HOUSE OF COMMONS

Environment, Food and Rural Affairs Committee

Oral evidence: Fairness in the Food Supply Chain, HC 160

Tuesday 9 January 2024

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Watch the meeting

Members present: Sir Robert Goodwill (Chair); Steven Bonnar; Ian Byrne; Barry Gardiner; Dr Neil Hudson; Mrs Sheryll Murray; Cat Smith; Julian Sturdy; Derek Thomas.

Questions 83 - 181

Witnesses

I: Ali Capper, Executive Chair, British Apples and Pears Ltd; Mrs Lizzie Wilson, Chief Executive, National Pig Association (NPA); Guy Singh-Watson, Founder, Riverford Organic Farmers; and Michael Oakes, Dairy Board Chair, National Farmers Union.

II: Sarah Woolley, General Secretary, Bakers, Food and Allied Workers Union; David Camp, Chair, Association of Labour Providers; and Jacob Bolton, Research Officer, Focus on Labour Exploitation (FLEX).

Written evidence from witnesses:

– British Apples and Pears Ltd

- National Pig Association (NPA)

- National Farmers Union

- Food and Allied Workers Union

- Association of Labour Providers

- Focus on Labour Exploitation

Examination of witnesses

Witnesses: Ali Capper, Mrs Lizzie Wilson, Guy Singh-Watson and Michael Oakes.

Q83 **Chair:** Welcome to this session of the Environment, Food and Rural Affairs Select Committee, continuing our inquiry into fairness in the food supply chain. We are very pleased to have our first panel of four witnesses, all from the production sector, but different commodities. I will ask you to introduce yourselves for the record, starting with Ali.

Ali Capper: Good afternoon, everybody. I farm apples on the Herefordshire-Worcestershire border with my husband. That is cider and dessert fruit, so the apples go into the supermarket supply chain, and also hops for the brewing industry. I chair British Apples and Pears. I have sat on the NFU's national Horticulture and Potatoes Board since 2012 and chaired it for six years, through Brexit, Covid and the start of the Ukraine war. I do a couple of other things: I am a director of the Oxford Farming Conference, so I am just recovering from last week.

Guy Singh-Watson: I am the founder of Riverford Organic Farmers. We are probably best known for our organic vegetable boxes, which we deliver to about 70,000 households a week. I am also a grower of organic vegetables and have been for almost 40 years. We used to supply supermarkets until the early 2000s but now 95% of our sales go directly to the doorstep. I think we have pioneered the way farmers should be treated in all supply chains with a suppliers' charter that empowers farmers to make sure that they get a fair deal.

Q84 **Chair:** Do you buy in from other farmers to fill your boxes?

Guy Singh-Watson: Yes, about 20 significantly in the UK. There are other smaller ones and another 30 or 40 around the world, mostly in southern Europe. We grow only about 15% of it ourselves.

Chair: Understood. Lizzie.

Lizzie Wilson: Hello. I am the Chief Executive of the National Pig Association, which is the representative trade association for commercial pig producers, primarily in England, but we do have one or two members dotted about Scotland and Wales. We are affiliated to the NFU and we represent around 80% of the commercial sow herd currently.

Michael Oakes: I am a tenant dairy farmer on the edge of Birmingham, just about in Worcestershire. I milk 200 cows, supplying the co-operatives. I have been the Dairy Board Chair for the NFU for the last eight years.

Q85 **Chair:** I will start with a general question. We will bore into the particular commodities as we go through this first session. Producers have reported significant increases in the cost of production in recent years. I am a farmer myself, so I know what happened to fertiliser prices with Ukraine. Why is this? Are these costs being reflected in increased farm gate prices? If not, why not? I will start with Michael from the milk perspective.

Michael Oakes: As you said, we are all aware of the massive fuel, fertiliser and feed rises. No, the return to farmers did not follow the input costs. The input costs only rose when production dropped as farmers were cutting their cloth accordingly and potentially reducing cow numbers. We ended up with a record price at the end of 2023 but two or three months into 2024 we have probably lost 35% of that price and we certainly have not lost 35% of the input costs. At the moment, probably the average cost of production is close to 40p and the milk price for most will be in the 36p to 37p range. It is challenging for farmers. We did a survey recently and 10% of farmers said that they were likely to get out in this current year and 23% said their future is very uncertain over the next two years.

Q86 **Chair:** There is a real disjoint between the people who are buying your milk and understanding the cost pressures you are facing. They don't think, "If we don't have any farmers producing milk, we will end up without any milk to process"?

Michael Oakes: In reality, they only respond when they start to worry that there will not be enough milk because they will take milk away from the lower value markets. Milk will come away from powder and other products and they will protect the liquid market or the cheese market potentially. In effect, they will bring in imports to replace the milk that is not being produced in the UK.

Chair: Thank you. Lizzie, from a pig perspective.

Lizzie Wilson: It is very similar. Our cost production was driven by the war in Ukraine and then inflation impacting inputs for us, especially food raw material, inputs like wheat. Food accounts for between 60% and 70% of the cost of producing a pig, then of course there is fuel and electricity. Labour has increased significantly because we are all competing for the same pool of people. Farm gate prices did rise, but in no way nearly quickly enough, and producers were losing between £50 and £60 a pig on average for a sustained period of up to two years.

When prices finally responded—very similar to what Michael said—it was because we had lost 25% of our sow herd. We had lost over £750 million as a sector by that point and those businesses were not sustainable any more. Some retailers provided support but it was limited and, as I said, it did not respond quickly enough to the fluctuations in cost production.

Q87 **Chair:** There is obviously a very competitive European market for pig products. Was it a similar situation in Germany, Denmark and Holland?

Lizzie Wilson: Absolutely. They have lost a significant proportion of their pig sector as well for exactly the same reasons.

Chair: Thank you. Guy.

Guy Singh-Watson: In horticulture—and I am guessing it may be the same for top fruit—typically a grower's costs are about 50% labour. That is the critical one in our sector. We have seen the national minimum wage go up by about 10% this year and it was almost 10% last year. There are other costs of pensions and so on compounding that increase. For those two years it has been close to 30% and over five years it has been about 50%. I don't think you will find any grower that has had price rises of anything approaching that.

We see it reflected at Riverford because our pricing model is more linked to the cost of production. That has resulted in us getting significantly less competitive over the last five years compared to the supermarkets, which our customers seem to be willing to pay—with increasing levels of moaning—but the current position is unsustainable in the long run. I think we will have growers at the end of that period where supermarkets won't. When tomatoes were in short supply about a year ago, we didn't have any trouble getting tomatoes. When eggs were in short supply, we didn't have trouble getting eggs because we are a preferred customer. That is not the case for supermarkets and I think we will see that happening more and more.

Q88 **Chair:** Are your competitors people in the south of the Spain, north Africa?

Guy Singh-Watson: For some products at some times, but we have a commitment to buy British when it is reasonable to buy that product within the UK season, so that does not really apply to us. We don't buy Spanish broccoli when you can produce it in the UK. There are a few exceptions—we sometimes do for tomatoes—but not as a general rule.

Q89 **Chair:** Ali, we hear stories about orchards being grubbed up, which is a fairly irreversible thing to do. You can empty a pig shed and fill it up again. Are we possibly in danger of losing a big slice of the top-fruit sector and berry sector?

Ali Capper: Yes. Last week a business went into an organised wind-down, 300 hectares of British top fruit backed by plc investment, and it can't make it work because it is not getting the price it needs back from retailers.

To flesh this out a bit more, for top fruit specifically we have done lots of surveys and cost of production work with Andersons. Over the last two years British apple growers have faced a 30% increase in their cost of production. That is across everything. The big numbers are labour cost and energy and there are other input prices like fertiliser, but 40% of turnover is labour cost. Last year we were handed 13.4% because we had the increase in the national living wage and then the Government put a premium on top of it for the seasonal workers scheme. We are wholly reliant on the seasonal workers scheme.

There is a question here around fixed-price contracts. Most horticultural products, most fruit and veg that is going into multiple retailers is on a fixed-price contract basis. When you have inflation going at 2% and interest rates at 2% and what I would call a fairly benign economic environment, a fixed-price contract is quite good for both parties. However, in a period of super-inflation, where suppliers are trying to go in with cost of production increases and are met with literally a brick wall, in the last two years they have suddenly found themselves carrying this 30% increase in cost. What have top-fruit growers had back from the market across the two years? It is 8%, so there is a big gap.

I have had a look at what is going on. It is just Companies House and you could pull lots of holes in this analysis, but if you look at Companies House, businesses are shifting out of profit and into what I would call breakeven or loss. A business with a turnover of £45 million that was making £2 million profit two years ago is now making £200,000. A business making £40 million turnover in top fruit that was making £1.5 million in profit is making a loss of £750,000. You cannot sustain that for many years. I am very concerned about what this year holds.

We have not had support on energy and we have not really talked about that. There is a lot of embedded energy in food, and energy prices at one stage in the last two years were going up by 300% or 400% depending on where you were in your contract. The support from Government on energy for our sector disappeared. We were not involved in the ETII scheme, the energy and trade intensive sector scheme. That has done a lot of damage to the sector because they thought they were getting the support. They did in the first round and then it fell away.

Think about how a business that is trying to negotiate, generally annually, with a retailer can cope with all of this volatility. With the national living wage announcement before Christmas, we were expecting £11 per hour and we have been handed a lot more. We now have a rise that is 9.8% and at £11 an hour that would have been down at 6% or 7%. If you have forecasted and budgeted your year on what you expected the national living wage to be, you are suddenly way out and it is very difficult to go back into a retailer with a cost price increase after your annual round of negotiations. We can talk more about that.

Q90 **Chair:** How long before you deliver do you sign these contracts? Is it an annual thing or multi-annual contracts?

Ali Capper: Let me just talk about top fruit, which does differ by sector. Within horticulture you have some crops that are annual, which includes strawberries and raspberries. They are annual crops; even though you might have thought they were perennial, they are not any more. Then you have some multi-annual crops and I would put quite a lot of vegetable crops into that. Although their planting is annual, much of the land is tenanted off in the year before. A seed is often committed to the year before, so there is a sort of multi-annual nature. With top fruit, you put an orchard in. If I want to put an orchard in, I will be ordering my trees this year, they will arrive in two years and I will be in full production in six years, so you are talking about a 10-year cycle. You really do need a crystal ball in the current economic conditions.

To answer your question, how does it work from a retailer point of view? In top fruit, it is an annual negotiation. Almost all of the retailers are looking for a fixed price for the season, for the whole 12 months, and we have two things going on now. Most of the retailers used to come to us in June, early July, when we knew what we had on the trees and there would be a negotiation. Now half of them are trying to negotiate in February when we have no idea what we have. We are still pruning.

Chair: If you have a late frost or something like that.

Ali Capper: Yes. Then the other half are pushing it into August, September and, in 2023, the middle of October. The majority of the crop is harvested and in store by then. Can you imagine the emotional stress for a farmer who has harvested his crop and still does not have a price agreed? If we want to talk about balance of power, you can see where the balance of power sits. It does not sit with the grower.

Q91 **Chair:** To what degree is it a negotiation or do you tend to be price-takers at that point?

Ali Capper: It depends how brave you are is the answer. I have negotiated personally. I am not currently, but I did about five or six years negotiating on behalf of a producer organisation. I have had moments in those negotiations where I have had to call the board together to make sure that the board authorised digging in because the risk is always that the retailer will just say, "No, thanks. I can buy it cheaper somewhere else".

Another answer to your earlier question about why we are price-takers is that we are up against imports. Every sector is different but 40% of all apples on the shelf are British, so everything else is imported. Some of it we can't grow here—we tend not to grow Golden Delicious here, it is French—but there is an awful lot that we can grow here. We could have a much higher market share if British retail chose to get behind us and invest.

When it is always cheaper from abroad, it is too easy for a retailer to just put us up against European or South African. I have sat in front of a buyer who said, "The problem with your Gala in June, Ali, is it is too expensive. I can buy it from South Africa for 10p a kilo less" and I have said, "What about the water footprint on that product or the carbon footprint?" Of course that is not part of what the shopper sees, or how the retailer is judged, so they are not interested in those conversations.

Why are those imports cheaper? Is it because we are not very good at what we do? No, we are excellent at what we do. The reason they are cheaper is lower land prices and much lower labour costs in many of the countries that the imports are coming from and often quite different energy costs or more support on energy costs than perhaps we have had here. Those are the three main reasons.

Q92 **Chair:** Do we get a situation that sometimes a country will have a big surplus and dump in our market and disrupt it?

Ali Capper: We have a funny old thing going on in apple—this is quite particular to apple. The British consumer tends to eat a smaller apple than in Europe or Asia or America, where they tend to either want a bigger apple or they eat a bigger apple and cut and share it. If you have a European market that has mistakenly or due to the weather grown smaller apples, you can guarantee they will be coming here very cheaply. Obviously that is quite difficult for the retailers to resist because it is more margin—not for us, for the retailers.

Q93 **Chair:** Lizzie, on the pig side and negotiations and contracts, are you price-takers? There are some very big producers in the country and some very big slaughterhouses and processors. Is it the case basically that it is a bit of a take it or leave it, unless there is a shortage of course, in which case there is a bit of a panic?

Lizzie Wilson: Absolutely. In general our independent producers will be price-takers. We have a distinct lack of market options. We have, depending on how you break it down, between 600 and 1,000 different independent businesses—as in pig farmers—and we have four major processors. That is basically your market. There were lots of smaller niche market options but they have rapidly disappeared over the past few years. We have lost small abattoirs up and down the country. Depending on your location and proximity of abattoir, your production system and the demand for that, you can be severely limited on who you supply. You have the option of one of four.

