware that there are prices to be paid for everything that they bring in. Some of those prices are going to be financial, and others may be environmental, human or whatever. Price drives a lot of what shoppers do, of course, but shoppers are not prepared to abandon their interest in the ethics and all the rest of it easily.

Derek Thomas: That is helpful.

Andrew Opie: It would be a very brave retailer that took a gamble on availability in terms of not having the products that a consumer would expect to see there. What they are trying to do is square away that difficult circle of having the resilience but having the availability that we all expect when we go there. There is a balance.

On just-in-time, I slightly disagree with James. Your research is fantastic, but just-in-time has delivered deflation over decades, basically, if you look at it. It has taken waste out the system, and it is very good in terms of our carbon footprint by potentially removing waste from the system. There are still a lot of benefits in that approach, and customers have not changed their approach around availability. I would actually say they are starting to change their approach on some of the added values in the products that they are looking at. I talked earlier about trading down, for example, and trading into different types of products to try to stretch the budget, but they still expect availability when they go into their local supermarket.



Q111 **Robbie Moore:** How important are international trade agreements in securing the UK's food supply?

Andrew Opie: In terms of straightforward food, pretty minimal. I gave evidence to the Committee before on the Australia-New Zealand deal, if I remember rightly. If you take the starting point for retailers at least, about 70%-plus of our food is sourced here in the UK. Of our imports, about 80% comes from the EU. It is a pretty stable trading relationship, and we have a trade deal with the EU. Once you start to look at that, you can see it is pretty marginal gains to be added from new international trade agreements as we go forward.

Where I would see trade and trading to be more important—and this comes back to the previous panel—is that there is a lot of merit in a stable global trading system, because then that brings things like energy trading and all the other issues that underpin food supply. We sealed the UK's domestic trade policy with the EU no-tariff deal. That was the key thing for shoppers here, because if you take that 80% and add some of the developing countries' GSP zero tariffs we have, you are into really marginal terms of where we are paying tariffs that actually end up on the shelves. Maybe 2% to 3% of all the products sold in supermarkets by average would attract a tariff. The saving in price is really minimal in terms of the budget.

David Thomson: In general we sell a lot of stuff through Andrew's stores, so the same proportions apply in general. That does not mean there are not opportunities in trade deals. Occasionally with some of those 2% to 3% of products there are opportunities within supply chains to do things differently. The other thing is that, as manufacturers, we are looking for exports, and finding new export markets in particular is an important part of that. From a manufacturer's perspective, that is where we see the real opportunity.

James Walton: Doing the trade deal is actually only the first part of the process. The next part of the process is to convince those countries that the UK is a fantastic place to sell their products into. A large part of that means being low-hassle. Of course, we do have the new trade deal with the EU, but nevertheless the perceived hassle involved in sending vehicles over the border and then back across the border again is potentially a barrier to a Spanish tomato grower sending their stuff to us. Why would they send it to us if they have the opportunity to send it closer to home with less hassle? Therefore, development of the new UK border system is absolutely critical, and the Government are working closely with stakeholders and food industry experts to make sure that it will work for our industry.

Q112 **Robbie Moore:** I will come on to that. I do not want to put words in your mouth, but how important in your view are trade agreements to securing the UK's food supply?



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James Walton: Not necessarily just trade agreements, but actually the whole trading experience after the deal is done.

Q113 **Robbie Moore:** The SPS checks have been delayed from January 2021 to January 2023. When they are introduced, what impact do you expect the SPS checks on EU imports to have on food supply? Where do you think the challenges will lie, and what will the impact be?

James Walton: There will clearly be a potential cost impact, and we factored that into the inflation forecast that I mentioned a short while ago. Experience to date has shown us that there are a number of issues. One of them is that an awful lot of border checks and procedures have been built on the assumption of one load containing one uniform product, but of course that is not how the food industry works. What we tend to move is large loads of multiple products, each of which might need to follow separate regulations or be accompanied by separate bits of paperwork. We also tend to do very frequent deliveries, which obviously amplifies the problem. In the case of food there is often a need for specialist checking of the product, such as a vet sign-off, which then produces a requirement for vets in attendance perhaps 24 hours a day, specialists, analysis and all of the other stuff. There will be more complication, more delay, more resistance to trade and possibly more cost as well.

Andrew Opie: We do not have to slavishly follow the EU model and approach to the import system that they take. Some of the work that is going on around trusted trader, authorised supply chains and better use of IT that we are talking to Defra and the other authorities about could make a difference. There will still be friction. There is always going to be friction, because there are going to be borders, but it is about how you apply that friction. If you trust the supply chain—which is already carrying out a huge amount of its own auditing, coverage and assurance—and then you harness that to make sure you still have good levels of compliance, that is possible; we absolutely believe that. We will look at that in the Northern Ireland situation as well. It is possible not to slavishly follow the excessive bureaucracy that we see going the other way at the moment.

