

Environment, Food and Rural Affairs Committee

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

Tuesday 21 May 2024

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Members present: Sir Robert Goodwill (Chair); Rosie Duffield, Barry Gardiner, Dr Neil Hudson, Mrs Sheryll Murray, Selaine Saxby; Cat Smith; Julian Sturdy; and Derek Thomas.

Questions 362 to 456

Witnesses

I: Rt Hon Sir Mark Spencer, Minister for Food, Farming and Fisheries; Sarah Evered, Deputy Director, Innovation, Productivity and Science, Department for Environment, Food and Rural Affairs; and Alex Williams OBE, Deputy Director, Competition Policy.



Examination of witnesses

Witnesses: Sir Mark Spencer, Sarah Evered and Alex Williams OBE.

Q362 **Chair:** Welcome to this session of the Environment, Food and Rural Affairs Committee where we are having our concluding session in our Fairness in the Food Supply Chain inquiry. Those who watch this Committee will know that last week we had the supermarkets in. What we did not tell people was that we also had a group of farmers in—36 of them—and suppliers, watching the proceedings remotely. We then went and spoke to them, and they gave us some feedback about what they had heard. In a nutshell, the feedback would be that those at the top of these organisations do not necessarily know what is going on when negotiations between the supermarkets and the growers, farmers and processors take place.

We are very pleased to have our farming Minister, Sir Mark Spencer, again. I apologise for what happened last time. There were crossed wires. I know that you had to go off and do an SI and it looked as if you were running away from the Committee, but we understand that the message had not quite come through that you needed to be elsewhere in the House to take some legislation through. Apologies. We will ensure that that does not happen again.

Sir Mark Spencer: I have run back today.

Chair: Also, Nottingham Forest has survived the drop again.

Sir Mark Spencer: I am in good humour.

Q363 **Chair:** Perfect. Perhaps you would like to introduce yourself and your officials. I know that Minister Hollinrake cannot be with us today because he has business on the Floor of the House, but Alex Williams is standing in for him and I am sure he will fill the slot perfectly.

Sir Mark Spencer: I am the Food, Fisheries and Farming Minister in the Department for Environment, Food and Rural Affairs. Sarah, do you want to introduce yourself?

Sarah Evered: Yes, I am the Deputy Director for Innovation, Productivity and Science in DEFRA.

Chair: Thank you. I will start off with you, Minister, if I may.

Sir Mark Spencer: Alex is also here.

Chair: Sorry.

Alex Williams: I am Deputy Director for Competition Policy in the Department for Business and Trade alongside sponsoring the Competition and Markets Authority Competition Appeal Tribunal. That also includes



sponsorship of the Groceries Code Adjudicator, previously established following work by the Competition Commission.

I should also apologise for the Minister's absence because it is my Bill that he is currently taking forward on the Floor of the House.

Q364 **Chair:** Thank you very much and my apologies. I did get up very early this morning—that is my only excuse.

Minister, last week the Government published the first draft of their Food Security Index. What are the major risks identified in the index and how are you addressing them?

Sir Mark Spencer: There are a number of challenges, as I think we have seen. Global conflict is a huge challenge, as are climate change and the increase in the global population. However, we are alive to those challenges. We are alive to the fact that we do need—and are currently blessed with—robust food supply chains and systems. However, we are very much aware that those things can be challenged and that we need to put in mitigation methods to adapt and ensure that we can continue to have that robust supply chain, working closely with retailers and processors to ensure that food stays on our shelves.

Q365 **Chair:** I have had a look at the assessments. They seem possibly a little bit complacent, given recent global and climatic events. There is a lot about things being broadly stable and some reduction in risk—that sort of comment, a bit like Ofsted reports: hard to categorise.

However, there has been some criticism about the definitions and methodology used by the index that depart from international norms and are not sufficiently rigorous. How do you respond to that?