A lot of smaller independent producers will use a marketing group to negotiate on their behalf, so a greater pool of pigs means more leverage, potentially better access to different markets, amalgamation of smaller loads and the ability to negotiate a better price. Not always, but in general our pig producers will be price-takers.

Q94 **Chair:** Michael, the milk market seems to be jumping up and down all the time, doesn't it?

Michael Oakes: It does. I think this is the third time over the years I have appeared in front of this Committee and every time we talk about fairness in the supply chain. There was a GCA review in 2018 and a DEFRA consultation in 2020 and both of them came out with the conclusion that there was a very uneven distribution of power within the supply chain. We have made progress. DEFRA has been, for four years at least, working on legislation to bring in fairness in the supply chain in the dairy sector. I think that is legislation that it will then roll out into other sectors.

I believe that the SI is due to be laid in the third week of February and dairy farmers have been watching this very slow progress for a considerable period, but that will address issues such as exclusivity. I don't know if other sectors are affected in the same way, but under every single dairy contract you can supply only one processor. You could have another processor knocking on your door wanting more milk. Your processor might not want it but under your contract you can only supply one. This legislation will address that and pricing mechanisms. It is very difficult to know how your processor makes up your price and there is no transparency. This legislation will address the need for transparency and fairness.

On farmer representation, some processors have been very good at not allowing farmers to get together to try to negotiate or work out where their prices come from. This will force better farmer representation. Unilateral changes of contract that are not mutually agreed is the norm within dairy, so you can be supplying milk and suddenly they change your constituent payments or change the terms of practice. You may be tied in for 12 months or two years and you can't get out even if you don't like it. Also within the legislation there will be quite strong consequences of breach, so it will have teeth. Ultimately in the SI, I believe, it goes all the way up to the Secretary of State to make a decision if somebody is abusing their position as a buyer. There will be progress in dairy. It has taken a long, long time.

Q95 **Chair:** Is it better with Arla, which is a farmer-owned co-operative?

Michael Oakes: It is, and Arla has been quite supportive of this legislation, as have some of the bigger processors as well. Ultimately you get those businesses that abuse their situation and treat their farmers in perhaps not as fair a way as some other businesses. They go into the marketplace and win business, whether that is the middle ground or catering or retailer. They will go in and pay their farmers a lot less, so they win business by paying their farmers a lower price, in effect.

One of the biggest issues in the dairy supply chain is that there has been nothing ever to force a processor to manage risk within their business. They can manage risk with the farm gate milk price. There is a thing within dairy contracts called buyer's discretion, under which, without any explanation whatsoever, they can have a very inefficient processor and then be struggling so they will pay their farmer 2p a litre less.

The ability for farmers to move around when you are tied into a 12-month, 18-month or perhaps two-year contract is very difficult, so this legislation will hopefully change the relationship, but it will force processors to the table and they will have to start talking to farmers. We need each other, at the end of the day, and I think they are just starting to realise that they need to change.

Q96 **Chair:** Obviously farmers sell to processors who then sell to supermarkets. Is the pressure coming from the top, from the supermarket, and that is being passed down the chain, or is it the processors themselves trying to put on the pressure?

Michael Oakes: I think the pressure is coming from the processors' customers, not always but mostly. Occasionally you will get processors competing with each other and they will race to the bottom, but ultimately I think this legislation will give the processors some backbone because they will go, "No, now we have a pricing mechanism, we can't just drop the price to the farmer if the market doesn't show that it is a market-related price". I think it will change the relationship and it will force the processors to look up the supply chain to manage the risk rather than down the supply chain.

Chair: Do you have anything to add, Guy, or are you pretty much agreeing?

Guy Singh-Watson: I do. There are price-takers and it is reflected in vegetables. In my working lifetime, starting in the late 1980s when I used to supply the supermarkets, I would get about 38p in the retail £1 and I think the typical figure today would be 25p. Why is it inevitable that the primary producer's share of the retail should continuously fall? It is absolutely due to market power, certainly not to do with risk.

Ali Capper: I concur with that.

Guy Singh-Watson: In that time we have seen our self-sufficiency in food fall from roughly 80% to somewhere about low 60%. The result of that is that our industry is contracting. Certainly if you go to Holland, to a lesser extent France, you will see people investing in cold stores and the latest packing and grading equipment, which we don't see in this country.

The horticulture industry is a little bit different in the way it is structured. I imagine this applies to other sectors, but in the 1990s, with what was then called supply chain rationalisation, supermarkets did not want to deal with a load of small producers and small packers and they wanted one person, or at the most two, to be their supplier of salad, say. It might be a company like Jeeves who grow salad, but will also buy in from other companies and farms in Spain. Typically in the horticulture industry a producer is in the £500,000 to £5 million range, a packer is in the £50 million to £200 million range and the retailer is in the £10 billion to £60 billion range. There is a 20,000 times difference from the producer to the buyer and clearly they have the power and they use that to increase their share of the retail pound.

Q97 **Chair:** Is there a fear among farmers that if they speak up they could be delisted, like being debanked?

Guy Singh-Watson: It is quite extraordinary that I have journalists ringing me up several times a year wanting to write this story. They say, "Who should we talk to?" I say, "Go and talk to such and such" and none of them will speak to them. They will speak to me off the record. They will make me absolutely promise that their story will be anonymised if I ever quote from it. It is extraordinary and I find it slightly bizarre that even people who are coming to the end of their careers don't want to speak out because they may still have family members involved in the industry. This does happen. It is not just you, it is anyone associated with you who will be threatened with losing their business. Farmers are terrified.

Ali Capper: It is not just a threat, it happens. I can give you examples.

Guy Singh-Watson: I can give you examples, if you want, anonymised. I have spoken to a number of packers, all off the record, and the code of practice has removed the worst abuses, things that were probably illegal, but it has not improved things in the bullying and the annual price negotiations.

Q98 **Chair:** We are having a confidential session of this meeting. In fact, this might be a good time if anyone is watching and would like to come along and participate. We have one or two people lined up already but we certainly could do with some volunteers and assure them that it will be absolutely dealt with confidentially, that people attending will not be published. We will use what they say but it will be very much anonymised.

Guy Singh-Watson: You certainly can't mention the retailer. Even if you mention the sector, it is quite easy to pick out who is telling their story and they probably will have been semi-vocal before, so they will be looking to make sure that they don't do it again. This has been going on for me for 25 years, I suppose, trying to get people to speak out with almost no success. The only person that we filmed had to be completely blanked out with an anonymous background.

To go back to the price-taker thing in horticulture, according to a study we did, which was done by third-party polling, 49% of British fruit and vegetable growers think they will be out of business next year.

Q99 **Chair:** That is very depressing. Is there anything else on this issue of intimidation or fear of speaking out?

Ali Capper: I was going to say, where did the seven golden rules come from? Why did the GCA have to introduce the seven golden rules? It was because suppliers were going into retail customers with their CPI cost of production increases and they were being delisted, literally being delisted. That is where the seven golden rules came from. It was not the GCA going, "This is a good idea". It was because it was reacting to what was a terrifying situation for suppliers, going in with a cost of production increase or the national living wage or energy prices, things completely outside of growers' control, and they were being delisted. That is where your seven golden rules came from, just in case anybody is not sure.

Michael Oakes: From a dairy perspective, there have been instances relatively recently where farmers contact the NFU because they have an issue with their processor. The fear is that they don't want to be seen to be the one that is causing trouble. For a dairy farmer, their contract is probably the most valuable piece of paper they have. For the processor you are just one of hundreds, potentially. It is key to the farmer's business, so the fear of losing it when there is not a lot of choice means that they will put up with things that perhaps they should not have to put up with, but ultimately they come to us to try to put that right and fight their corner.

Q100 **Chair:** It seems to be in stark contrast to McCain Foods, which is in my constituency, where if the price of fertiliser or diesel goes up it is all in the annual negotiations. It has a relatively small number of very large suppliers that it needs because it realises that it can't make oven chips unless somebody is growing potatoes. It seems that because some of these sectors are so fragmented the processors don't care very much if one or two people fall by the wayside. Is that accurate?

Ali Capper: Neither do the retailers.

Chair: Thank you. We will move on to Neil Hudson. I am sorry to have taken so long on question 1, by the way. I usually try not to.

Q101 **Dr Neil Hudson:** Lizzie, I want to explore the pig sector in a bit more detail with you. You have touched on some of the issues in your earlier answers. Our Committee took a very strong interest in and was very concerned about the challenges faced in the pig sector over the last couple of years, as we journeyed through the pandemic with labour shortages. Various issues in that sector led to a damming back of pigs on farms, leading to significant animal health and welfare issues on farms, but then catastrophically leading to potentially thousands of healthy animals being culled. Our Committee took a very strong interest in this and we have a done a report on rural mental health. The mental health impacts of culling healthy animals should not be understated, not least the animal health and welfare implications.

Could you give us your perspective from the National Pig Association of how this came to pass? What does that situation tell us about the balance of power within the pig sector? Are we in a vulnerable position, where if there were external challenges—pandemic, labour shortages or the input side of things—that something like that could happen again?

Lizzie Wilson: Absolutely. I think it very much highlighted that our market functions fine as business as usual if there are no external pressures, but once we enter unusual circumstances, whatever that may be—and back in October 2020 to 2023 we went through Covid, followed by Brexit, followed by Covid again—that exacerbates an already dire situation with labour. Our slaughtering and processing sector is heavily reliant on migrant labour, purely because we can't source it domestically. The Covid restrictions that the abattoirs and factories had to comply with meant that there were far fewer employees able to run slaughter lines, processing lines and so on, which meant that the abattoirs could slaughter and process far fewer pigs.

Then followed Brexit and a lot of the migrant labour either were required to go home or used that very first opportunity to go home after the pandemic and simply didn't come back. We were not as attractive for new migrant labour because they told us that they felt they were not welcome and also felt that their future here was extremely uncertain. There were more attractive opportunities in the rest of Europe, like Germany, which had a better exchange rate at that point. We lost a lot of the migrant labour and then followed Covid.

This meant that the abattoirs were not able to slaughter and process the usual number of pigs and the burden of risk was then placed on producers because they had to hold the pigs back on the farm. They are able to do that for a short period, but not for the sustained period that they experienced, so they had to shoulder the burden of risk and cost. They had to feed those pigs for an extended period—very expensive feed—and when they were finally required by the abattoir they had grown quite large, out of specification and the producers were quite heavily financially penalised for those pigs or paid a lot less for them than they were worth.

That is how we got to 200,000 pigs backed up on farms at any one time and about 60,000 healthy pigs culled because we could not get them to the abattoir and into the supply chain. It was a very unusual market at the time. Obviously I don't think anyone could have foreseen Covid, Brexit or Covid.

Q102 **Dr Neil Hudson:** Can I interject on international trade? There were restrictions placed on us by China about movement of products there. Has that been alleviated to any degree now?

Lizzie Wilson: No, not really. There are some factories that are able to export to China but there are some that are still not. We have done absolutely everything in our power to try to alleviate that and get the exports moving again but—

Chair: I think that Thérèse Coffey went to China to try to sort out this problem.

Lizzie Wilson: She did, yes, absolutely. There is one factory in particular that needs its export certificate back for China and it is not happening.

Q103 **Dr Neil Hudson:** Are we in a situation where it is working okay now, but if we had external pressures and unforeseen challenges we would be at that precipice again? If that is the case, what recommendations can our Committee make to Government so that we are resilient moving forward and don't have catastrophic things like 60,000 pigs culled on farms? What suggestions can we make? We have emergency sessions with the Home Office and with DEFRA Ministers and we have worked very hard on that issue, but what recommendations can your sector give us to take forward to say how we can be prepared for the future so that we are resilient?

Lizzie Wilson: That focuses on access to labour for our abattoir and processing sector. The recent reforms to immigration will not help and I know that they will lobby hard on that. We need better communication up and down the supply chain. We need distribution of risk to be more proportionate. At the end of the day, it is all shoved down on to the producers and, as I said, they shoulder the extra costs and the risk of pigs getting backed up on farms.

We hope that the Government review of contractual practice will help significantly. That is where the crisis highlighted that contracts, if they were in place, were not robust. They were not fit for purpose, they were not really legally binding and in a lot of circumstances there were not contracts in place. These were historical agreements with a handshake or just a thread of emails over a number of years. It meant that the producers were left in an extremely vulnerable position because when the abattoirs could not take their pigs, they were expected to shoulder the burden.

We hope that the Government review produces something tangible and soon to ensure that producers are well protected, but we also need something that holds retailers to account. It is the entire supply chain. If there is abuse of power, it starts from the very top and the Agriculture Act powers don't include retailers. Processors are vulnerable as well and it just cascades all the way down. I ask you to help us ensure that retailers are also accountable and their behaviour is accountable.

Q104 **Dr Neil Hudson:** The major retailers and supermarkets have direct links with some of the processors as well. Some of them have their own in-house side of things, so we need to put pressure on them to give a fair price to the producer.

You touched on earlier that over the last years we have lost many of our smaller abattoir networks. The Government are trying to be proactive on that and have announced the small abattoir fund. Is your pig sector working along those lines to try to see if we can increase the number of smaller abattoirs closer to where the pigs are being produced?

Lizzie Wilson: I think it is very difficult with the amount of red tape and bureaucracy that is required. Our four major processors run quite large, efficient abattoirs and they would need to be probably focused on a slightly more niche market. It is not just funding, support with expertise in training and so on is required there.