David Thomson: I agree with everything that they said.

Q114 **Dr Hudson:** Can I quickly follow up on the SPS in terms of the friction and following what the EU does? What would your thoughts be if we could come to some form of agreement to have a veterinary and SPS—sanitary and phytosanitary—arrangement with the EU? Would that have merit in terms of reducing that friction and having a biosecure unit, so that we can have fairly free movement?

Andrew Opie: That is one method that we could do, but that would obviously then rely on the Government aligning our legislation to EU legislation as it develops. That would be something for politicians to look at, but it would definitely reduce some of the checks. There are still quite



a lot of checks that would still be required even in that case. We need to start moving to a much more sophisticated trusted trader. A full-on trusted trader that incorporates SPS, rather than just customs, would make the biggest difference.

Q115 Dr Hudson: Andrew, in your written evidence from the British Retail Consortium you have called for Government to potentially pause upcoming policy and regulatory interventions. Which interventions did you have in mind that could be postponed and why?

Andrew Opie: There are two things that would make a big difference at this particularly difficult time. There is pausing some regulation—we will talk about that in a minute—but there is also ensuring that, as far as we can, we do not get divergence within the UK. We obviously have different Governments within the UK which are looking at their own approaches to things like waste, labelling and various other areas such as obesity, all of which affect the way that we sell food and our compliance costs in selling the food.

The two things that we would want are the pause and prioritisation. What is it that customers absolutely need in the next year or that we need to deliver in terms of some of our major environment goals that we need to pursue? How do we find a way to work better with industry to do that? What could we pause and return to when we get through this particularly difficult situation? As James said, it is a year. For me that would be things like some of the additional labelling around animal welfare, which Government are already starting to look at. Labelling costs are surprisingly expensive; the best way to do it would be to have a comprehensive review of labelling rather than just looking at one element around animal welfare.

The other big area is waste and resources. I alluded to that in our written evidence on extended producer responsibility, due to come into force in 2024. That is a multibillion-pound expenditure for retailers and manufacturers, which will inevitably be passed on to customers in prices. We are not against EPR in principle—we have been very clear on that—but the problem with the current system is that it is completely flawed. It will not work and deliver the circular economy that the Government believes it will. It will also add burden to us from 2023 when we start reporting our packaging that we are putting on the market.

What we are saying to Government is, “A great thing you could do would be to pause EPR, sit down with industry, design a scheme that will actually work and deliver the true circular economy in packaging, and then come back to it when we are ready to implement it.” We saw in Scotland that the implementation of the Deposit Return Scheme had to be put back a year. These are massive, complex projects that require huge investment of resource by retailers and by Government to get them right. This is probably not the time when there is that spare resource to be able to do that properly. The scheme that we have seen designed by Government and that they are proposing at the moment will not deliver



the circular economy. That is a classic example of something we should pause, review and come back to with a better model.

Q116 **Dr Hudson:** You hinted at some tension within the system with some of these pauses that you describe. Do you feel comfortable that they should still go ahead if it potentially undermines Government's ability to meet its environmental goals or its animal welfare goals?

Andrew Opie: With that EPR target, we will not meet our environmental goals with the proposal that Government currently has. If it wants to do that, it has to pause and review, because it does not have the right proposals as it stands at the moment. As a critical friend to the Government we are saying, "Pause, get it right and we will come back." We are for the system. We have signed up to all of our carbon reduction targets. That includes packaging. We have no problem at all, and we will pay our full share under extended producer responsibility when there is a scheme. What we are unhappy about is paying a tax that will, in effect, be passed on to customers in high prices that will not deliver the environmental goals that we feel Government needs to.

Dr Hudson: James and David, that question was directed at Andrew because of the written evidence from the BRC. Do you have anything you would like to add at all?

David Thomson: Yes. On extended producer responsibility in particular, we agree very much with Andrew's point of view. It is not a system that has been built with the industry. It is a system that will not deliver, so we agree very much with the need to pull that back and reinvent it. We also have the same targets in terms of 2024 and the aim for net zero. The food and drink manufacturing industry is absolutely signed up to all of these other elements, but at the moment we do not think what is being proposed will be fit for purpose. If you go back to the evidence that you have heard from everyone today, we are in an unprecedented set of times. There is an unprecedented cost for businesses and consumers, and this would add cost at the wrong time for both businesses and consumers.

There are a couple of other areas that I would pick up on—in particular, the current climate change agreements. There is a proposed change to those which will reduce the number of businesses that actually get benefit from the climate change agreements. That is a hugely important part of the food and drink industry. We have asked BEIS to pause that, because it is looking like it will reduce food and drink sector eligibility by 85%. Pause it for a couple of years—it is due to be implemented in three months—let us see where we get to in that and design a system that supports the food and drink industry.