Sir Mark Spencer: It is difficult to come up with a simple system to measure something that is very complex. Global food supply chains are very complex and interwoven. It is impossible to come up with a scale of 1 to 10 on where we are with those supply chains. For example, how do we measure the amount of food we produce in the UK? Is it measured in kilos? If we were measuring food production in kilos, we should just grow cabbage and we would be producing a great weight of food. If we were measuring production in calories, we should just grow sugar beet. However, either option would of course lead to insecurity of food supply in the UK.

Getting the balance right between what we can produce, what we should produce in terms of seasonality and also making sure that our international supply chains are robust and secure is the balance that we are trying to strike.

I reject the premise that we are complacent. However, it would not do us any favours to highlight the challenges we face too robustly and publicly although of course it is very important that, as a Government, we think about those challenges and about the mitigations we can put in place to



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address them should those events occur. A Minister standing up and saying, “X product might be short” sure enough leads to that product probably being short. I declare my self-interest. If I say potatoes are going to be short—

Chair: They are going to be short this autumn, are not they?

Sir Mark Spencer: —as a potato farmer, I think you can soon create something that does not really exist.

Q366 **Chair:** Understood. By the way, we were very pleased that our recommendation for an annual assessment was brought forward because things have been changing annually, which is quite unprecedented in peacetime.

Sir Mark Spencer: Over the last few years we have seen that things can change very rapidly within a week. Russia invading Ukraine caused huge ripples in energy and food supply systems around the world. Snow in Morocco at a time of year when we were trying to secure salads caused ripples around Europe. Those events can come about very quickly. We just have to ensure that we have mitigations in place to address them.

Q367 **Chair:** The Government are committed to placing the index on a statutory footing when parliamentary time allows. Do you have any idea when that might be?

Sir Mark Spencer: No, honestly. I am sadly no longer the Chief Whip or the Leader of the House of Commons, so I do not have responsibility any more. It is something that is important to the Government so it should be prioritised.

Q368 **Chair:** In the index, agricultural total factor productivity is categorised as “some reduction in risk” and agricultural land use as “broadly stable”. Can you explain how these assessments were reached in the context of poor weather and flooding affecting harvests this year and the claims that many are making that some of the agricultural environmental land management schemes and SFI schemes could incentivise taking farms our production? I have taken a field out of production on my farm because I have black grass in it, and I thought it was a better option. However, that is 20 tonnes of wheat that I will not be producing. It is quite a small field, by the way.

Sir Mark Spencer: Yes. If we go back to the 1940s and look at the amount of land farming then, it was substantially more than it is today but of course as an industry, as a sector, we have become much more productive. On average, we get about 1% more productive every year. We have done that consistently for the last 40 to 50 years. We are effectively growing half as much food again on the same amount of land or, of course, we are able to reduce the amount of land we are farming and use it for other purposes.



Of course, there is a finite limit to how far we can push that but with technology and new systems of production, as we get more productive, we can continue to use land for other things, whether for leisure, housing, energy production or environmental benefits. What matters is whether we are using the best sort of land for the best use and the Land Use Framework will address that as it comes forward and we will be able to start to think more cleverly about what we should grow and where and how we should produce food in future.

Q369 **Chair:** Will the location of photovoltaic farms be part of that?

Sir Mark Spencer: I am a huge fan of solar panels, but I think that the best place for them is on a roof. There is great opportunity for us to put solar panels on the roofs of schools, libraries, grain stores and agricultural buildings—I am stepping slightly into DLUHC territory here and I am conscious that I am not a DLUHC Minister—but without being too top-down about it. If you say, “No solar panels on agricultural land”, there may be for instance a small diversification project that would benefit from a green energy supply but may be blocked. However, there is merit in looking again at large-scale solar taking prime agricultural land out of production. We need to think about that.

Q370 **Chair:** In Lincolnshire there have been a lot of applications. The next iteration of the Government’s Food Security Report is due to be published at the end of the year. What lessons will this report take from recent major shocks such as the pandemic and the invasion of Ukraine, and what strategies are you putting in place to prepare for future unknown shocks?