Q105 **Dr Neil Hudson:** You don't see any short-term change in that; you have the four big processors that you are dependent on. You have said that the pig farmers are very reliant on these major processing companies. How much of an impact does this have on the prices that pig farmers are being paid for their product? Are you still held over a barrel for that?

Lizzie Wilson: Yes, because you have four main players that are dictating price.

Q106 **Dr Neil Hudson:** Following up on Ali's point, if your input costs go up on pig feed or fuel or that side of things, the processors will still give you the same price for your pigs?

Lizzie Wilson: Yes, but again it is dictated by retailers as well. Retailers are constantly requesting more and more from our producers, whether that is environmental credentials, sustainability or welfare and so on. All these elements cost money and that has to be recognised by retailers when they are paying down the supply chain. We need cost reduction as an element but also it needs to be flexible. It needs to represent the market and so on, but there needs to be that plus element of what they are requesting of our producers.

Q107 **Dr Neil Hudson:** A similar thing to Ali's point, are you seeing that the big retailers are importing cheaper pork and bacon products from say Denmark and the Netherlands to outdo you?

Lizzie Wilson: Absolutely, always. We are between 40% and 50% self-sufficient so there is always that danger. They have that real leverage there and the price differential between the UK and EU pig price is 30p a kilo at the minute. We are 30p a kilo more expensive and that is when they turn round to us and say, "We can just go and buy it cheaper elsewhere and that comes with X, Y and Z that you can't supply to us" because we can't afford to do it.

Q108 **Dr Neil Hudson:** You are painting a pretty perilous situation for the pig sector in our country. You stated previously that farmers have lost money on every pig sold since October 2020. How can your businesses stay afloat in that climate if there is that disparity between the cost of production and what you are being paid? That is notwithstanding the external challenges that you might face. What are your farmers telling you about how they can stay in this industry?

Lizzie Wilson: Many haven't, to be honest. We have lost about 25% of the sow herd. Slaughterings this Christmas were down about 34,000, equivalent to 65,000 sows, I think it is. That is about 12% to 15% year on year. There is some cautious optimism because the pig price is more buoyant, they are making a margin, but they have to dig themselves out of a financial two-year black hole. There are some with very understanding bank managers and some who have diversified their business, but we have also seen a major contraction and consolidation. We have seen independent family businesses who are now contract rearing for a bigger, large integrated company because there is far less risk involved for them.

Q109 **Dr Neil Hudson:** In parallel to this inquiry, we have run an inquiry on food security and resilience for the country and one of the areas of concern was our fertiliser production. We had CF Fertilisers mothballing one of its plants and then ceasing ammonia production in its other plant. As we know, that production system has a byproduct of CO_2, which is useful for the food and beverage sector, but also for the animal slaughter processing, poultry and the pig sector. Are you concerned about the potential precarious nature of CO_2 production and what that might mean for your sector?

Lizzie Wilson: I think CO_2 is not as much of an issue as it has been previously, but it just goes to show that one element can disrupt our slaughtering and processing capacity hugely. These abattoirs are run to a very specific optimum throughput and for anything that drops below that they are not economically viable any more. We have lost two very prominent abattoirs over the past couple of years and we cannot afford to lose another because those pigs have nowhere to go. They are dotted about the country and we can't have pigs travelling up and down huge distances, so that, as well as many other elements, is an extreme concern.

Dr Neil Hudson: Thank you for that.

Chair: Sheryll, we probably need to make a little bit more progress. It is probably my fault on question 1, I must admit.

Q110 **Mrs Sheryll Murray:** Yes, that is okay. My questions are for Michael to do with the dairy sector. In your opinion, how fair are the structural relationships between milk producers, buyers and retailers in the dairy supply chain?

Michael Oakes: I will give you an example. South-west cheese producers—I think you are from the south-west—are constantly trying to grow their exports. We have some real quality cheesemakers throughout the country but there is a bunch down in the south-west where probably 25% to 30% of their production is being exported, predominantly to the States. They will tell you that there is a far greater margin exporting that cheese to the States than the retailer down the road. That just shows you the power of the retailer and they are constantly trying to grow those markets.

We are working with virtually all the processors at the moment and with the Department for Business and Trade to grow our exports. The processors are working at the side of farmers on this one because the more export opportunities we have, the more honest we can keep our domestic market. Most of those businesses over time grew up with a focus on supplying a UK retailer. The UK retailer is now at the point where it knows it has you and they need to now develop other markets to keep the domestic market honest.

That is a very good piece of work that we have been doing with the Department for Business and Trade alongside processors. That is commodity processors, added-value processors throughout the dairy supply chain. That shows you that they are keen to develop other markets to not always be at the beck and call of a major retailer.

Q111 **Mrs Sheryll Murray:** I know you mentioned that—I have two gold medal award-winning cheesemakers in my constituency and I also have

Trewithen Dairy. On that note, what impact has the consolidation of processors within the dairy sector had on dairy farmers' ability to demand a fair price? I mention Trewithen because it has quite a specific set-up with its own farmers that supply it.

Michael Oakes: Some of those businesses like Trewithen and Rodda's give farmers choice. They are added value. The choices are getting less and less throughout the country. Probably 80% of the milk is processed by two of the major processors but there are smaller businesses. Especially down in the south-east, in this part of the world, there is very little choice. There is nowhere else to go. It is one of the reasons why we need that contract legislation because fairer contracts are even more important when farmers don't have choice. If you don't like who are supplying but you can go to somebody else, that is a different matter. If you have to supply them because there is nobody else in that region buying liquid milk to process, we need to make sure that the contracts are fair throughout the supply chain.

Q112 **Mrs Sheryll Murray:** You have mentioned the contract. Are there any other steps the Government can take to strengthen dairy farmers' position in the supply chain and increase resilience in the sector?

Michael Oakes: I think that once we get this legislation through there is a big piece of work. You mentioned producer organisations earlier. Producer organisations don't really exist in the dairy sector. There is one in Davidstow that supplies Saputo down in the south-west but it is quite fledgling. Even now it is still not operating in the way that potentially it could with the legislation behind it. I think it is the encouragement of farmers to work together to make the best out of the legislation when we have it. They will need expertise and the right skills to be able to get the best out of the legislation to take their industry forward.

Mrs Sheryll Murray: Thank you very much, Michael.

Q113 **Ian Byrne:** Guy, I will start with you. You commissioned a survey that found that almost half—49%—of British fruit and vegetable farmers fear they will go out of business within the next 12 months and 75% report that supermarket behaviour is a leading factor. With these catastrophic findings, how will this affect food security and resilience for the UK in the face of another pandemic?

Guy Singh-Watson: As I said, our self-sufficiency in most foods, but certainly in fruit and vegetables, is falling. It has dropped 20% or so in the last 25 to 30 years and I see that continuing to happen. I will point out that you may say, "The same has happened to the steel industry, the coal industry and the shipbuilding industry and why shouldn't it happen to farming?" However, we already contribute only 1.6% of GDP although we contribute 50% of the loss of biodiversity. People argue endlessly about our contribution to climate change but it is probably somewhere between 10% and 30%. If we look at this from a policy point of view and what is good for Britain—

Q114 **Ian Byrne:** For food security and resilience, you are clearly worried about where we are now?

Guy Singh-Watson: Well, I think so. We have had two world wars where we have almost been starved into submission and probably the next one would be something very different. I don't think we can continue to expect that we can just go out as a wealthy nation and buy what we want where we want on the global market. We will be less wealthy and there will be lots of people who can buy that food.

Q115 **Ian Byrne:** You may come in, Lizzie and Ali, but we are talking about another pandemic from a resilience point of view. We have already done a report on this but I am very interested in those catastrophic findings. As a country, how would we be secure in another pandemic?

Ali Capper: Like Guy, I will focus on Government policy. We have a cheap food policy in this country and that cheap food policy is driving out British farming and British food producers. We have to make a strategic change, in my opinion. We need to start championing what we can produce here at home, accepting that it is not the cheapest option for our consumer, but perhaps looking at the margin share in the supply chain. On one of the figures I did not give you earlier, I mentioned that there was a 30% increase in cost for apple growers, that they have had 8% back from the market, and yet despite that only 8% we are seeing price rises among the big retailers. Lidl's Oaklands red apples, which is a very big line, went up by 50% in a two-year period. Morrisons British apples six-pack went up by 39% in a two-year period. Tesco increased the price of its Rosedene Farms Gala apples by 36% in that same two-year period. There is an inequity in the margin share. The Government's cheap food policy is driving poor buyer behaviour and an increase in imports.

I support what Guy said, that we can't just rely on those countries because other countries will need to buy from southern Spain and north Africa. Let's just get real. Southern Spain and north Africa will not be able to grow food in 30 or 50 years' time, so strategically we need to look forward. We need to look at the climate change maps. I understand from today's paper that we will smash through the 1.5^{o} this year. If you look at the climate change maps, the UK is in a good place to grow food going forward. Why are we not strategically saying, "We have something very special here. Let's invest in it, let's put a strategy in place that says we will grow beef production in the UK. Let's be brave, why don't we say by 30% or 40%"?

It is not true for every sector. Some sectors are self-sufficient, but then there is an export opportunity. If you have big swathes of the world around the equator that will be migrating, will have nowhere to live and will not be able to grow food any more, we should be trying to grow more here.

Ian Byrne: A lot of the questions I was going to ask you were touched on in the Chair's opening hour.

Ali Capper: Keep going. We will try to give different answers.

Q116 **Ian Byrne:** For what we will put down in the report, what measures do we need to avoid disruption of the sector? You have touched on it, Ali, and I want you to touch on it as well, Guy. It is very important that we put something down in the report that stops these disruptions.

Guy Singh-Watson: Price is one thing that I think is purely as a result of an imbalance of power, but there is a confidence in the future of the industry that I think is sorely lacking. Confidence in farming has taken a real knock over the last six years. I also farm in western France, where I see my neighbours putting up huge greenhouses in the Loire Valley and being able to produce salads all winter in a climate not that dissimilar to ours, certainly in Kent, for instance. It is just not happening in the UK.

If you go around the horticulture areas, you can go to the Isle of Thanet, where we have had one huge greenhouse put up, but mostly the horticulture industry has been decimated. It is the same if you go to the Vale of Evesham and the mosses around Liverpool and Manchester. There is no investment in the future of the industry and that is why the proportion of self-sufficiency is declining. It is a combination of price and confidence and I think we leave ourselves in a very vulnerable position as a result.

Q117 **Ian Byrne:** Ali, you might touch on this. You talked about the apples going up by X amount and what you are facing in the industry to cover the rises. How do we look at that power imbalance from the report perspective?

Ali Capper: I have six recommendations for the Committee. The first is immediate because this is properly hurting now and we are going out of business fast. I am looking at the Chair, sorry, Robert. I would like you to write to the CEO of every major retailer and call for a recognition of farm input inflation and for fair pricing. You may choose to make an implicit threat that if they don’t you will legislate for it. I would like you to call for long-term multi-annual contracts for farmers and growers and I would like you to say they need to make a profit.

We have not discussed that word yet, but profit is so important because as a business, if you are not making a profit you cannot reinvest. What do I need to reinvest in? I need to reinvest in new orchards. I need growing systems that are robot-ready. They will not be ready for 10 years—those flipping robots—but I need to get my orchards robot-ready. I need new varieties that mean I can continue to compete and I need to invest in my pack houses. I can’t do any of that if I am in the red. Most apple businesses are not making any profit. I can go back through that list.

Chair: I am paying attention.

Ali Capper: I will draft a letter for you, if you like. The second recommendation is I think we have reached a point where the

Government needs to impose the fair dealing clause on retailers. It is in the Agriculture Act and I think the contract obligations specifically around pricing mechanisms are imperative. I will make a pledge that as a crop association we will help. We could help provide a framework for each crop-specific sector to make sure that the legislation works. I will make a commitment that if that is brought in we will help.

The third area is we need the cap on seasonal workers removed and we need five years minimum. How can we plan a business when the seasonal worker scheme, which is critical to our sector, ends at the end of this year? Do you all realise that? How on earth do I plan my business for next year? So, please, please, please, can we sort out the seasonal worker scheme?

The fourth area is energy. With only a standard industry code adjustment you could include commercial horticulture in the ETII now to give us protection. If we get a cold January, February and March we will see more energy price volatility. I am very concerned about that and nobody is talking about it.

The fifth area is carbon border adjustments. The Government have made an announcement that there will be carbon border adjustments but not for food. If you want us to be able to compete in the future, how can we compete against imports that are coming in with no measure of their carbon or their water footprints? Yet I can assure you the retailers are all over us at the moment wanting scope 3 emission data from us. It means that we are employing people, putting in people, money and investment. The measurements are fairly meaningless at the moment—and that is a separate conversation—but we will be measuring. We will be expected to reduce emissions year after year. The retailers are already on our necks and yet there is not going to be a carbon border adjustment on food. We need to sort that out, please.

The sixth and final one is that although I really like the principle of the environmental land management scheme, why on earth do we have a scheme that has been designed to take out food production to do environmental good? In horticulture, fruit and vegetables, the healthiest part of our diet, we should be designing a scheme where the environmental good is within the crop. There is £853 per hectare available to me if I want to take out my orchards and put in wild birdseed. There is no money available to me to put in wildflowers through the alleyways of my orchard. It is just nuts, so please, please can we have an environmental land management scheme that works with food production not instead of? Those are six recommendations. I can write to you afterwards.