James Walton: Following consultation with our members, I would echo the request for uniformity across the whole of the UK as far as possible. That is the number one thing that our contacts have told us.



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Q117 **Dr Hudson:** That is an important message that can hopefully go across the whole of the United Kingdom, to see if we can start to do similar things. James, how effective has voluntary food waste reporting been in the sector?

James Walton: As you know, we have worked with WRAP to create what we call the Food Waste Reduction Roadmap, which is a voluntary scheme where the participants target, measure and act to reduce waste. In the most recent report, in 2021, the value of food waste reduction was at about 17%, so a 17% saving by following best practice. Clearly there is a huge desire in the industry to reduce food waste, because the more food costs, the more it costs to waste it.

The key barrier, we suspect, is actually management time and management bandwidth rather than anything else. As you have probably heard from all of your witnesses so far, management at every point in the food supply chain is at absolute maximum capacity at this point. There simply is not the energy or the time in the day to focus on new things in many cases, but so far we have seen great enthusiasm for the voluntary scheme.

Q118 **Derek Thomas:** This question did not get much of a hearing or response from the last panel, and it may be that it is just not relevant to the discussion, but I will ask it anyway. Government are consulting on the Groceries Code Adjudicator. It was definitely welcome when it was set up and it has been really beneficial, but would you like to see its powers extended? What changes would you like to see to the adjudicator role? James, do you want to start this one?

James Walton: I do not particularly have anything to say on the Groceries Code Adjudicator role, but it is clear that our industry is savagely competitive, with very big, very capable businesses at work. It is that competition that actually helps to safeguard the interests of the shopper. Therefore, whatever Government do should at least maintain the current level of competitive dynamism within the marketplace.

Q119 **Derek Thomas:** Dare I say, even at the expense of the farm gate and what they are being paid for the produce?

James Walton: It is the job of a buyer to negotiate hard for the benefit of the consumer.

Q120 **Derek Thomas:** Yes, I completely understand that. In terms of food security, we need to support our farmers and food producers to produce things. It has to be viable for them to do that. What you have said is a fair response. Are you concerned about people deciding for various reasons not to produce food next year? Does that challenge your business?

James Walton: It is clearly an extremely important concern, as was raised by Minette. However, what we have dealt with in Government is that during the Covid crisis, we saw a willingness to perhaps relax certain



elements of the competitive regime that were not seen as being particularly helpful. For example, we saw short-term waivers that allowed businesses to share information where appropriate, to share transport and even to move personnel around. As we are moving into a period where food availability will be lower, it may well be worth considering whether that sort of relaxation of data sharing and the sharing of resources might be helpful.

Q121 Derek Thomas: I expect that we all agree that the adjudicator can help to make sure that every part of the food chain is properly rewarded for their work, in order to give customers an affordable and good-quality purchase. We would all agree on that basic principle.

Andrew Opie: Our members are the ones who are covered by the Groceries Code Adjudicator and have been for nearly 10 years now. It strengthened our own supply chains with retailers. There is now annual training for all the buyers. Everybody comes into the company. There are written and agreed contracts. There are terms about what retailers can and cannot do with their suppliers. It has strengthened that relationship, and it has become almost business as usual for our trading relationship.

When I spoke about the adjudicator many years ago, when it was coming in, its power was always going to be relatively limited because it was looking at a very narrow part of the food chain, which was the direct supply to retailers. Of course, food producers will be producing for hospitality, for manufacturing and for Government's own procurement. They are all outside retail supply chains, where retailers do not have a supply influence.

Coming back to your point about availability and security, I was with a group of retailers this morning. One of the things they were saying was how much more resource is going from retailers into their supply chain, at least, to keep some of those businesses going, including financial support around some of the energy issues we have seen, and resources to try to help them manage their own supply chain problems and some of the issues that come up.

As I said before, availability is absolutely key to retailers. They will do everything they can to support their own supply chain, but the way the code is written at the moment, it will only ever cover a certain amount of food production in the UK.

Q122 Derek Thomas: The code was written to try to solve a problem 10 years ago. Are you saying that it should now look to all those that procure?

Andrew Opie: It is a complex market. A dairy processor will be taking milk from hundreds of farms and then distributing it into various products, maybe into manufacturing, as well as processed milk that goes on for sale, maybe in a supermarket as much as in hospitality. They are very complex. I know Government have attempted to do this through things like codes of practice around the dairy and the meat supply chains.



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Maybe that is the route to look at and drill down into some of those areas.