Sir Mark Spencer: Clearly it is very difficult to prepare for the unknown, but we can ensure that those food supply chains and systems are as robust as they can be, that we can prepare UK agriculture to produce as much as efficiently as it can domestically within season but ensure that those supply chains are robust.

We can do that by investing in our own horticulture and agriculture sector. We have recently announced a huge amount of cash going into the horticulture sector; I think £80 million extra for farmers to invest. That is direct food production here in the UK and I think we can do more in that area to both expand productivity and extend seasonality, to push the seasons, drag them in a little bit earlier and push them out a little bit later.

Q371 **Chair:** I understand that strawberries have been very successful, extending the UK season.

The National Farmers Union has called for all Government Departments to produce Mandatory Food Resilience Impact Assessments when developing new policies and that might reflect on what we have been talking about with solar farms. To what extent would this ensure greater strategic thinking across Government and improve the resilience of UK food supply chains?



Sir Mark Spencer: Clearly there is a role for DEFRA here. You will be aware as a former Minister that there is write-round process for every decision that the Government make. There is a responsibility in the Department that I represent to scrutinise what other Departments are doing and to ensure that they have thought things through.

We would be able to comment on changing planning rules if DLUHC wanted to change planning rules. However, as a Department, there is also a need for us to think about those things throughout the whole of Government—say GP surgeries in rural locations; that is something that we should be thinking about. It is a responsibility that we take quite seriously, and of course we do feed into other Government Departments when they are making decisions.

Q372 **Chair:** I suppose things such as the tax treatment of non-agricultural land use would come into that.

Sir Mark Spencer: Yes. They are very much the responsibility of Treasury but, of course, we have a view and would feed it through in the usual way.

Q373 **Mrs Sheryll Murray:** Minister, this session has come at quite an opportune time. I met my farmers in south-east Cornwall over lunch on Friday and some of the questions I will be asking did come up in that meeting.

Producers have experienced significant increases in production costs in recent years, but I have heard that processors and retailers have protected their profits and have been very reluctant to increase farmgate prices. What steps are you taking to ensure that producers receive a fair price? Can I give you an example? My farmers told me that they saw a high increase in the cost of fertilisers because of the war in Ukraine and while fertiliser prices have since come down, they have not come down to meet the pre-Ukraine conflict prices.

Sir Mark Spencer: Yes. I don't think we will ever return to pre-Ukraine prices for lots of those input costs but as you indicate, we have seen some return, down from the extreme prices we did see.

Let me be clear for a start that there are, of course, vested interests within the supply chain to ensure that there is a reasonable return/profit for the retailer, a reasonable return/profit for the processor and a reasonable return/profit for the primary producer. If any of those three are not economically sound the system will fall over, so we have a responsibility as a sector and a supply chain to ensure that we deliver that within the supply chain.

However we took the view that that was not always working as well as it could. That is why the Government have stepped in. We did a review, first into the dairy sector because there appeared to be some examples of poor practice there. There were also many examples of good practice but some examples of poor practice so we have legislated to ensure that



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people get a written contract that is legally binding and that both sides have to agree if that contract will be varied. We extended that to the pork sector, and we are about to come on—

Chair: We are about to come on to the dairy and pork sectors specifically.

Sir Mark Spencer: All right, but we are willing to step into in the supply chain and ensure of that fairness.

As Sir Robert was saying earlier, there is a willingness at the top of the retail sector to try to ensure we deliver that fairness in the supply chain and the question is whether we are making sure it is delivered all the way down to the individuals who are tasked with the responsibility of negotiating deals.

Now, I don't think there is a role for the Government to step into the middle of a contract negotiation to say, "You're only paying 48 pence for a cauliflower; you should pay 50 pence". That is down to individual negotiation. Clearly, however, once primary producer and retailer have agreed a price, there is a role for the Government to ensure the agreement is honoured and that both sides are fair.

Q374 **Mrs Sheryll Murray:** Is there any way that you can send a message to the retailers that they are expected to pay a fair price?