Guy Singh-Watson: Do we have the recommendations?

Q118 **Chair:** The purpose of this meeting is to feed into a report we will be writing and submitting to the Government. We are not the Government, we hold them to account, and then they will respond to that. I had a meeting with the Secretary of State today about the timeliness of some of these responses, which he has promised will be timely in future.

Guy Singh-Watson: If I can add a seventh, that imbalance of power could be addressed by having more branded produce on sale in supermarkets, thereby removing that, "We will just go and buy it from the farm down the road". At the moment, certainly in horticulture, there is very little. Tenderstem broccoli is the only one that I could think of as I was coming in. Ali pointed out a couple of others, but they are very rare. In their place Tesco have eight farms that it brands its produce from that do not exist. They are a figment of the imagination. Its free-range chickens—which incidentally are not free range, but if you look at the pack you would think they were—come from Willow Farm, which does not exist. There are many Willow Farms, I looked it up on the internet, but this is a creation that it can buy from any farmer and brand it.

I struggle to see how. This is clearly misleading the consumer. I believe that the mantra of our current Government is that the market should provide as many of the answers as possible. Whoever buys the food needs to be properly informed about where it is coming from and how it is produced, not lied to.

Q119 **Barry Gardiner:** Can you give us the other seven names? If you could write to the Committee, it would be great for us to publish that.

Guy Singh-Watson: I think I am right in saying every supermarket has them but Tesco are the one, as far as I am aware.

Chair: You will be telling me that Aunt Bessie doesn't make the Yorkshire puddings herself next.

Guy Singh-Watson: The British public do want to know where their food comes from. They do care. My business is based on that and they are willing to pay more when they know where it has come from, but if they are being hoodwinked the whole time they will go for whatever is cheapest, which drives the price down and down and down. My plea is to make that practice of a fictitious farm illegal. I would love to see any deceit in retail fundamentally be illegal. That would truly empower the consumer and drive improvements in our food chain and empower farmers.

Q120 **Barry Gardiner:** I am delighted to say, Ms Capper, that you have answered a lot of the questions that I was going to ask. I loved your six points. You talked about the problem of a cheap food policy. The sense I got from what you were saying is that when it comes to the choice that the Government have to make in terms of drafting policy between the consumer and the producer, the Government always comes down on the side of the consumer rather than the producer; is that correct?

Ali Capper: I might regret saying this. I have looked long and hard at competition law because I do not think it works for farmers, growers and suppliers into retailers. It works very well for the shopper. I am a shopper; I am a mum. My food bill has gone up very significantly in the last two years. I am not making a plea for more expensive food. Nobody wants that, but what I do want is fairness and that is what we don't have at the moment. We have this real imbalance.

Q121 **Barry Gardiner:** If I can lead you as the witness, I wanted to take you a stage further because I think that is right, but there is a second stage to this, isn't there? That is when it comes to a choice between the consumer and the shareholder, the Government will favour the shareholder so that if the company says, "We have to make profits, we have to keep our shareholders happy" the Government do not come down on that.

Let's say that you were giving us figures about how much the price of apples have gone up, but how much less you are getting of that retail price. That profit will not go to the consumer because they are paying that higher price for the apple, it will go to the shareholder, won't it? Don't we need policy that is not just looking at the relationship between the consumer and the producer or the retailer and the producer, but looks at the whole of that system and what the retailer is doing—or feels obliged by market conditions to do—in order to keep its market share and in order to make sure that it can provide the dividends that it seeks to?

Ali Capper: I will give two answers. One I feel relatively qualified for; one I feel very underqualified for. The first is around what is going on in our market. We have had a race to the bottom on price driven by the discounters entering the market, driven by the fact that we have way too much retail space for selling food in this country and often in the wrong place. There are food deserts in and around our city centres where you can't buy fruit and veg because if you can't get to a major supermarket, if you do not have a car, there is no fruit and veg available to you in your local corner shop. That is something that we need to fix.

The race to the bottom on price that the discounters have created is this complete obsession with Aldi price, Aldi price. Most retailers are now putting that into their TV advertising, into their online communication. It is extraordinary. As an ex-marketeer, I find it extraordinary that you choose to advertise your competitor.

Barry Gardiner: As a politician, I never do that.

Ali Capper: There is some work to do around why is that happening and what we can do to fix what is going on in our food retailing environment.

The other part of your question is about what type of economic society we want to live in. Do we want a free market? Do we want food to be part of a free market or not? I am not feeling terribly well-qualified to answer this, but I have read "Doughnut Economics" by Kate Raworth, which I found very interesting because I do think we have far too many people. It feels like the top of society are taking far too much out and among farmers and growers, it feels like we are at the bottom of the pile. Whether it is competition law, whether it is cheap food policy, whether it is starting to address the way in which food is retailed in this country, I am not sure what the answer is. This is slightly above my pay grade, but all of those are things that need to be looked at.

What I would plead with you to do is take a long hard look at our strategy as a nation around food production. There I do feel qualified. There is not a strategy. A cheap food policy is not a strategy for food production here on our land in the UK and that is where I think the focus needs to be.

Q122 **Barry Gardiner:** Qualified or not, you have been extremely eloquent and it certainly will chime with a lot of people who are watching this session.

Maybe it is an odd question but do you not have a union? Seven months ago Usdaw negotiated a new deal with Sainsbury's. The power imbalance there between those shop workers and the retailer is huge, but a union managed to negotiate a deal. What has happened to your union? I thought the NFU was supposed to be one of the most powerful bodies in this country.

Ali Capper: It is, but competition law precludes it from any conversation on price in the marketplace because it would be deemed as price fixing. At the nub of what we are talking about is how the price between the supplier and the retailer is arrived at. I did say I thought I might get into trouble by mentioning competition law—I will probably be in massive trouble now—but that is at the nub of the issue. The NFU cannot intervene on anything to do with price, except for sugar, where it is legislated for. Everything else, it cannot go there.

Q123 **Barry Gardiner:** Why do the beet farmers get special treatment?

Guy Singh-Watson: In my sector, certainly the top-fruit industry, when they did come together there were just a couple of bodies representing them and negotiating with the supermarkets. Kentish Garden was one and I can't remember the other. They seemed to, for many years—a couple of decades—do pretty well at getting their price increases and so on. I think soft fruit, most particularly strawberries, have done very well over the last 20 years in the UK.

Ali Capper: There were two producer organisations—

Guy Singh-Watson: I thought there were, yes.

Ali Capper: They consolidated the soft fruit supply chain. The answer is consolidation. Consolidation through a producer organisation enables us to remain as individual businesses but to come together to negotiate on price. Going back to what Michael said earlier, that legislation exists. However, farmers and growers are quite independent in the UK.

Guy Singh-Watson: I think there is something in our psychology, I am afraid. I am very proud to be a farmer, but I think that is one aspect about people working together.

Q124 **Barry Gardiner:** That used to be a problem for the dairy sector, didn't it? Because the milk sector did not go corporately into cheese and yoghurt and so on.

Michael Oakes: Some farmers have learned a very hard lesson. Trying to get the dairy industry in a better place is a bit like eating an elephant. We need the legislation because at the moment the balance of power is in the wrong place and it is not fair. We need that legislation.

Barry Gardiner: We are talking clause 29 of the Agricultural Act?

Michael Oakes: Yes, we need that legislation.

Barry Gardiner: It is there, but it needs to—

Michael Oakes: It needs teeth and that is what is coming to Parliament at the end of February, but behind that we need to get the farmers to operate and work together in a better way. That is probably a more difficult job than taking the last four years to get the legislation, in reality. Ultimately they will have the ability to truly work—it can be small groups or large groups—to put themselves in a better place. Without the legislation you fall foul of competition law and there are a whole lot of other things that get in the way. That will be the same for every sector.

Q125 **Barry Gardiner:** Mrs Wilson, what assessment have you made of the Government's review of the pig supply chain and how they could use data powers under the Act to help promote fairness in the supply chain?

Lizzie Wilson: We have engaged quite closely with the DEFRA team delivering this and have been pleased and delighted as to how quickly they have pushed forward. We have had sight of the very first draft of the policy document and some of our members have had sight of that and commented. We are not going to please everyone, but it has every single element in it that I think most would require. We are very hopeful that it will produce something tangible that will help promote fairness within our sector. We are very pleased with that currently. Sorry, what was the second half of your question?

Q126 **Barry Gardiner:** The data powers, if I can chuck it in as well. You have called for legislation to improve the contractual practices, so why do you view the introduction of the voluntary code of practice as not being sufficient? If you could elaborate on that as well.

Lizzie Wilson: For data powers, I think everything that producers have requested—and we have requested—is within that policy document. As a sector, we need to be better at forecasting our pig numbers. Historically we are not great at that. When we were providing evidence to DEFRA and Government in the midst of the crisis, I think it very much highlighted that a lot of our data are historical and not of use at that point in time.

We need to be better, but we also want greater transparency with regards to price reporting and what is included in that price. We absolutely need better transparency with regard to retail and sales figures and carcass balance and utilisation. Again, as Ali has alluded to, there are a lot of imports of pig meat into this country. It would be very helpful to see how much retailers are buying and how they are utilising it.

Q127 **Barry Gardiner:** We probably need to move on from this particular topic under the Agricultural Act. I wanted to try to drill down on something that I have picked up and see if there is a recommendation. I don't know whether it is for this Committee to put out but, Michael, you were talking about the way in which the dairy industry eventually moved to greater co-operation, came together and started working together to produce the yoghurt, the cheese, the added-value products.

You are talking about the imbalance of power. Would the formation of co-operatives within each sector enable that imbalance of power to achieve some sort of redress? Is that something that the Government should be encouraging in order to redress the balance between the producer and the consumer?

Michael Oakes: Whether they are co-operatives or producer organisations, it is that structure—it does not matter what it is called—of farmers working together with the right advice in the right structure. This legislation, when it comes through, if farmers want to truly negotiate with their processor through the legislation, either the processor has to deal with individuals or a recognised body that represents those farmers, not a sham group of farmers, but a real group of farmers that represent those suppliers.

A producer organisation is an ideal fit for that, in reality. The horticulture sector has had producer organisations for a long time. We got one in dairy, just one, and it has changed that relationship. They do work mutually together. I think after this legislation comes into place farmers could either form a co-operative or a producer organisation or an industrial and provident society, whatever they call it, but by some means they need to get together to be able to negotiate and to get the best use out of that legislation.

Ali Capper: Yes, but only to an extent. Horticulture do produce organisations and co-operatives. We rock at all of that; we know how to do it. There are some big producer organisations in the sector, but they are tiny compared to the retailers, hence my recommendation to the Committee that it is not enough. We need to obligate retailers to the fair dealing clause and we need contracts with pricing mechanisms. I never thought I would hear myself say that.

This is a sector that has been largely unsubsidised as a sector forever. We either make a profit or we don't. We are very business-like in horticulture. Super-inflation, Covid, Brexit, whatever you want to blame, has changed the dynamic quite significantly. If we want British-grown fruit and veg, we have to shift our imbalance back in favour of the farmer.

Barry Gardiner: I think we heard very clearly what you said: your six points, Guy's additional seventh and the need for a strategy in this country. Thanks very much.

Q128 **Cat Smith:** I have a few questions on the Groceries Code Adjudicator and groceries supply code of practice. I will start with Guy, because as well as being an enthusiastic member of this Committee, I am also chair of the Petitions Committee, so just to say thank you for starting the e-petition. It has obviously gained over 100,000 signatures so we have allocated it for debate on 22 January. This is a plea for colleagues to join me in taking part in that debate. Your petition, I believe, was calling for retailers to buy what they agreed to buy, pay what they agreed to pay and pay on time. It is very clear in terms of the demand.

I will come to you first, Guy, with an opening question: how effective has the Groceries Code Adjudicator been in challenging and changing retailers' behaviour towards producers?

Guy Singh-Watson: Last time I sold a lettuce to a supermarket was over 20 years ago, so in some ways I am not the best person to ask. I mounted this petition because I am so upset by what is happening in my industry. I am the only person who can do it because, as I said, everyone else is so terrified. That is why I faced up.

Having spoken to packers within the industry, who are the first customer of the supermarkets, it has removed the most obvious corruptions, the backhanders, which were absolutely commonplace in the industry. You only have to read the code of conduct to realise what was going on to know that it was essential that someone wrote that. Those have gone. However, it has institutionalised the annual price negotiation and, if anything, has intensified the downward pressure on prices. That is what I am told. Yes, it has cleaned up the Act, the most dreadful parts of the relationship, but it has not redressed the basic imbalance of power.

Cat Smith: Can I turn to other members of the panel as well in terms of what could be done to redress that?

Michael Oakes: From a dairy perspective, obviously the Groceries Code Adjudicator is the relationship with the retailer and most farmers will sell to a processor in the middle. Even with some of those smaller, more artisan processors that have 35 or 40 farmers that sit around them, it doesn't make the headlines, but they will over-order and it is the processor that carries the cost of the stock that gets sent back. Expensive and devalued cheese is quite a risk for those small processors.

The Groceries Code Adjudicator has been quite successful at picking the phone up to very senior people in retailers and saying, "Do you realise this is happening?" The message I get when I have heard that is happening is a phone call from the Groceries Code Adjudicator will suddenly make them sit up and say, "That guy ordering that cheese is over-ordering continually and that is costing the processor money". I don't know whether that happens in horticulture.