We can only really speak on behalf of our own members and the relationship that they have and the liabilities within the code itself. For us, our supply chains—particularly in the UK—are stronger today than they were when the adjudicator came in, but they were strong before that. It has just built on that and strengthened that relationship between suppliers and retailers.

Q123 Derek Thomas: David, do you have any final thoughts on the adjudicator and whether it should be expanded?

David Thomson: We are very supportive of the adjudicator, as you can imagine. If I had not got the call to give evidence today, I would have been in Edinburgh chairing a meeting with the adjudicator and some businesses, and I believe they had a wonderful time. We think it is very important and should be continued. From our perspective, there are a few more retailers we would like to see within the scope of the adjudicator that are not in scope at the moment, as the market has changed in terms of groceries.

Going beyond the supply chain, we have heard about the complexity of that, and one of the great virtues of the adjudicator is that it is paid for by the people who are adjudicated. If you were adjudicated under a much more complex code, you would have a much larger adjudicator and more cost throughout the supply chain, so there might be other ways to look at it that will deliver what you are looking for.

Derek Thomas: That is a sensible warning.

Q124 Chair: I know that when the adjudicator came in, it was in response to some pretty difficult trading situations where suppliers were forced to finance promotions and were maybe sent product back that was perfectly alright. To that extent, has it worked in stamping out some of those very difficult situations where small suppliers dealing with massive retail operations found that it was “savagely competitive”, as James said, in both directions?

Andrew Opie: Absolutely. Those practices were detailed in the code as it came in, and each retailer has to comply with that code. An adjudicator officer oversees their own operations internally. They are there to take complaints from suppliers and deal with them.

Most retailers’ suppliers are actually very large companies that would sit within David’s purview, many of which are bigger than UK retailers because they are global food manufacturers. It was slightly perverse in some ways that some of these large multinational suppliers to some of our smaller retailers needed the protection of a code, because actually, as we have seen in some of the supplier relationships, they can pull their products and have as big an impact as a retailer could possibly have on them.



It certainly outlawed those practices that were there around payments for promotions. They are clearly written in the code. The adjudicator can take anonymous information and then start an investigation if they wish. For our purposes, it works, but we always need to remember that it is only one supply chain that it covers.

Chair: That is helpful.

Q125 **Geraint Davies:** Can I pursue this? You mentioned the big producers like Unilever, for instance, which obviously have some market muscle. If we are talking about the primary producers and farmers and the like, in particular during the Covid episode when the hospitality market was closed down and therefore they were much more reliant on the retail sector, those are the conditions in which there was a real prospect of abuse of retailers against food manufacturers.

Andrew Opie: I disagree with that, because the code itself would not have been changed at all in that period. All that happened at that stage is that suppliers or farm producers who might not have been in a retailer supply chain joined one, because the processor who they have the contractual relationship with—not with the retailer—was then pushing more of their products through a retailer, because obviously we were not eating out; we were eating more in the home. Some of that went through. The relationship remains between the processor—it could be a meat processor in this case—and the farmer. The relationship that GSCOP would cover would be between the processor and the retailer, not between the farmer and the retailer.

Q126 **Geraint Davies:** We heard in the previous panel that the retailers were doing everything they could to push down the cost on the primary producer, and that there was a real risk that we would end up with a situation where producers were leaving the marketplace, in particular farmers.

Andrew Opie: The relationship in price is between the retailer and the processor, not between the retailer and the farmer. The processor will be paying a price for a carcass, for example, that comes into the slaughterhouse and then abattoir and processing, and then the supermarket might be paying for the steaks that are produced off that carcass, but not the whole carcass. The processor then has the issue of finding a home for those other products, which is why the previous panel also talked about exports and the importance of having a good export process.

Q127 **Geraint Davies:** The processor just pushes it down the line to the farmer, though.

Andrew Opie: Yes, which is why I mentioned the codes of practice that Government had brought forward on these areas. I am pretty certain there is one in meat and there is one in dairy, which covers exactly that relationship between the processor and the farmer. That is where the focus is. A retailer, with all the will in the world, is buying a final product



from the processor. He is not necessarily influencing everything that is going on in the farm as it comes into the processor. The processor, however, has a complete relationship with the farmer, in that he is buying that animal and then he is finding a home for the various bits of the animal to sell on. His relationship is with them, and that is the bit that the code of practice covers.

Q128 Geraint Davies: I should disclose that when I worked at Unilever, in charge of PG Tips and later at Colgate in terms of their oral care business—toothpaste and the like—clearly there was no option to play one retailer against the other or pull out, because there are only about five or six major retailers, and you have to be in all of them. Even though these are big companies, the retailers have enormous power.

In terms of food prices that consumers are facing now with less money themselves, to what extent is that changing their purchases of healthy and nutritious food and shifting them towards non-nutritious calories? What can we do about that?