Sir Mark Spencer: It is down to commercial negotiation to an extent. I am picking on cauliflowers: if your cost of production as a primary producer is 50 pence per cauliflower and you want to sign a deal to sell cauliflowers at 45 pence, so you lose 5 pence on every cauliflower, which is your commercial right and I do not think there is a role for the Government to step in at that level of detail.

Q375 **Mrs Sheryll Murray:** Looking at it from the other side, what if you can only sell those cauliflowers for 25 pence instead of 50 pence or they go to waste and all the money that you have spent in producing them is wasted, just gone in the bin? Surely we need to ensure that retailers pay the producers a fair price.

Sir Mark Spencer: Yes. It is your commercial right to do that deal but that deal must be honoured. As I said earlier, there are vested interests. Retailers have to have that base market to supply them and if retailers do not pay a price that is a reasonable return to the primary producers, the producers will vote with their feet and instead of growing cauliflowers, may well grow cereals, maize or some other alternative crop, which will leave the country short of cauliflowers. Retailers get that and I think we have seen significant rises in prices, particularly for brassicas, over the last six to 12 months.

Q376 **Chair:** May I interrupt and talk about coffee, chocolate or sugar snap peas from Kenya? We see "Fair Trade" food on the shelves. Those rules do not seem to apply to British farmers.



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Sir Mark Spencer: These are questions for the retailers, and I am sure you put them to them last week. The question here is about where the Government's responsibility sits in all of this, and I think that is in making sure that contracts are adhered to.

Sarah Evered: I can add to that. The fairness in supply chains regulations that we are looking to introduce can help. Part of the regulations looks at data transparency. We are looking at ways to use those regulations to ensure that data puts producers in a stronger position to understand their market negotiations, particularly in fresh produce, which we will be looking at now that we have completed the consultation period.

One of the clauses in the dairy regulations, for example, which is now coming into force, will be about farmers being able to request information about how a price has been calculated. In dairy, farmers are often on variable price contracts but through the new regulations they can request information about how the price has been calculated at any given time.

Q377 **Mrs Sheryll Murray:** When will that regulation come into force?

Sarah Evered: The milk regulations will come into force from 9 July for new contracts and from 9 July 2025 for all contracts.

Q378 **Mrs Sheryll Murray:** Is there any possibility of rolling that out to other sectors?

Sarah Evered: That is our intention.

Sir Mark Spencer: We are already thinking about pork. We have done a consultation on fresh produce—brassicas and other vegetables. We are currently looking at broiler chicken production. We have also looked at eggs.

Chair: Derek Thomas's next question is about that.

Q379 **Mrs Sheryll Murray:** The Government have announced new investments to support the UK fruit and vegetable sector, but the scheme will not come into effect until 2026. Why are you not introducing that support sooner and what steps are you taking to provide immediate support for the growers?

Sir Mark Spencer: There is an existing EU scheme, which we have adopted. It comes to an end in 2026 and that is when the new UK scheme picks up the slack, at the end of the EU scheme.

Q380 **Mrs Sheryll Murray:** Okay. We have heard that consolidation by processors has increased their market power and reduced the ability of farmers to negotiate better prices for their products. What are you doing to help producers? I know that you have spoken about retailers but what you are doing to help producers to secure a fair price for their goods?



Sir Mark Spencer: It has been the case, particularly in the abattoir network; we have seen consolidation in that sector, which is why we have introduced the Small Abattoir Support Fund to try to help those who are not big national players, to ensure that the network of support is there to help people who may want to kill their own animals and put them through farm retail businesses or box schemes, to give them that sort of alternative. It is something that we monitor.

On the other hand, we also need to ensure that the large processors are welcome in the UK. If Müller wants to put in a new factory to produce yoghurt or whatever here, that is good news for the UK dairy sector because of course it would be British dairy farmers who would be supplying that factory/processing unit.