Guy Singh-Watson: What happens in horticulture is that probably sales are less constant than they might be for apples or cheese. There are some that are quite affected by weather. Strawberries, people eat more of them when the sun comes out; lettuces, they eat more of them. We call it a contract, but I never saw a contract. If you were lucky, it came on an email and would just say, "You agreed to produce 100,000 Little Gem lettuces in week 34" and if they only bought 70,000 because the sun was not out, that was your problem. You completely bear all the risk of that. It is outrageous, but that is how it works.

At Riverford, if we say we will buy 100,000, we buy 100,000, and we use whatever techniques we can to persuade our customers they want 100,000 and we manage it. There has only been one time in 20 years where we have not been able to buy what we said we would buy, and even then we did compensate the farmer for leaving it in the field. To my mind, that is how the supply chain should be organised.

At least supermarkets need to take some share in that risk because there is nothing left in the margin for when the supermarket doesn't buy it. We have talked about them wanting to see all your costs and drive it down. There is nothing left there for the time they do not buy it. Of course there is nothing left in it either when there is a crop failure due to the weather that we have seen. Brassicas farmers are having a terrible time this winter and there is just nothing left for what I used to put in my accounts, the "fuck-up factor", which I managed to get down to 10% as I became a good grower, but there is nothing left in it. You need more than that now just to cover the increasing risks from climate change, which are huge. They are here already today.

Q129 **Cat Smith:** Ali, you mentioned earlier about the seven golden rules and the way in which that came about. The House of Lords Horticultural Sector Committee recommended that the supply curve practice should be refreshed to embed those rules. I wondered if that was something that you agreed with.

Ali Capper: It is completely sad that we even have to ask for them to be embedded. My perspective on the GSCOP for our sector is it will stop the retailers throwing money out the back door. They are now taking it out the front door instead. If a grower goes into negotiation with a retailer—and it is grower to retailer—that retailer's buyer will have had a week's worth of training. The grower owner will be lucky if he has found time to go and have a day's negotiation skills training. Again, we come back to the power imbalance.

It has been effective but, if you like, the retailers have learnt how to deal with it. The retailers have started to introduce intermediaries into many horticultural sectors. We have new ones emerging in the apple sector. What does that mean? That means that the retailer brings in a business and says, "Right, you are now buying, so all of you apple suppliers that used to sell direct to this retailer, you now have to go through this intermediary". What does it mean for those suppliers? It means that the

GSCOP does not apply to them any more. It only applies to the intermediary.

Chair: That is the question I asked the Prime Minister at the Liaison Committee before Christmas.

Ali Capper: That is very important. Something else, Mr Chairman, that you could put into your letter to the CEOs is that the intermediaries have to be obligated that the GSCOP applies to everything they are buying and not just to them as a business, because that is very serious.

What else would I do in terms of widening its scope? I am a pragmatist. Every time I talk to anybody about, "Could we widen the scope to include price?" I am told, "Oh my God, that is probably 10 years". That is why, as things stand with current legislation, it seems to me that what we need to do is impose the fair dealing clause on retailers rather than try to spend 10 years working through the legislation that would be required for GSCOP to take on price, because it does not at the moment.

What we could also do is lower the threshold. At the moment the threshold for GSCOP is £1 billion of turnover a year. If it was lowered, that would broaden it out so that—not necessarily that relevant to horticulture, but it is to other produce and farming sectors—there are more businesses that would be caught by it. That would be good for British producers. I would love it to look at price, but I am being a pragmatist.

Chair: Thank you very much indeed to the panel. We have been given a lot of food for thought and I can see a number of recommendations likely to come out from our Committee. Thank you very much.

We will switch to the next panel. We are expecting a vote in the Commons at some point, but we should get a start with the second panel before that happens, I hope. Thank you very much.

Examination of witnesses

Witnesses: Sarah Woolley, David Camp and Jacob Bolton.

Q130 **Chair:** Thank you very much to our second panel. You have no doubt been listening to what the first panel had to say. Perhaps we could start off with introducing yourselves. We will start with Jacob, on my left.

Jacob Bolton: Good afternoon. I am a researcher at Focus on Labour Exploitation or FLEX. Over the past 18 months we have been collecting evidence on the seasonal worker visa, which is a labour migration pathway, which—as I am sure everyone here knows—forms the real bedrock of horticultural labour in the UK. We have collected almost 500 surveys from workers. We have interviewed 80 workers across the country. We have spoken to many representatives from all across the supply chain, which includes the major supermarkets, growers and scheme operators. This is now, to our knowledge, the largest independent sample of data on the scheme.

What has become very clear throughout our research to this stage is that the scheme is, as it is currently set up, unsafe, unfair and unstable. It is not working well for anybody. It is driving down employment standards in the UK. It is threatening the longevity and security of our food system and it is currently moving all the risk on to workers. Very briefly, some of the things that we are calling for are—

Chair: We will be asking questions. David, you can introduce yourself.

David Camp: Good afternoon. I am Chair of the Association of Labour Providers. This is our 20th year. We were formed at the instigation of DEFRA to support and represent labour providers to the food supply chain. Our membership has grown every year. We have over 500 business organisations who choose to be a member of our association. We support them to recruit responsibly and adopt good labour management practices.

Q131 **Chair:** Would that include people that we have referred to as gangmasters previously?

David Camp: That is one of the names. It is not one we tend to use very often, but in the legislation, yes. The vast majority of our members are gangmasters, as defined by the legislation.

Chair: Understood, thank you.

Sarah Woolley: I am the General Secretary of the Bakers, Food and Allied Workers Union, the largest independent trade union in the food sector in the British Isles. It is one of the oldest trade unions as well, being formed in 1847. We have over 175 years of experience of representing workers in the food industry, from production in factories through to sales at shops and, more recently, some freelance growers. We are no longer affiliated to any political party. Along with Birkbeck, University of London, we have helped this year with a food and work network, which has secured British Academy funding to bring together academics, trade unions and third sector organisations to look at the food sector in more detail.

Q132 **Chair:** Thank you very much. We heard in the first session that many farmers are not receiving a fair deal and getting a fair return on their labour. I will start with Jacob. Given the research that you have done speaking to people, are workers in the agrifood chain receiving a fair deal? If not, why not?

Jacob Bolton: I don't think we can say it is a fair deal, at least speaking about the seasonal worker visa. Workers are increasingly coming from further afield. In 2019 I think there were about four or five nationalities represented on the scheme. It is now about 60 nationalities represented on the scheme, predominantly coming from central Asia. People are often taking out loans to cover the cost of their flights to come over here. The way the scheme is currently set up, there is no guarantee that they will recover those costs and pay off that debt. According to our data, average recruitment costs seem to be in the region of around £1,100, with a lot of deviation in there and deviation between countries.

Q133 **Chair:** The flights, the visa and whatever other fee?

Jacob Bolton: That is right. So far only 71% of workers on the scheme have said that they would recover those costs of coming to the UK. The rest are not sure or believe that they will not make enough in the UK to recover those costs. Additionally, although scheme rules mandate that all workers are paid an hourly rate of £10.42 at 32 hours a week, there are widespread piece-rate systems on place in farms. We are hearing that pickers are constantly given shifting targets, say 20 kg or 25 kg of strawberries in an hour, and only 28% of workers are able to always meet those targets.

There are also reports of targets being unrealistically decoupled from the actual volume of produce available. We certainly saw that a lot this year with bad weather meaning lower harvests, where workers are expected to somehow still procure that fruit. There seems to be a culture of shaming, with the lower percentile of workers being labelled as slow pickers and quite punitive use of these targets, with routine firing of workers who are not able to meet them.

Q134 **Chair:** Are the top 25% of fast pickers able to make quite good money?

Jacob Bolton: That is right. Some people do welcome the piece-rate system because it does allow some workers to earn more than the minimum wage. However, what is happening for the lower percentile of workers, because of the difficulties within the scheme of changing employers, the loss of work often translates into a loss of accommodation, which of course puts workers at risk of destitution. To quote from one worker, in an interview they said, "I don't think it is possible to reach them every day. They're very hard. You need to work like a robot and what's the point in breaking your back if after that you go back home and you have to pay for your medical bills?"

Finally, there is an issue that we are seeing in interviews of not enough hours given to workers. Alongside these targets, one of the most common complaints is people starting work at 5.00 am and only getting four hours of work. The introduction of the minimum 32 hours a week seemed to be a step in the right direction to fix this, but we are also hearing lots of accounts of people's contracts being terminated early, early on into the six months of the visa validity period. This leaves people with no income and no accommodation.

Transferring to a different farm during these times is obviously going to be quite difficult if there is a shortage of work. This is an instance where all the risk lies with the workers. Growers can terminate contracts early, leaving workers stranded. I am sure you can see the risks for workers around that.

Q135 **Chair:** Are some of those weather-related things where they are working outdoors and it is raining, basically? Or is it because they fill the truck up with strawberries and then there is nothing to do until the next day, until the next truck comes?

Jacob Bolton: The sense I get is that it is the unpredictability of the harvest. If there is not enough produce for workers to pick, then there are no guarantees for workers to be able to have that employment that they have travelled across the world and often taken out loans for.

Chair: David, I think there is a little bit there to respond to.

David Camp: There are quite a few things there. For some context, there are over 1,100 GLAA licensed labour providers and you have to have a licence to be able to source and supply workers into UK agriculture or food processing. There are only six of those labour providers who hold a seasonal worker visa sponsor to supply those workers into fresh produce.

We do not know exactly how many workers work in horticulture. There was a recommendation from a DEFRA Committee in 2017 that DEFRA look at that, but we do not yet have those figures. Let's say there are around 60,000. There are 32,000 supplied via the seasonal workers scheme route by those six operators. The rest were Ukrainian workers on specialist Ukraine visas, EU nationals on a settlement scheme or presettlement scheme visas, and a very small number of domestic workers.

Just under half come through the seasonal workers scheme route. They must be paid the national minimum wage, the national living wage. There is no piece-rate system that allows you to circumvent that because it is regarded as a time-based job, so you must be paid the national minimum wage for the hours that you work within the pay reference period. We have DEFRA surveys—

Q136 **Chair:** Does that feed into a situation if people are not picking enough for the piece rate to cover the minimum wage they may be let go?

David Camp: They would need to be topped up to the equivalent of the national living wage and pretty much they are all above 21, so it would be to the national living wage.

The introduction of the 32-hour week minimum for 2023 was welcomed. We think it was the right thing to do and it ensures that all workers receive a minimum number of hours in a week. Jacob is right, there is no minimum number of weeks. The maximum that someone can come into the country is six months. It is impossible, because that is the time you have to be in and that is the time you have to be out, to actually work six months. The average tends to be around 21 weeks' work, but there will be some who work less than that.

There will be a proportion who cannot work at a pace that is regarded as acceptable and therefore their contract may be terminated early. The operator will look to find them another role that they are perhaps better suited to, but if they cannot perform to the level in that, then there may be an early termination of their contract.

DEFRA do a survey every year. We are waiting any time now for the 2022 survey but we have the 2020 and 2021 survey. That consistently shows that over 90% of workers want to come back the next season. The majority of workers are satisfied and happy with the work that they do. They understand the nature of the work. They understand that it is hard work, that you are outside in all weathers, that the accommodation is generally caravan-type mobile home. It does not mean it is perfect.

The DEFRA survey shows that around 10% do not feel that they have been fairly treated. We don't think that is acceptable. We believe that the system for working in agriculture through the seasonal workers route should be a global model of good practice and we should be proud of it. There is still some room that we have to go.

As an industry, we came together to form the seasonal workers stakeholder group, with representatives of supermarkets, growers, trade associations and NGOs. We work to try to improve areas in there. We still have some way to go but we are guided by an ambition to ensure that workers have a positive experience when they come to the UK.

Chair: Understood.

Sarah Woolley: Obviously coming from a different angle, I am sure you would not be surprised to hear that we do not believe that workers are receiving a fair deal. We represent around 15,000 food workers. I have explained whereabouts in the chain they work. It is not always recognised, but the food and drink sector is the biggest manufacturing unit in the UK. It is larger than the automotive and aerospace sectors combined, yet it receives the lowest amount of government funding, which leaves companies using profits—the first panel touched on whether profits are actually there, but if they get them—to then reinvest in new technologies or green initiatives, which removes money out of the pot that would go to workers' pay, terms and conditions. It is also worth remembering food workers were seen as essential workers during the pandemic. They were seen as key workers who kept the nation fed. They kept the supermarket shelves full, yet they faced over a decade of austerity and falling wages.

They have gone through a pandemic now. Now they have a cost of living crisis we have been dealing with and inflation has surged far past their wages. In our recent survey of food workers on the breadline, which we attached to our written piece of evidence, we found that 60% of respondents reported that their wages were insufficient to pay their basic needs, such as food, energy and housing costs. We had quotes of people saying that they earned more than they have ever earned before, but they still were not able to afford those basics.

Our sector is blighted by endemic low pay, zero-hours contracts, short term and temporary agency work and obviously, as has been touched on, the exploitation of migrant workers. It is deemed as a low-skilled sector, but I wonder how many colleagues in the room today could identify a faulty machine just by the sound of it. I wonder how many could stand and make 60 sandwiches an hour like our members do in certain places, how many of you could hand roll a Swiss roll and get it to a standard that—

Chair: I have tried that and I can’t.

Sarah Woolley: It is incredibly difficult. You mentioned Aunt Bessie’s earlier, going and seeing the workers in that factory keeping up with boxing Yorkshire puddings—they are skilled roles—or even just ensuring the right ingredients go in the right product so people do not die of anaphylactic shock. That is a skill. If it was such an easy industry to work in there would not be issues with recruitment, there would not be issues with a massive staff crisis. But it is so grossly underpaid and the underinvestment by the Government, as I say, just feeds into the problems we have. No, they are not receiving a fair deal.