Andrew Opie: We have not seen that. I cannot give you any data at the moment to say one way or the other. What we are seeing is that, interestingly, fresh food inflation is higher than food inflation, if that makes sense. We know that consumers have moved in some way away from fresh. That includes things like pasta. Instead of fresh pasta, you might buy dried pasta, and there are a lot more frozen vegetables being bought. That makes it difficult for me to say today whether those trends necessarily mean that we are seeing a lot of change in terms of the nutrients that people are consuming in their home.

What we are seeing is people probably cooking more from scratch than they were before, but we are also seeing changes in their cooking habits because people are so worried about their energy bills and the long use of cookers. There are terrible stories of people turning their fridges off overnight and things like that. There is a concern around storage and cooking of products, but in terms of the healthy food, fruit and vegetables still remain about the cheapest thing you can buy in a supermarket. It is the first thing you see when you come into a supermarket.

The problem is twofold. First of all, people's cooking skills are not always fantastic and they do not know how to cook from scratch, and, because of that, the second part is that they are worried about waste. We know that customers are more worried about waste because that is wasted cost of money as much as it is wasted food. They are therefore reluctant maybe to try things that they have not tried before. We are trying to help that with recipe suggestions and how to use your leftovers. It is too early to give you a comment on the nutrients, but all I would say is that if you look at promotions and prices, fruit and vegetables still remain the best thing you can buy in a supermarket.

Q129 Geraint Davies: Do you think the Government's food strategy is going



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to help? It seems to me that that would help in normal times, but in terms of whether it will make any difference to the consumption of affordable healthy, nutritious food in the current conditions, the people who are really suffering in food poverty are turning away to more calories and less nutritious products.

James Walton: We have some relevant and recent research that we can contribute to this, because we talk to shoppers every month through our Shopper Vista survey. What we are seeing is a couple of changes happening at the same time. The first is reduced volume—shoppers are buying less stuff overall. They report that they are downtrading, so they are trading to lower quality. That might mean, for example, trading from the more expensive cuts of beef to mince, or from the premium apples to the misshapen apples, or whatever it happens to be—trading down in terms of quality.

At the moment, shoppers do not report that they think the healthiness and nutrition of their diet is falling; 70% of them say that they believe eating healthily is more expensive than eating unhealthily. That might not be true, but it is certainly widely believed. They say that cost does stop them making healthy choices in some cases, and therefore perhaps targeted aid for shoppers at the most vulnerable end of the income spectrum may well generate real benefits in terms of better nutrition.

We recently carried out an extensive study with Sainsbury's, amplifying the value of the Healthy Start voucher scheme, which did create lasting benefits for the most vulnerable shoppers.

Q130 **Geraint Davies:** There was a move for the Government to regulate multi-buy deals in the advertising of high fat, salt and sugar foods. It strikes me that multi-buy is essentially regressive. If you cannot afford to buy multi-buy, you have to pay a higher unit price, and you do that because you are poor. Do you think that is something the Government should not have delayed and should clamp down on, because it basically encourages more purchases from richer people and discriminates against poor people?

James Walton: Promotions are clearly an extremely powerful tool in steering shopper behaviour, which is why both retailers and manufacturers get behind them. Again, we did further studies last year on whether we could drive consumption of fresh produce by targeted promotions. We used various levers within Asda such as price cuts, changed placement and improved signage to draw people towards fruit and vegetables. Those were successful in driving people to eat more fruit and vegetables, although in this case the benefit was not really sustained after the promotion.

Q131 **Geraint Davies:** Andrew, what do you think about this issue? Obviously the retailer's interest is making loads of money, and if they can multi-buy, they sell more product, but that discriminates against poorer people who have less money. Obviously the retailers are interested in multi-buy.



Andrew Opie: James will probably have the figures to hand, but multi-buy as a factor or promotion has been dropping for some time now, because the drive has been to everyday low pricing so people can compare really easily when they are going from shop to shop, to ensure that the product they are buying is the best value. For us, in some ways it was a little bit of a surprise that the Government dropped that, not because it was going to make a huge difference to either the retailer or the consumer.

Q132 **Geraint Davies:** What proportion of consumption is multi-buy? I thought it was over half.

Andrew Opie: I am looking at James because he probably has the figure.

James Walton: It is extremely variable across different categories.

Q133 **Geraint Davies:** Is over half of consumption overall in multi-buy?

James Walton: It varies hugely from one product and one category to another. As Andrew said, what we have seen in general is a reduction in promotional activity overall, which perhaps started around the time of Covid, because it was felt that driving huge surges and crashes in the demand for food and drink was inefficient and actually added more cost and more difficulty to the system. What we have seen, generally, is shoppers moving towards what is called EDLP, which is everyday low price.