I think there is a role for the Government to encourage some of those big global processors, to ensure that they feel comfortable here in the UK and that they are producing top-quality food for a global market here in the United Kingdom.

Q381 **Mrs Sheryll Murray:** Thank you. During the pandemic labour shortages in pig processing plants led to the culling of tens of thousands of healthy pigs, and we have heard that the costs were largely borne by pig producers. What steps have you taken to address this situation, and how are you encouraging more proportionate sharing of risk throughout food supply chains?

Sir Mark Spencer: That event led to lots of these reviews and led in turn to the review of the pork sector, which has driven the pork contract legislation that is coming in. Formerly, lots of pig producers did not have written contracts. The new legislation will put that right and ensure that we do not find ourselves in those circumstances again.

Chair: Before I move to Derek Thomas, Barry Gardiner has a quick point.

Q382 **Barry Gardiner:** I am very grateful. Thank you, Chair. I wanted to defend Sheryll Murray's brassicas.

In that discussion, when you were talking about producers selling below the cost of production, you used a very strange phrase, Minister. You said you believed that it was absolutely their right to negotiate that contract. Now, most people would think that no rational person would wish to negotiate a contract price that is below their own production cost and therefore lose out.

What you were in effect saying, were you not, is that it is the right of the supermarkets to compel that farmer because this is not a free market; this is a market in which decisions are not unconstrained. You have your suppliers, and you have your existing contracts in with the supermarkets.

If at the end of the year, the supermarket comes to you and their buyer says, "We are only going to pay you 45 pence rather than 50 pence this year", you are in a bit of a pickle. You have geared up, and you know



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exactly what you are going to do. You have your stuff all engaged and ready to go, and suddenly you are being told that you cannot even get back your cost of production, so it is a very strange use of the word “right”. In fact, the right that you are talking about is the right for the supermarkets to exploit the power imbalance between the supermarket and the farmer.

Sir Mark Spencer: Let me take that up, just to be explicit.

Number one, if you are a cauliflower grower and you can produce cauliflowers for 45 pence and I can only produce them for 55 pence, I would defend your right to be able to sign the contract that would undercut my business because you are a more efficient producer. We need to ensure that we do not inadvertently lead to lower productivity or increased costs because that would have a negative impact on our own constituents and the price of food in the UK.

Q383 **Barry Gardiner:** That is not what we are considering. We are not considering two competitive farmers competing for the supermarket—

Sir Mark Spencer: The point I was making was that it is not for the Government to set the price of that cauliflower contract. The price you want to sign a contract at is your business. It is not the responsibility of the Government at all.

Q384 **Barry Gardiner:** But I am being forced to accept a price you are giving me.

Sir Mark Spencer: That is not true, is it? Now—and I think the supply chain is starting to feel this pressure—you do have other choices, other alternatives, as a farmer. Retailers and processors are alive to that concern, that you do have an alternative, given global wheat prices.

Q385 **Barry Gardiner:** Are you telling me that every contract for a cauliflower that is negotiated is negotiated before the farmer had bought the seeds and planted them—

Sir Mark Spencer: No, I am not.

Barry Gardiner: —and therefore they have already committed to producing those cauliflowers? You are saying that the supermarkets have a right, then, to force farmers now, now they have gone down that path—

Sir Mark Spencer: No, I am not saying that at all

Barry Gardiner: —to get less than their production costs?

Sir Mark Spencer: You are conflating a number of issues.

Mrs Sheryll Murray: That is what it sounded like.

Sir Mark Spencer: Number one, I think you identify another challenge in that those contracts are not long-term enough and we are seeing a



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pattern towards longer-term, secure contracts of three, four and five years. I welcome that move because it does give farmers the security to have confidence.

There have been a number of examples of where the practice that you are talking about, where people have already planted a crop and then have the contract withdrawn, and those supermarkets have been disciplined.

Q386 Barry Gardiner: Contracts are not even negotiated by the time you have planted the crop. That is the problem.

Sir Mark Spencer: That is exactly the sort of issue that the new ombudsman should look at.