Q137 **Chair:** Are low wages holding back development in robotics in some of these factories? If wages are low, does that mean that it makes it less viable to invest? Certainly I was in a factory recently where they had put a robot in for stacking pallets with boxes and they said that meant they have six fewer people in the factory. Do lower wages stop innovation?

Sarah Woolley: I am not sure it is the lower wages. We don’t have proper evidence, but from what I have seen and I have experienced in the years of being in the industry, I am not sure it is low wages that are stopping robotics. It is more companies investing in robotics and keeping wages down, if that makes sense. They are using that pot of money that is profit to invest in machinery rather than invest in the workforce that is creating the product.

Q138 **Mrs Sheryll Murray:** You mentioned a 60% figure there with regard to a survey you did. How many did you send out? How many surveys did you have back altogether? What figure is that 60% on? Is it 100, so it was 60, or is it 100,000?

Sarah Woolley: I think we have 11,000 email addresses out of our 15,000 members. I am just trying to find the figure of the responders. I think it was around 400 responses that we got back, but I will follow that up.

Mrs Sheryll Murray: So it is 60% of 400?

Sarah Woolley: Yes. Much like what was mentioned earlier around people's confidence in reporting these things, if somebody talks—

Mrs Sheryll Murray: Just so I can be absolutely clear in my mind, you have how many thousand members?

Sarah Woolley: Fifteen thousand.

Mrs Sheryll Murray: Fifteen thousand. You sent 11,000 surveys out, 400 took the trouble to reply to those surveys and 60% of that 400 said they did not think they were getting a fair deal?

Sarah Woolley: Yes.

Mrs Sheryll Murray: Right, thank you very much. That is clear.

Q139 **Chair:** Certainly there is a bakery in my constituency that always has 40 vacancies. Is one of the reasons why people have trouble recruiting that they can get better paid jobs doing other things?

Sarah Woolley: I believe so, yes. That is our understanding. Would you do a 12-hour shift on the end of a hot oven or putting cherries on the top of a Bakewell tart or learning to do a Swiss roll or would you go—and I am not demeaning any other role—sit on a checkout in a supermarket where there is not that pressure to keep up with that machine? Yes, you still have to deal with the public, but it is a very different role, doing other things with less stress and less pressure.

Q140 **Steven Bonnar:** In the last session we heard a lot about the economic influence and the influence of supermarkets on the ability of the agrifood sector and the horticultural sector. I would like to know more about the impacts of them on labour provision in terms of food supply chains. What challenges do downward pressures on costs being exerted by the supermarkets have for labour providers? To yourself, Jacob.

Jacob Bolton: I don't have a long response to this. We know that supermarket shelf prices have gone up while farm gate prices have remained fairly static. Ali spoke about that very well in the previous session. We also know that supermarkets running produce as a loss leader or price matching to the lowest competitor is putting downward pressure on labour standards. I read in the news this morning that one leading supermarket has become the first to price match to both Aldi and Lidl. There is a body of evidence on how this is of course just putting downward pressure on labour standards. All I would have to say on it is the obvious, which is that a race to the bottom on the pricing of a product all too often translates on a race to the bottom for the working conditions of those who produce it.

Q141 **Steven Bonnar:** David, you have argued that supermarkets, retail brands, restaurants, food service production and businesses have a responsibility to labour providers in their supply chains. To what extent do you believe they are currently meeting their responsibilities?

David Camp: I am going to take your last question and then build on it with the answer to that. Price competition between labour providers is absolutely core to the industry. It is fiercely competitive. There has never been a real acceptance by many businesses that use labour providers how you build up the charge rate, how that charge that you are being given is built up.

We produce guidance to say if someone comes to you with an offer that they will supply labour lower than this level it means that either workers' rights are being abused or there is aggressive tax avoidance, tax evasion going on. We reiterate that message every year. We run training on it; we issue guidance; we do webinars. We have a fair's fair campaign to ensure that procurement of workers through labour providers is done on merit and on a fair, competitive and level playing field.

Of course those price sensitivities and cost sensitivities are driven through what we heard in the last panel, where they were talking about the significant increases in labour costs over the last several years. Some of that is a consequence of government policy, the decision to over 10 years move towards the national living wage being set at two-thirds of median wage, to take it out of the OECD definition of poverty. We have seen over many years the pay of the lowest-paid workers increase above inflation. That is something that very few of us would have a problem with, but it causes pressure for businesses, so that puts commercial pressure on to labour providers.

What we ask for is for supermarkets and those large businesses to require there to be significant attention paid on due diligence on the practices that labour providers undertake, because we see those rogue businesses using many different methods to unfairly and illegally undercut those businesses doing it properly. We wrote to the chief executives of the supermarkets to try to have a co-ordinated approach on this. We haven't been successful yet. We will try again this year with a new approach, which hopefully enables good businesses to distinguish themselves from others.

Q142 **Steven Bonnar:** You touched upon the GLAA earlier on. Do you have any concerns about its position until we are able to effectively monitor labour providers?

David Camp: The ALP is a big supporter of licensing in this sector because it existed just before that came in. We know what it was like. We know the impact that GLAA licensing has had and we are strong supporters of licensing in this sector and some other sectors as well, but that is another matter. In this sector we have a long historical relationship with the GLAA. Consistently in our surveys over 95% of labour providers—those who are being regulated—support licensing. We are strongly supportive of it. However, we feel for the last four or five years the GLAA has not been an effective regulator.

In 2022, it conducted 23 inspections on licensed labour providers. To December 2023, it had done six. For those, the average time it takes to make a decision has been approaching a year. I know the current leadership has taken some very strong steps and is committed to the GLAA being an effective regulator again. That is what we want. We want a strong, proportionate and effective regulator so that lay providers do things right and compete on a level playing field. We want it to move towards doing about 150 inspections, so about 15% of the licensed businesses. At the moment, it is down in the zero point something per cent.

Q143 **Steven Bonnar:** For those reasons, that is why you would still back—for the benefit of the panel—a review into the GLAA, as things stand?

David Camp: We are—and always have been and always will be—strong supporters of licensing in this sector. We have done a survey every two years since 2011 and every time 95% of the sector is supportive of GLAA licensing.

Q144 **Mrs Sheryll Murray:** Can I turn to the seasonal agricultural workers scheme? I know you have mentioned this quite a lot in response to the Chairman's questions, Jacob. I know we will be voting shortly, so if you can just add to what you have already said. The Director of Labour Market Enforcement rates the threat of seasonal agricultural workers being exploited as severe. Why are workers on a seasonal worker scheme particularly vulnerable to exploitation? David, if I could have a response from you as well, please.

Jacob Bolton: I think that people on the seasonal worker route are more vulnerable to exploitation because of the way that the scheme submits workers to multiple dependencies. For example, 97% of workers on this scheme live in accommodation provided by their employer. This is generally a caravan. They live in their workplace, which means that their employer also functions as their landlord. What that also means is that in certain situations loss of their employment also, de facto, means loss of their housing.

They have a reduced freedom to change their employer and to look for new work. I mentioned this very briefly earlier, but under scheme rules pickers can request to be transferred to another farm. However, to do this they ask their visa sponsor, which is the scheme operator. This is one of the handful of licensed agencies that oversee the 30,000 to 40,000 pickers on the scheme at any given time.

Under the scheme rules, workers should be able to request and receive a transfer unless there are—and this is a quote from the rules—"significant reasons not to permit this, for example, their visa will imminently expire and the duration of the necessary training requirements would make such a move impractical". In practice, from our interviews and from our survey data, we are finding that many workers are having their transfer requests denied or ignored. Of those who requested a transfer, 57% had their request refused.

Q145 **Mrs Sheryll Murray:** How many had requested a transfer?

Jacob Bolton: Do you mean of our dataset, sorry?

Mrs Sheryll Murray: I have noticed, the same as before, percentages can be misleading. The 240 out of 15,000 previously quoted by Sarah is 1.6% of her membership. If you could give us some figures, that would be useful.

Jacob Bolton: Of course. I do not have that figure to hand, but I can share it with the Committee straight after this session.

Mrs Sheryll Murray: Thank you very much. David, do you have anything to add to that, please?

David Camp: Yes. The workers on the seasonal worker scheme form maybe just over 50% of the total seasonal workers. It is not just the scheme, it is all seasonal workers. We have written to the Minister for Immigration identifying 35 different points we would like to change in the scheme.

Mrs Sheryll Murray: Can you share that?

David Camp: I can certainly share that report. What we do not have, as a sector, is constructive and ongoing dialogue with the officials within the Home Office responsible for this scheme. To be able to work on specific points and to work through them and to continuously improve the scheme would be a great enhancement. There are a couple of times in the year—April and October—where there can be changes, but we have not had that dialogue in all the years that the scheme has been up and running. That would be the first point.

Secondly, I think that there should be built into the scheme rules an independent grievance mechanism, which enables there to be an independent point that workers can go to if they cannot address a challenge that they have at a local level. I think that is important. It can be done. It can be relatively easily established at a relatively low cost. We would have figures that would come out and that ability would ensure that workers were supported.

We should have transparency of data. We should know which farms are using workers through the seasonal worker scheme and how many they are having and from which operator. That will assist in us being able to work with those farms. Earlier this year I went around the country and ran seven workshops for 350 farms on how to run the seasonal work scheme, how to be a good employer, all the aspects they needed to look at, but I don’t know who did not come. The good ones come to it, but what we want to do is ensure that we engage every grower and that they adopt minimum standards and we have transparency about it.

Q146 **Mrs Sheryll Murray:** Can I ask you to expand—and then moving to Jacob—on what extent the dependence of seasonal workers on their sponsors creates welfare issues?

David Camp: I am going to flip that because there are six operators who are responsible for this scheme and that enables close monitoring by the Home Office on their practices. We have seen one operator lose their licence. We have seen others have challenges that they have been able to overcome. What that enables is perhaps different to the health and social care visa, where you have thousands of businesses bringing in people and no ability to manage it, whereas in this you have a close concentration on a small number of operators. You enable the industry to work with those operators and drive and continuously drive improved standards. For me, I think this is a reasonable model and if we could have those other things I talked about, I think we could improve further.

Mrs Sheryll Murray: Jacob, do you have anything to add to that?

Jacob Bolton: I do. We are seeing welfare issues that seem to come back to this question you raised earlier about dependency and multiple dependencies on the employer. The quality of accommodation is something that is spoken a lot about in relation to the route.

Q147 **Mrs Sheryll Murray:** What evidence do you have of that? How many? I have visited one of my horticultural seed producers and they have seasonal agricultural workers. I saw their accommodation and they were being housed in apartments and they were absolutely superb. If you have evidence and numbers, it would be useful if you could share those with the Committee.

Jacob Bolton: Of course. Of the workers that we surveyed, 48% said that their accommodation was not clean or comfortable.

Mrs Sheryll Murray: How many was that? How many were surveyed?

Jacob Bolton: There were 399 seasonal worker visa holders and 483 agricultural workers in total. Nineteen per cent complained about mould; 59% said it was not warm enough.

Mrs Sheryll Murray: Nineteen?

Jacob Bolton: That is right. Thirty-six per cent did not have easy access to a working toilet, 49% said they did not have easy access to adequate bathing facilities, and perhaps most concerning, 63% responded that they do not feel safe.

Q148 **Mrs Sheryll Murray:** How many seasonal agricultural workers were there in total? Because obviously you interviewed 483. Are we talking about thousands?

Jacob Bolton: There is in the region of about 36,000 this year.

Mrs Sheryll Murray: Your results are based on 483 out of—

Chair: There is no reason why that could not be a representative sample.

Mrs Sheryll Murray: Exactly. Yes, it is just to put it into context.

Jacob Bolton: That is okay. Like I said, it is the largest independent sample of data on the scheme that we are aware of.

The other point I will add is the issue of debt. Around 70% of the seasonal workers we surveyed said they had to borrow money to come and work in the UK. As I mentioned earlier, only 71% of workers thought they had recovered the costs of coming here. Under the UN's International Labour Organisation fair recruitment principles, the decree is that no recruitment fees or related costs should be charged to or otherwise be borne by workers or jobseekers. We strongly encourage the Government to explore how the entire food industry can bear the costs of recruitment and how those costs can be fairly distributed along the food supply chain.

Q149 **Mrs Sheryll Murray:** Very quickly, both of you, what impact do working arrangements for seasonal workers have on competitiveness in the agrifood sector, in your opinion?

David Camp: Picking up the point Jacob made, the six scheme operators are competitors. They cannot collude and they cannot agree a price. However, for the sake of the Committee, the cost per worker is around £300. The cost of travel and the cost of visa—for the sake of an average— is around £1,200. The worker pays that sum, and that is a sum they must weigh up the cost of paying for against the amount they will earn in the weeks they are here. No farm that I am aware of has yet chosen to pay that sum of money. Effectively it is a fivefold increase in the cost of recruiting each worker, from £300 to £1,500, so commercially no farm has reached the conclusion that it can afford to pay that. The commerciality around it is that if we are to move to what Jacob and the industry calls the employer-pays principle, where the employer pays the cost of recruitment, that cost would have to be transferred on to their customers, the supermarkets, and ultimately on to the consumer.

Q150 **Chair:** We heard in the first session that it is very difficult to pass the cost on to supermarkets as well.