Q134 **Geraint Davies:** Andrew, in Tesco, a product will be £3.50 normal price, but if you buy it on your Clubcard, it is £2.95. There is immediate price discrimination. You have to be loyal. Before you know it, you do not realise that, down the road, Lidl is selling at much cheaper prices and Tesco is ripping you off.

Andrew Opie: That is different to a multi-buy, though. That is loyalty. Every supermarket will use any promotional tool. It is a competitive market out there, which is the great thing for customers. That is why we have one of the best grocery markets in the world—because it is so competitive and you have so many retailers trying to compete for your business in the same area. Each retailer will have a promotional strategy at the moment to try to get customers in, but ultimately there are enough price comparison websites and various other things out there. People have never looked more at food prices than they are today.

Q135 **Geraint Davies:** In order to have a simple evaluation for a normal person, do you not think the Government should move forward on this multi-buy front, so that people know the price?

Andrew Opie: Personally, I do not think it will make much difference in terms of what the Government were trying to achieve in cutting obesity, because those multi-buys were not frequently being used and were being phased out in favour of everyday low pricing, which has been the



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approach for some time. The Government instead chose to go down the route of location restrictions, which actually cost several hundred million pounds, which would have gone into price reduction at this time, whereas banning BOGOFs made very little difference in terms of the available money that retailers would have had to put back into price promotion.

I guarantee you that, when you look at some of the margins the retailers are making down at 1% or 2%, every available pound they have is going into promotions at the moment. Anything that the Government add in terms of regulation and cost takes away the ability to keep prices as affordable as possible. In my view, the BOGOFs postponement has made very little difference in terms of trying to keep prices more affordable than they would have if BOGOFs had come in.

Q136 **Geraint Davies:** You would be happy for the delay not to have occurred.

Andrew Opie: It would not have made that much difference to us.

Q137 **Geraint Davies:** Would you have been happy for the restrictions on salt, fat and sugar advertising to come in earlier?

Andrew Opie: It will be an added cost. It is a complex area that we have not really seen Government produce all the advice on yet. Supermarkets do not advertise a huge amount in that space, but they do get caught at times like Christmas when they will be advertising Christmas meals. Suddenly you find it exceeds the nutrition profiling model that you are allowed to use because of the stuffing and various other things, so you are not allowed to promote and advertise at that time.

It goes back to my point around pausing what is not absolutely a priority and is not going to make a massive difference at this stage. Leave the retailers and the manufacturers to focus solely on getting food as affordable as possible. I do not want to overegg it, but this is a crisis moment for some people. We have people coming into stores with a certain amount, and they will go to a self-service till because they are embarrassed to go to a till, run out of money and have to put goods back that they have in their basket. That is what we are facing into at the moment. That is why everybody needs to focus on trying to give the supply chain as much chance—just in this next year or so—to try to keep prices down as much as possible.

Q138 **Geraint Davies:** On that point and on the issue of aggressive activity, the situation, as you know, is that millions of people are now using food banks. There are fewer people giving to food banks and more people wanting food banks. Normally what would happen is that people would collect at the supermarket for a food bank, but if I go into the supermarket, buy some food and buy some extra food to put in that food bank, I am paying for the cost of that product and retailer margin on it, so you are making profit out of me giving to a food bank. Do you think the retailers should do more at that end to encourage some discount if you give the money to the food bank outside the shop? Do you see what



I am getting at?

Andrew Opie: The margins are so tight at the moment that they will not be making very much even on those tins that you are kindly buying and putting in food banks. The bigger problem with food banks is the focus on removing waste from the supply chain, which has been 100% focused because of the price. That has meant that the supply chains have become so tight now that there is less available surplus stock to go into food banks, but that was never the ambition anyway of retailers and manufacturers.

The ambition was to have a 100% waste-free system where there are not surpluses. We will never get to that, which is why it will go into food banks, because things are always slightly over the top. The issue is not about retailers supplying food banks; it is about people having enough income to come into stores and buy food in the first place.

Q139 **Geraint Davies:** I accept the point about waste. I was just talking about the people who are actually giving stuff, and giving them a bit of an incentive.

Andrew Opie: Retailers already put lots of their own resources and money into food banks, and they support all the major food banks. They do everything they can to try to get as much food through to food banks as possible. They are already playing a huge part in this, and they are very happy to talk about what they are doing in that space, but it is such a marginal part of the supermarket operation at the moment. The focus has to be on the price for customers coming into our stores.

Q140 **Geraint Davies:** David, do you want to add anything about what we can do to help poor people through the food chain?