Q387 Barry Gardiner: Can I establish the common ground that I think all of us would share? That is that before the farmer takes the decision about what he or she is going to plant in that field and before buying the seed or whatever they are going to buy—

Chair: In the case of apples that might have been five years ago.

Barry Gardiner: Yes. Then they negotiate a contract with the supermarket, and you are absolutely right in saying that contract cannot then be unilaterally reduced. I welcome that. As long as it is with that foresight, I think we would all agree. If subsequently farmers cannot produce at the cost they thought they could, that is their problem. We accept that.

However, when you have committed to planting that crop, you are not in the same free situation that you would be in before you bought the seed, but you do not yet have the contract and the supermarket at that stage says, "We are only going to pay this much" and that much is less than the cost of production. That is wrong and it is not the right of the farmer to negotiate that contract. You are giving a right to the supermarket to exploit.

Sir Mark Spencer: No, no. That is exactly the sort of thing that the new ombudsman will look into, to ensure that that practice is driven out. However, those farmers also have to take some responsibility and ensure that their relationships with the retailers are constructive and productive and, if they are not, I would put it to them that they would need to look for another market.

Q388 Barry Gardiner: Where is the power in that relationship?

Sir Mark Spencer: The dynamic has changed; I genuinely think that the dynamic has changed over the last two years, since Ukraine.

Q389 Barry Gardiner: We did not hear that from any farmer, let me tell you, on this Committee.



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Sir Mark Spencer: The farmers I am talking to—and an awful lot of veg is produced in the east Midlands; I declare some of my own interests there—

Mrs Sheryll Murray: We are not just talking about vegetables. There are a lot of other things, Minister.

Sir Mark Spencer: Well, we have gone down this avenue of vegetables.

Mrs Sheryll Murray: They are struggling. They are hurting and you really do need to take that message away.

Sir Mark Spencer: That is why we have legislated. That is exactly why we are legislating, and that is exactly why we are introducing these systems and putting them in place, and we are the first Government ever to do that. That is why we have taken it so seriously and I am enormously proud of the steps that we are taking to help and support people in those circumstances.

Q390 **Derek Thomas:** Some of what I am going to ask about has been covered but I would appreciate it if we could get some clarity.

The Government have announced that they will use their powers under the Agriculture Act to collect and share the data on the operation of the dairy and pig supply chains. Can you say a bit more about how that will increase fairness in those sectors? Also, can you extend these powers to horticulture?

Sir Mark Spencer: Yes and yes. Number one, it is about having a written contract. A lot of people in the pork sector did not even have a written contract. We will ensure that that is put right.

In dairy, for example, which is the first one we have done, we have made sure that you can only change a contract if both sides agree and if there is conflict, there is now the ombudsman who will look at the contracts and at the written agreement and adjudicate whether there is fair or unfair practice.

Now as you have also indicated, we intend to roll that out into other sectors. We have done dairy. We are doing pork. We have consulted on free-range eggs and fresh produce, including vegetables and we are currently conducting a review on broiler chickens.

Q391 **Derek Thomas:** You said you would introduce regulations to improve fairness and transparency in the egg, dairy and fresh produce supply chains. Give us an example.

Sir Mark Spencer: If I am a processor and we have a contract that says you have to send me a 50 kilo pig and through no fault of your own, the pig is delayed on farm and gets to me at 51 kilos, I put it to you that it would be unfair for me to say, "Our contract is 50 kilos, you have supplied me a pig at 51. Therefore, I am not paying you for that pig" albeit I am going to keep it and put it into the food supply chain. That



feels like unfair practice. It has happened and does happen, and it is the sort of thing that we want to stamp out.

Q392 **Derek Thomas:** You would hear that from the farmers that Barry Gardiner was referring to.

On the dairy front—I think the standards went through in April for the dairy contracts—if milk producers who already have a contract decide to leave the renewing of their contracts until July next year, is that reasonable and fair? Is there any reason to wait until July next year to review and renew a contract?