David Camp: Exactly, and that is where we hit that brick wall.

Q151 **Chair:** There will be situations where people suffer injuries or maybe succumb to illness and they are living in tied accommodation. What happens in those situations? When they are discharged from hospital does the employer keep them in the accommodation?

David Camp: It is a requirement of the scheme rules that each scheme operator is required to ensure that the workers have health insurance because there is limited access to NHS facilities for these scheme workers. It varies from site to site. It is one of the issues that was identified in the first DEFRA survey. It is something we focused on significantly in the training that we gave to farms, what their responsibility was both legally to provide first aid and to provide support for workers who have different medical conditions. There is a challenge, as we all know, for all of us in getting a dentist appointment and in getting a doctor's appointment. It varies from region to region; it varies from farm to farm. That is a challenge some of the farms face in ensuring that their workers can access—

Ian Byrne: David, sorry, to come in on the Chair's point, we are talking about potentially they get ill and can't work. How does it work then with regard to accommodation?

Mrs Sheryll Murray: Where would they live if they were discharged from hospital?

David Camp: They are entitled to statutory sick pay.

Mrs Sheryll Murray: Where would they live? Would they have to leave their tied accommodation?

David Camp: There is a complicated rule under the statutory sick pay regulations that you should not dismiss someone from work because they are being paid statutory sick pay.

Ian Byrne: But in the real world.

David Camp: There would be a process they would need to go through.

Mrs Sheryll Murray: We are talking about a six-month scheme because they are only here for six months.

David Camp: If an individual cannot work then the farm could make the decision to terminate their contract. The scheme operator would then be in a situation where if they could not find them alternative work, then that would be the end of their period.

Ian Byrne: They could be sick or they could be injured.

David Camp: That could be the end of their contract, yes.

Q152 **Mrs Sheryll Murray:** They would then have to go home?

David Camp: They would have to, yes.

Jacob Bolton: Can I come in? I have some data on this. The question around access to healthcare is tied to a broader issue of just isolation. Sixteen per cent of people we surveyed said they can't travel off the farm easily. This is of course a welfare concern. Some employers do provide transport for their workers; some do not. Some charge for it; some do not. Some places have adequate public provision, as we know, and some do not. If people cannot easily leave their workplace and their place of living to get to the shops or to get to the doctor, it raises questions of how they access these services. Only 6.5% of the workers who responded to our survey said they receive the sick pay they are entitled to, 32% said they did not. The majority, 56.8%, did not know about their access to sick pay and that is a concern.

Chair: We are expecting a vote very soon so do not be worried if a bell goes off.

Dr Neil Hudson: David, if I come back to you, you talked about this scheme that potentially has some benefits because there are fewer operators than in other sectors. There we go. Shall I start my question?

Chair: We shall adjourn for 15 minutes while we carry out the vote and I hope to see everybody back after that. Thank you.

Sitting suspended for a Division in the House.

On resuming—

Chair: Before we were so rudely interrupted by the Division, Dr Hudson was asking a question.

Q153 **Dr Neil Hudson:** Thank you, Chair. I want to follow up on the seasonal worker scheme. Coming to you first, David, you said there are potentially some differences with this sector in that there are fewer operators so it is easier to monitor that. In 2022 there were seven scheme operators and one of the scheme operators was stripped of its licence and a second suspended. Can you give us the current picture as to how many operators there are? For the one that had its licence suspended, has that been restored? You mentioned a figure of six.

David Camp: There are seven operators. Six supply into fresh produce and two into poultry. The reason that does not add up is because one of them supplies into both.

The operator that had its licence revoked has not been replaced. The reason I was given by DEFRA for that was because there are 45,000 visas available and in 2022 only 33,000 of those were used. It is looking to be a similar number in 2023, so the decision was taken that there was—

Q154 **Dr Neil Hudson:** Is it in the public domain why they lost their licence in the first place? You may not be able to comment on that.

David Camp: No, it is not in the public domain. However, to retain your sponsor visa there is a requirement that at least 97% of workers return. That is a figure the Home Office, UKVI, take very seriously. The business that had its licence revoked had taken a decision to recruit from Nepal and Indonesia and there was a high level of absconders from those countries.

Q155 **Dr Neil Hudson:** Thank you. You mentioned there is this difference with fewer operators and that potentially allows people to monitor it in a more straightforward way, as opposed to thousands of different individual employers. The real thrust of our inquiry is: where is the power in the whole supply chain? Farmers must hire their workers through one of these six or seven operators?

David Camp: No. Farmers can recruit directly and they can recruit British nationals.

Dr Neil Hudson: I mean through the seasonal schemes, that is what I am talking about. I am aware they will be able to hire separately, but if they are going to take workers in on the seasonal scheme they have to go through one of the six or seven operators?

David Camp: That is right, yes.

Q156 **Dr Neil Hudson:** Therefore potentially there is bit of a power structure there, isn't there, in terms of those six operators having a hold over the sector? Do you see any imbalance there or does that system work?

David Camp: Last year the allocation of visas was different between the different operators. This year they have been allocated evenly between the six operators. The six operators have been given 7,500 certificates of sponsorship each but they are not all being used up. It is a competitive market for those scheme operators to win customers in order to be able to supply them. There is an ability for each farm to go to other operators if they are not happy.

Q157 **Dr Neil Hudson:** Are you aware of farms that will potentially hire from two different operators in the same operation?

David Camp: Yes, that is quite normal. Obviously there are demands from a small number of workers to hundreds and hundreds of workers and of course in those larger numbers often they will go to more than one.

Q158 **Dr Neil Hudson:** It has been interesting to come down into the different allocations, but it is a similar theme to producers dealing with the major supermarkets, there is a small number of players. In this particular scheme it is the same thing, you have a small number of players. Is there any sort of tension within that system? That is what I am trying to get at.

David Camp: Yes, because you are providing a service, a complex service bringing in thousands of workers from many different countries with different cultural backgrounds. There have been shifts over the last couple of years because of the war in Ukraine, moving to central Asian countries with understanding of working with workers from those countries.

The scheme is interesting in that the Home Office puts all the responsibility, because it is the sponsor holder, on to the scheme operators to ensure that the welfare of the workers is as protected as best they can, the experience on farm is a positive one, the accommodation is good and that the wages are paid. Therefore the scheme operator is required by the Home Office rules to do some considerable monitoring on the farms.

Q159 **Dr Neil Hudson:** That is what I am going to come to. Jacob, I am going to come to you but if I finish with David first on this. In terms of the monitoring of operators' compliance, is that monitoring working? If not, do you have concerns about the monitoring? For our Committee, what recommendations could we make to help this system work better? I will start with you, David, and then go to Jacob on that.

David Camp: There is no transparency around the monitoring that UKVI do on the sponsor holders. There was an ICIBI report that came out last year that is quite instructive in the practices the UKVI inspectors undertook. It was not a complimentary inspection by the ICIBI.

The multi-stakeholder group is co-ordinating a centralised responsible recruitment progress assessment so that the industry itself is doing one deep dive on each scheme operator to look at its practices. That is in place at the moment. Many of the farms will do their own audits on the scheme operators. There is a lot of auditing in the private sector. To have one centralised programme through the scheme may be a way forward.

Dr Neil Hudson: For our audience, do you want to say that acronym in full as well?

David Camp: The Independent Chief Inspector of Borders and Immigration did an inspection on the seasonal workers' route in 2022.

Q160 **Dr Neil Hudson:** Did they look at all six or seven operators?

David Camp: They looked at the practice of the Home Office in delivering the requirements of the scheme. It was not a complimentary report. The Home Office is yet to implement its recommendations. Some encouragement from this Committee to do so may be an appropriate recommendation.

Dr Neil Hudson: Over to you then, Jacob, in terms of monitoring of the compliance of these operators of the seasonal workers scheme.

Jacob Bolton: From our interviews, what we are seeing is that workers are not necessarily going to feel able and comfortable raising concerns to their employer or to their scheme operator because of the issue of dependency and multiple dependency that we spoke about earlier. I had an interview with a worker who told us that responses to a supposedly anonymous welfare check were being surveilled. It was not quite clear who, but they had someone sat next to them monitoring their responses.

This also dovetails with the earlier question around the ability and remit of the GLAA, which is the Gangmasters and Labour Abuse Authority, for the record. I agree with David that it seems to be underresourced. It receives £6 million a year from the Home Office and another £1 million or so from licensing services. This is, as pointed out in the House of Commons report, less than the Home Office's stationery budget. It is 0.2% of the UK's leading supermarket's forecasted profit for this year.

There are two big issues I want to talk about very briefly around the GLAA's ability to oversee and that is international and domestic. Internationally, the rapid expansion and the dispersion of the scheme has led to issues with international oversight. Scheme operators can go and recruit from any country, which stretches its capacity to actively monitor this recruitment. Domestically, the Department seems underresourced and limited to what it can inspect. It can investigate licence holders, the scheme operators, but can't go and inspect farms directly unless there are reports that cross the threshold of modern slavery.

Q161 **Dr Neil Hudson:** The reports would have to come in from the workers who are potentially scared of coming forward, is that what you are saying?

Jacob Bolton: Yes, I believe so. We want to see an increase in resources for labour market enforcement. We want to ensure there is capacity there to conduct regular proactive inspections of farms. Obviously we believe that should be absolutely separated from immigration enforcement so that workers who are experiencing very poor working conditions do not have their visa status threatened by reporting those.

Q162 **Dr Neil Hudson:** Are we able to pick up if the workers have poor working conditions? What redress options are available for the workers if there is non-compliance? What I am trying to get at is whether we are picking up non-compliance or is it that people are not prepared to come forward so we don't know what is going on? You are calling for random inspections on that side of things. Is there significant recourse or nothing? No, you are shaking your head.

David Camp: No, and that is why we think there should be an independent grievance mechanism with recourse built in to the scheme rules funded through the scheme. The only way you can make it consistent throughout the scheme is for it to be part of the scheme rules.

Q163 **Dr Neil Hudson:** Further to that—I think you mentioned this earlier, David—how would increased transparency and more data on the operation of the scheme help address concerns in terms of the conditions of the workers and that side of things?

David Camp: One of the challenges we have in supporting farms with training, guidance, tools and resources is that we cannot get a list of all the farms where seasonal workers are placed. We can just put out general messaging to our databases. To know every farm that uses seasonal workers would help because then we could ensure that we are targeting appropriately and we can then conduct surveys of workers on each farm. We have developed through the group an app called Just Good Work, which provides workers with information in their own language and routes to seek help if they want. We want to get that out to all workers so they all have that accessible.

Q164 **Dr Neil Hudson:** Are you aware of the uptake of that? Are people using that?

David Camp: Yes. So far we are up to about a third of the workers. We had hoped to get to 50% of the workers, so we are not where we want to be. We would like it to be much higher and for there to be a method that we can use to survey workers independently and receive information back in near live time so we can see patterns where things are not right and to receive distress calls from people who are maybe significantly being harassed and that can be addressed in near real time. We can compare the performance of operators. We can look at farms where there may be patterns of behaviour. Without the appropriate support and the channels of data we can only do that partially at the moment.

Q165 **Dr Neil Hudson:** Flipping it in terms of positive reinforcement, it is in the farmers' interest for the system to work because they need the workforce there. If there are examples of best practice with good operators and good farms, how would that information be shared so people can say, "Look, this system can work. This is what you should do"?

David Camp: Exactly. We want this to be a model of good practice. We want to show off about this scheme. We want workers to come back every year because returners are good for farms. You know they know that work; you know they are suited to that work; you know they can perform that work. There is less training time and less ramping-up time. To ensure we can maximise those returners and recognise those farms that do well, if there is transparency there is encouragement and a driver to do well more so than otherwise.

Jacob Bolton: Very briefly, I do not think transparency is the be all and end all of effective oversight. I do agree with the premise of the question, which is that it seems there is already a great deal of data out there on the scheme, but it is quite siloed. Those data could help us all figure out how to improve it. There needs to be some more transparency.

Dr Neil Hudson: If it is siloed and you have increased transparency and data sharing that will hopefully break down some of the silos.

Jacob Bolton: That will be a step in the right direction, yes.

Q166 **Chair:** Before I turn to Barry, I know, Jacob, you work with the maritime sector as well. When I was fishing Minister I was on a number of fishing vessels where overseas workers were there. I was a little bit surprised when one of the skippers said, "We have offered them accommodation onshore but they want to maximise the money they send home by living as cheaply as possible". I know you say sometimes the accommodation is not brilliant but is there, to an extent, demand from some of these workers that they do not spend too much money while they are here so they can take it home with them?

Jacob Bolton: I am glad you raised that because, interestingly, there are a lot of parallels between workers on the seasonal worker visa living on a farm and living on a ship. In both situations you are living in employer-provided accommodation in quite a remote place. In terms of the costs, there is a maximum that growers can charge workers, which is generally what is charged. We are also hearing some reports of extra deductions for things like wi-fi, access to laundry facilities and things like this. I forget the report exactly, but I think it has been reported somewhere that there is a recurrent issue of overcrowding within these caravans. When you have six adults living in a caravan, paying the maximum weekly amount that can be charged, it works out per square foot comparable to a London flat. I forget the reference for that but I can try to find that for you.

Chair: You were nodding, David. That is your experience?

David Camp: Yes. We did a lot of work on how we can support workers to maximise retained earnings. That is what it is all about, "How much money do I take home at the end of my working period to use for the rest of the year or to use to support my family?" There are lots of actions we have put in place about recovering PAYE, which remains a challenge. It is very difficult through HMRC routes for migrant workers to recoup the PAYE they have paid when they return home, but we have come up with some channels on that. Yes, in terms of accommodation, growers will charge the level that is tending to be set by the accommodation offset.