David Thomson: I agree with Andrew. It is a really difficult time at the moment. To pick up on your point around supporting food banks, it is Celebrating Food and Nutrition Week this week, so we released a number of figures. In 2021, manufacturers donated 100 million meals to food redistribution and over 11 million breakfasts to breakfast clubs. Food and drink manufacturers themselves are trying to bridge that gap with food banks and support them. It is really difficult in terms of the margins that the producers are making. Again, those 1% and 2% figures are really quite typical in the whole of the food supply chain. That is why we have seen increases in food prices, and that is why we have seen the impacts there. Giving consumers the opportunity to buy food at the right price is really what we are all about.

Q141 **Geraint Davies:** The key, then, is with the Government. For someone who is on Universal Credit, part of the key to this is not what you are doing but ensuring that Universal Credit is going up with inflation, so that they at least have the bare minimum to eat and heat.



Andrew Opie: That is a Government decision, way above our decision-making process. Collectively, our role is just to get great, good, affordable food on the shelves, and that is what we are focused on.

Chair: Geraint, I can give you some advice here. Our food bank, The Rainbow Centre in Scarborough, has an account at Booker. I went and spent £300, stuck it all in the car and took it straight there. You get it at really rock-bottom price if you go wholesale. Most food banks will have an account at their local wholesaler so that businesses or individuals can go in there, use their account and buy stuff they want—tinned meat, mainly.

Q142 **Mrs Murray:** On that note, we have to remember that food banks are exactly the same as supermarkets, and they do have best-before dates and things that they have to comply with. Ours donate anything that is almost at the sell-by date—a lot of breakfast cereals and things like that—to the breakfast clubs at schools. It is just one circle, and it is good that Geraint gave us the opportunity to say that supporting food banks is very much a cross-party initiative. It is not restricted to a single political party.

To bring us back to the line of questioning, should consumers be encouraged to eat more domestically produced food, and what role can retailers play in this? We have the Red Tractor scheme. We have the Buy British scheme. Our supermarket very often puts the country of origin on there. How can we encourage people to buy more domestically produced food?

Andrew Opie: We already do. As I said, about 70% of the food we sell we source here, so we are by far the biggest part of the food industry that sources its food here in the UK compared to other sectors. We have a very strong record. We can just make it as easy as possible to see it. You talked about country of origin and AFS. All of our members are strong supporters of AFS and will carry the logo as well. We were the first to endorse the Defra Code of Practice way back in 2010, off the top of my head.

If we say something is British in a processed environment, such as pies, the protein within it—for example, the beef in a cottage pie—must be British. That is way beyond the legal status of processed food, and our members agreed to that because we did not want people to be confused when they bought their shepherd's pie whether it was Welsh lamb or be thinking, "Is it Welsh? Is it New Zealand? Is it Australian?" We have looked at those sorts of things.

Ultimately, at the moment in particular, price dominates that value equation, and other factors like country of origin will go up and down. Country of origin is still very strong in some of the protein areas like beef and some other areas. There is still a slight premium to be paid for British over imports at that stage. The problem is at the moment, in this current market, that premium is shrinking a little bit.



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We just have to work harder. We need to tell a great story with our producers. You will see that on bottles of milk and various other bits where, in effect, you get to speak to the producer and see what they say. We are going to continue to do that. Where we have really good harvests and do not always sell 100% of something, we will take more and we will make the punnet sizes a bit bigger—which is what we have done before—and try to get that through as well. Ultimately we are at the whim of the consumer. We can do everything possible, but at the end of the day, they have the choice.

Mrs Murray: James and David, do you have any additional information that you want to add to that answer?

James Walton: Yes, two things. First of all, when we went through the last recession and the last price spike, one of the things that shoppers told us was that they were actually quite keen to support their local community. Their immediate area meant a great deal to them, and buying local was one of the things that they felt they could do practically to make a real difference in their community—perhaps local, rather than necessarily British.

We have a good understanding of what makes shoppers buy one product over another. British origin is certainly one of those things, but it is only one thing alongside the other product attributes. Animal welfare is very, very powerful with British shoppers, but also quality, ethics, freshness and shortness of supply chain. Perhaps the best way to persuade people to buy a British product might not be to focus on patriotism but to focus on, “This is British, and that is why the animal welfare is high. That is why it is much fresher”—focus on the functional attributes, not necessarily just the origin.

David Thomson: To build on that, I would be derogating my responsibility to my colleagues in Scotland if I did not mention Scotch beef and lamb, which are great ambassadors for Scotland but also for values. That is the important element. We need to make sure that the underpinning values of food and drink production and manufacturing in the UK is what people are buying. We need high standards and an industry that works very effectively together to deliver, and that is what we are all trying to aim for.

Q143 **Mrs Murray:** For my final question I will start with you, David, because you mentioned Scotland and Scottish producers. In some sectors, such as fisheries, eating more domestic products would require the consumers to change their preferences. How easy is that to achieve? As a former fisherman’s wife, I know that my late husband would catch squid, octopus and monkfish, and the British consumer often wants cod and haddock. How easy is it to get people to change their habits?