Sir Mark Spencer: Number one, lots of processors already in the dairy sector will already meet the standard expected of them. There are some good examples, particularly from co-ops who treat their producers very well and with good practice. We want to ensure that good practice is shared across the system. There will be some who take a bit longer but there will be great public and political pressure on them to step up. I would be disappointed if we had to wait until July 2025 before everybody gets there but that is the legal line in the sand, if you like.

Q393 **Derek Thomas:** It is definitely welcome. I think dairy farmers are quite glad about it and I know you have been closely involved in getting something that looks helpful and good for them.

However, if I had received an email from a producer saying that producers would use the whole of the 12 months to sort out the new contracts, will the Government be involved in applying the pressure to get them to have a more ambitious approach to sorting out their contracts?

Sir Mark Spencer: The legal line in the sand is the legal line in the sand. That is the date by which they have to comply. I am sure there will be quite a lot of public interest, particularly in the agricultural press, in who is and who is not compliant with the legislation and that will lead to a bit of political pressure on them.

Q394 **Derek Thomas:** I have been speaking to my dairy farmers. One thing I have found is that unless they are very close to their contracts and how their contracts are drafted, they do not know what the implications are for them and how things will change and make it fairer and more transparent for them. Does DEFRA have a role in communicating to farmers what they can now expect and what it should mean for them?

Sir Mark Spencer: Yes. We have done quite a lot with the dairy sector, with Dairy UK. I think there is a moment coming very soon. On 1 June we appoint Mr Thompson, who will take up the role of adjudicator and there will be an opportunity then to publicise the appointment and draw attention to it. As you indicated, though, it is fairly well known throughout the sector that this is coming but there is always more we can do to advertise it and ensure that people are aware of it.

Q395 **Derek Thomas:** Finally, we are quite rightly tightening up and



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introducing fairness and transparency in contracts between the farmer at the farm gate, the producer and the supply chain. However, as we have already heard about the Fair Trade logo, there is a constant concern among our own farmers and food producers that they are still on an unlevel playing field when it comes to people importing food. Is there any way to better address that in the transparency and fairness piece?

Sir Mark Spencer: Yes—slightly stepping into Alex’s area, trade, but I think we do have a responsibility to ensure that the food we import is safe and we will always do that and have always done that.

Practices around the world change slightly and sometimes it is difficult to put in legislation that fits a global market. I think I have said this to the Committee before now. Of course, a free-range hen is a great idea here in the UK but being a free-range hen in Canada at minus 40 degrees would be challenging. We need to ensure that we get that sort of balance right. Alex, do you have any comment to make about international trade?

Alex Williams: Yes. At the last Farm to Fork summit a year ago, the Prime Minister set out six key commitments to UK food producers, putting agriculture up front in trade agreements being one of them—I will not list all six commitments—and that is indicative of an acceptance that there is a key role for the Government, while embracing the importance of trade given that domestic production can only provide 60% of the UK’s food need and we do need to import. I think that setting out those six priorities was important.

We have had the CPTPP agreement signed since then and I think the NFU welcomed the impact the six commitments had on the final agreement that we reached.

Sir Mark Spencer: That is also why we are consulting over labelling, to ensure that consumers are aware of where their food is produced.

Q396 **Derek Thomas:** The second ever debate I secured in this place was about food security but was also about labelling and a comparison with some kind of Fair Trade mark or a Kitemark for British-produced food, and we have Red Tractor and various other schemes.

As the Department works more and more to create fairness and transparency and also inform consumers, does there need to be one central Government-supported Kitemark or logo that a consumer really understands, that the product meets a really good—

Sir Mark Spencer: Red Tractor is that Kitemark. If you buy food with a Red Tractor logo on it, you know it has been produced to the right standards and welfare conditions here in the UK.

Q397 **Derek Thomas:** Given that there are other examples, is that the one that consumers should have most confidence in?