Chair: You are not off the hook, Sarah. Barry will ask you some questions.

Q167 **Barry Gardiner:** First of all, I have listened very carefully to the evidence you have been giving us, Jacob and David. It seems to me these guys are getting a pretty rough deal. David, you said they are getting the national living wage, but I think you also said that the cost of them coming out to perform this work is about £1,500. Therefore in effect they are not getting the national living wage, are they? They are getting the national living wage less £1,500 because they are having to pay for the privilege of working here. Have you built into the system anything to try to redress that?

David Camp: The figure we put was around £1,200.

Barry Gardiner: I thought you said £300 was the normal cost.

David Camp: £300 was what the scheme operator charges to the grower. Yes, they do pay that but they also can reclaim their PAYE when they leave, which tends to be around £1,000. They tend to take their holiday pay as a lump sum when they leave as well. There are other factors in there that make it not directly comparable to others. Of course while they pay for their accommodation, the accommodation charges tend to be lower than you would pay for a room in a house.

Q168 **Barry Gardiner:** Not according to Jacob. Jacob has just said that per square feet it would equate to a London flat. If it is caravan accommodation being shared by six people that hardly seems a fair comparison.

David Camp: My daughter has just come back from college and I was paying over £600 for her room, which is comparable. For the workers it is what it is, but they were paying £63 last year and £70 a week this year. Retained earnings is what they will be earning. The issue around whether they should pay for those travel fees and their own visa for a maximum of six months when they are doing tough work that we need to deliver food to our table is a question.

Q169 **Barry Gardiner:** We have created the problem in the first place by Brexit. Jacob, can I check with you, you have a Master's from the Centre for Research Architecture at London University, is that right?

Jacob Bolton: That is right.

Q170 **Barry Gardiner:** Presumably when you got that Master's degree you were looking at research methodology and statistics and you would have learnt about representative samples and about average response rates on cold calls and things like that, is that correct?

Jacob Bolton: That is not something we covered specifically in the Master's, no.

Q171 **Barry Gardiner:** In doing your own research, have you looked at the representative samples? I say this because my colleague who has left now, Sheryll, tried to cast a certain shadow across some of the research work you had by saying, "This represents a small sample". However, of course if it is a representative sample then that would be important. I think of the 36,000 that you said was the number of seasonal workers, 800 would be about 2.2%, which would be a decent size for a sample. The question is whether it is representative. How did you ensure that it was?

Jacob Bolton: Let me clarify that. The 36,000 was roughly the figure of seasonal worker visas that have been granted this year. There have been multiple researchers working on this project. I joined the project about six months ago. I will be very, very happy to send forward some more details on the research methodology around that.

Q172 **Barry Gardiner:** That will be very helpful because I think the Committee wants to be assured that it is as bad as you seem to be painting it.

Similarly, Sarah, my colleague said that it was 1.8% of your membership, but of course you only surveyed 11,000 of your 15,000 members, which brought it up to 2.18%. I think GMAS and the statistics you will provide us, Jacob, are similar because it was 2.2% there. GMAS says that on a cold-call basis between 1% to 5% is the average response rate and it varies in accordance with the ask. If people are scared to speak out or if indeed people are ashamed to say because it involves poverty, then the response rate is liable to be lower. Therefore looking at between 1% to 5% as a decent response rate, your 2.18% is very credible, is it not?

Sarah Woolley: That was what I was going to add earlier, the confidence of people and talking about their access to food. Saying, "I cannot afford to feed my family" is something that still has a huge stigma attached to it. We did two surveys. If you add them both together there are probably around 800, which is a higher sample. People are talking about not having people visit their house because it feels like a prison. Those are not things people will do lightly. For a lot of them, the way they are talking, the workplace could be identified. Having the confidence to be able to fill in a survey, even anonymously, without being identified by your employer for effectively grassing them up, so to speak, all adds into why people are reluctant to come forward.

Q173 **Barry Gardiner:** Indeed. Thank you for that. I wanted to clear the decks there, as it were. Sarah, you and your union have said that supermarkets are exploiting their market position. You have said they make excess profits at the expense of consumers and suppliers and those they employ. Can you tell us again the basis of that assertion?

Sarah Woolley: We have always recognised that part of the reason for higher prices has been the surge in cost of some ingredients and part of that is due to the war in Ukraine. Higher costs of wheat, flour, energy, transport and fuel have an obvious impact on the cost of a loaf, cake or biscuit. However, while supermarkets are very quick to put prices up when the input costs go up, they generally do not fall as quickly when they fall as well. That has been described, I believe, as a rocket and feather pricing strategy.

The last Competition and Markets Authority report found that in the last two years around three-quarters of branded suppliers of products such as baby milk formula, baked beans, mayonnaise and others have increased their unit profitability and, in doing so, have contributed to higher food price inflation.

It is true that in some other areas supermarkets have struggled to maintain their margins, especially where customers who are struggling—our members are an example of that—have traded down to cheaper own-brand products. This results in additional pressure then being put on suppliers and the supply chain to squeeze down their costs. That means the pressure on pay, terms, and conditions of workers are impacted as well.

Our members are effectively being hit twice by the increasing costs they are paying when they go to the supermarket and the decrease in terms and conditions because of the pressure of the supermarkets. A 1 or 2p reduction on a loaf may not sound like a lot of money, but if you think about it, some of the big national companies may make 2 million products a day and that 1 to 2p suddenly adds up to quite a significant amount.

We have seen it happen repeatedly over the last decade, where supermarkets have moved between the three national bread suppliers, which has then had an impact on jobs. For example, Hovis lost a single contract to supply into Co-op supermarkets. That contract was worth around £75 million. This resulted directly in the closure of the Birmingham Garretts Green site and 500 job losses. That is just one example. If the Committee wants more examples we can send some in writing afterwards because there have been more recent ones pre and through Covid. This all results in Bakers members having even less in their pockets to feed themselves and their families as a minimum and, worst-case scenario, having to find another job.

What cannot be denied is that shareholders of the likes of Tesco and Sainsbury's, for example, have been increasing their ordinary share dividends to the highest level since 2015 at the same time as our members, communities, families and friends are worrying about how they will eat. Tesco dividends rose to £859 million last year, so somebody is definitely profiting, but it is not the consumers and it is not the workers.

Q174 **Barry Gardiner:** One of the pieces of research done by another union—not your own, but I think by Unite the union—showed that the top three supermarkets had increased their profits by 97% post-Covid. If it was simply a matter of supply chain costs then you would imagine that their profits would be broadly the same pre-Covid and post, but in fact they have risen 97%. You have called for the Government to introduce a statutory right to food. How do you believe that would help to reduce food insecurity among the food workers you represent?

Sarah Woolley: As I mentioned earlier, we have conducted research that demonstrates that the affordability of food is a major issue for food workers themselves, hence food insecurity.

I am grateful you levelled the playing field on the percentages because I am going to bring some more up now. When we surveyed our members in 2021 and again in 2023, 45% of them told us last year that they were skipping meals, whether to ensure that the children could eat or whether they were just ensuring there was enough food to last until the next pay day. Fifty-seven per cent are eating less because they are struggling to afford food and 17% of those who responded told us they were regularly using foodbanks. These are all food workers—as I mentioned earlier, classed as key workers through the pandemic—struggling to put food on the table.

Q175 **Barry Gardiner:** How is the right to food going to help them? Tell us what the right to food means, in your understanding.

Sarah Woolley: There are a few aspects of it. A lot of it is covered in writing in our report. We know that food poverty is just not a product of how the food system is structured, although the shape of the labour market in the UK, including the food sector itself, is a massive issue on that. It is also about decisions taken in relation to the welfare system, the asylum system and the Government's failure to provide universal free school meals, for example, which is part of our right to food call.

A statutory right to food will mean that legislators considering all future public decisions would have to consider how they would impact on the basic ability of a household to feed themselves appropriately. In real terms it will mean our members not skipping meals or eating less so their children can eat or they would not have to ration the food to get through to the next pay day. We have had members tell us they are skipping dinner on a night so the kids can eat and then going and doing a 12-hour nightshift in a factory. There are massive health and safety implications of that, regardless of anything else.

I am sure you will have seen the shocking NHS figure showing a big rise in admissions recently due to malnutrition and vitamin deficiency. GPs are reporting an increase in the number of children they encounter with rickets. It is not acceptable in 2024. A right to food will ensure that people have the right to decent and nutritious food.

Q176 **Barry Gardiner:** In the same way that at the moment every Minister, before they sign off a policy or even a proposal, has to look at an environmental impact assessment, you are saying there would have to be a similar impact assessment on people's ability to eat properly and to sustain themselves?

Sarah Woolley: Yes. If I can add that we do welcome the Committee's support for a public consultation on the benefits of introducing a statutory right to food and the invitation to the UN Special Rapporteur to undertake an assessment on the impact as well.

Q177 **Barry Gardiner:** You have raised concerns that suppliers are cautious about reporting problems to the Groceries Code Adjudicator. Tell me, why is this particularly something in the baked good sector and how do you think those concerns could be addressed?

Sarah Woolley: Some of this was touched on in the first panel. We are hearing anecdotally that particularly in market sectors that are highly concentrated and dominated by a few major suppliers, those suppliers are reluctant and reticent about raising complaints with the Groceries Code Adjudicator. They feel that even data that is submitted anonymously could still then be used to identify them as the complainant and therefore put them at risk of potential reprisals from the retailer, such as demanding lower prices or moving contracts to competitors. The current regulatory regime is based on the idea that a fair competition regime between retailers and suppliers will be sufficient to protect the public interest. However, as a regulator it has no direct powers to intervene in the sector to protect consumers in a way that say Ofgem can in relation to excessive price increases when it comes to domestic energy.

To be clear, we are not saying that the state should dictate prices across the board here, but even the Competition and Markets Authority investigation into grocery prices suggested that some producers of branded food products have increased their profit margins even though we have been in a double-digit food inflation period. We believe if the sector will not agree to a voluntary scheme of food price caps—as they have in France, for example—then we need a more powerful regulator with the power to intervene on behalf of the consumer.

Q178 **Barry Gardiner:** Sorry, can we be clear about what you are saying here? It is important the public do understand this and anybody who is watching needs to understand exactly what you are saying. You are saying that on some of those supermarket own-brand lines their profit margin has increased? They may have increased the cost because the supply chain costs have increased, but their profit margin has increased. That is called gouging, isn't it? It is called excess profiteering. I want to be absolutely clear on this.

Sarah Woolley: Some of that was put in the report you mentioned earlier.

Q179 **Barry Gardiner:** Thank you. Your union has called for a supermarket ombudsman. How would the establishment of an ombudsman help to better police the food supply chain?

Sarah Woolley: I was about to start answering that in the next bit, but that is okay.

Barry Gardiner: We have segued nicely together.

Sarah Woolley: Absolutely. If the sector will not agree to a voluntary scheme of food price caps, such as in France, then a more powerful regulator with the power to intervene on behalf of the consumer, and at times suppliers and workers would benefit from action to tackle pressures on supermarkets to sell. They could put caps at the top but also put floors in as well so we are not in a situation where supermarkets are driving down costs and selling a loaf at 15p, for example. In that situation a regulator could introduce price floors. To put it in basic terms, we want an ombudsman to be able to implement price caps and price floors to protect the sustainability of the supply chain, with powers to intervene like Ofgem and other ombudsmen can.

Q180 **Barry Gardiner:** Is that an ombudsman's role? My concern here is that Ofgem of course is a regulator. It is not an ombudsman. I am wondering if we need to distinguish the sort of roles that can be performed here. Many of us, as Members of Parliament, would refer a constituent or a complainant to an ombudsman to resolve a case. However, I am not sure an ombudsman takes a more strategic regulatory role in that way. I do not doubt the need for the actions you are calling for, but I wonder whether it is an ombudsman that is the most appropriate to perform those actions.

Sarah Woolley: I think we use the term "ombudsman" so consumers have somewhere to go to raise concerns, like they would if they felt they were being abused by their energy company and they could go to Ofgem. It is having something like that with a remit to consider the broader public interest rather than simply price competition. Having legislation and codes of practice would be a better position than we are currently in. It may be that there is an ombudsman and a regulator but we need something more than we currently have to protect consumers and workers.

Q181 **Barry Gardiner:** You have called for the CMA, the Competition and Markets Authority, to undertake a review of the baked goods sector in particular. Why do you think that is necessary?

Sarah Woolley: Because the market in this sector—for example, mass-manufactured sliced bread—is highly concentrated and dominated by a handful of large suppliers. As I mentioned earlier, the size and the value of contracts therefore with big retailers are such that when a supplier loses a contract it can undermine the viability of particular suppliers and production sites and lead to further market consolidation. It just takes one company to go under because they have lost a contract and that handful quickly becomes three; it reduces further. This degree of concentration puts enormous power in the hands of large retailers.

As was mentioned in the previous panel, the power balance is very much tipped to the big retailers. We recognise that part of price increases faced by consumers, as I mentioned earlier, is the result of a rise in input costs but our concern is that the profit margins of the retailers should not be inflated at the expense of consumers, suppliers and our members.

Barry Gardiner: Absolutely, no gouging. Thanks so much.

Chair: Thank you very much indeed. I am sorry we were delayed by the vote but it has been worth waiting for. Thank you very much indeed again.