David Thomson: As you have alluded to, it is incredibly hard. In Scotland we have worked very long and hard on trying to understand why domestic consumption does not match domestic production.



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Langoustines and others are there. Part of that is price, of course; there are much higher prices available in other parts of the world than at home. Part of it is supporting the producers to play into the supply chain more effectively in the UK; it is sometimes easier to do that when you are just dealing with an agent who buys it off the boat. Another part is trying to predict where tastes will go in the market, and that is the magic source that every food manufacturer is after.

Q144 Mrs Murray: Do you work with organisations that the industry pays towards to market products? It would be Seafood Scotland in your case. I know that Seafish and Seafood Scotland do a fantastic job of marketing seafood, and I am sure there are other organisations out there. Do you work closely with them?

David Thomson: Yes, we do. We work with Seafood Scotland and Seafish in Scotland, and they do fantastic work. It is about trying to work with what consumers currently want and then how to get them to nudge into the different things that are available. There is a real opportunity. We have not really talked about things like climate change adaptation, but there is a real opportunity as consumer tastes change and as production in the UK changes, where we can begin to see people trying different things for good reason.

Mrs Murray: Andrew, do you have a view on that?

Andrew Opie: I would support what David said. We also work with those levy boards to support promotion. The only thing I would add is the point I made earlier to Geraint: there is a concern for consumers at certain times about potential waste and not knowing what to do with the product. Fish is probably the most polarised of that, in terms of people being worried about how they cook it properly and how they get the best taste. That puts them off, frankly. They are more familiar with cod and things like that, so they stick to what they know. They know it is not going to be wasted, and they cook that instead.

Ironically, in the fish category, something we are seeing as well as farmed fish—which we do really well here, so we could do more of that in Scotland if we maybe had the labour to be able to do it, which we talked about earlier—is that some of the alternatives coming in, like tilapia, are not necessarily caught here. There is a demand for a cod substitute that looks like cod and can cook like cod but is not cod and is cheaper than cod. People will go for that, but it may not always be the species that we catch in the waters here.

James Walton: Andrew put his finger on it: it is a question of risk when you take on a new, unfamiliar food. Clearly, at a time when shoppers are under so much pressure, the risk associated with trying something new is much higher. Obviously there is a risk of waste, and for those who have a family, will the kids like it? If their kids do not like it, you now have hungry children and you have wasted some of your money. There is that element as well.



However, the levy boards are working very hard to push the benefits of eating alternative foods like fish and probably game. There is lots of work being done around game meats and venison, and there is a need for manufacturers to produce these unfamiliar foods in familiar forms—rather than a cod fish finger, a tilapia fish finger, perhaps, which is a form that is familiar, easy and readily sold to children.

Q145 Chair: Before we close, I would like to ask David about substituting. Obviously in manufacturing, you sometimes have to substitute. For example, sunflower oil was in very short supply after the invasion of Ukraine, and many manufacturers had to substitute. In terms of the labelling situation, given the allergies and all those things you have to be aware of, how difficult has that been when you have had to make those substitutions?

David Thomson: For sunflower oil it was difficult but possible, because there are a range of different oils that do not have allergens but do have similar properties.

Chair: British rapeseed oil.

David Thomson: Indeed. For that the key issues were, number one, do we have an easy substitute? Number two, are there other allergy issues or not? Number three, what are the labelling requirements? We might have grumbles about how quickly the labelling requirements got through FSA, Food Standards Scotland and different parts of Government—it was not quite as quick as we would have liked—but we actually got there relatively simply. For that particular situation, it was okay. There were similar substitutions during Covid as well, and they were okay. It gets more difficult when you are looking at different substitutions that maybe do not have as simple a solution as sunflower oil did.

Andrew Opie: I totally agree with that. It is the one thing we have not spoken about. We have spoken a lot about what Government might do in terms of food security and the food strategy going forward. One thing that they do reasonably well is reactive work. The sunflower oil was a good area. We spoke to them, and they realised the problem. We might not have quite agreed on the timescale, but they acknowledged it was a problem and we sorted it out.

Similarly, you might have seen that we have a derogation to be able to kill birds earlier and freeze them, to avoid avian flu catching our turkeys before we get to Christmas, and then we will use them at Christmas. Where we have had some of those very reactive issues around the supply chain, Government are quite good in those areas and step in. What they are not quite so good at is the long-term planning for all of these issues and the co-ordination, but we have certainly had some support from Defra and the Food Standards Agency in these areas where we have needed to act immediately because of global disruption.

Chair: Thank you very much indeed, gentlemen, for being so generous



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with your time and giving us such useful evidence.