Sir Mark Spencer: Clearly there are others, some from supermarkets, the RSPCA and other organisations but Red Tractor would give consumers



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the confidence that the food is produced here in the UK to the highest standards.

Q398 **Derek Thomas:** Your labelling of legislation would help?

Sir Mark Spencer: It is very important to give consumers the right amount of information. Some consumers want more; some consumers want less. Modern technology will help with it as we move forward. It will be possible in future, with various QR codes and so on, to give people accurate information about which farm that food has come from.

Q399 **Chair:** Alex, one of the issues with equal standards in international trade is equivalence. If we are testing our chickens every 60 days for salmonella and in another country they are testing every 65 days, probably there is not great issue. However, who is going to be taking a view as to whether another country's standards are equivalent to ours or worse? It seems difficult, particularly with issues of animal welfare and some practices that are carried out abroad.

Alex Williams: I am sorry that I am not as into the detail of commitments in agreements. I am not entirely sure what kind of monitoring or dispute resolution mechanisms they are subject to.

Sir Mark Spencer: Some of it comes down to what is legal and possible under WTO rules. Where we can step in, of course, is where there is a concern about risk to human health or animal health. We will always protect our borders from importing foot and mouth disease or African swine fever or any disaster of that nature. We have a responsibility to do that and that is what we will do. The Prime Minister has also been explicit that he will not accept chlorinated chicken, for example, or hormone-treated beef.

Q400 **Rosie Duffield:** We have heard that at the recent Farm to Fork summit, the Government announced the appointment of the supply chain adjudicator, Richard Thompson. Can you supply the Committee with more details about his role, in particular regarding whether he will have powers to enforce regulations under the Agriculture Act?

Sir Mark Spencer: Yes. That will be the primary role; that is the Act that gives him that power. We want to get him in post, first, and let him find his own feet, talk to the Grocery Code Adjudicator and ensure that they are going to work hand in glove. However, I think it is a big step forward. There is quite a lot of work for him to do in the first few weeks, to go and meet people in the retail, processing and farming sectors and ensure that he builds those relationships.

Q401 **Rosie Duffield:** Will farmers and smallholders have a direct line to that office?

Sir Mark Spencer: Yes, of course. They will be able to make complaints or raise concerns, but I also want the adjudicator to have a power to go



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and look at things without them being reported and I think that is going to be a fairly important part of his role.

Q402 **Rosie Duffield:** Are there any sectors that you want the adjudicator to concentrate on—pigs, eggs, fresh produce, or just generally?

Sir Mark Spencer: I don't think we want to box him in. I think we can give him free range. I am hesitating slightly because I don't want to put words in his mouth; I want him to find his own feet and I think too much political interference would be unhelpful. I think he needs to have the freedom to go and do what he wants to do and talk to whoever he wants but I want to ensure that he has the power, to back him up, to ensure that he has some teeth so that he can make changes. Sarah, did you want to add something?

Sarah Evered: Yes. Under the Agriculture Act, the adjudicator has specific powers. He can enforce and issue fines and penalties. Farmers will be able to raise complaints and the adjudicator will be able to investigate and take decisions as to whether enforcement action is needed. To start with, that will be in connection with the milk regulations, but we envisage that for the other sectors we are conducting reviews in—pigs, for example—his remit will be extended in due course.

Q403 **Rosie Duffield:** Brilliant. For example, if my local NFU came to me with a problem and could not get help from the Environment Agency, could we then lean on the adjudicator in a sort of ombudsman kind of role and maybe get some help?

Sarah Evered: His powers will be limited to those set out in the milk regulations to start with. Of course, he will be influential in his role so I think he will have a kind of soft power element. His legal powers in the first instance, however, will be those set out in the milk regulations.

Q404 **Rosie Duffield:** Therefore, price regulation might come into it?

Sarah Evered: The milk regulations do cover price.

Q405 **Chair:** Thank you. Mr Thompson comes from Aldi?

Sir Mark Spencer: No, you are confused.

Q406 **Chair:** I am misadvised?

Sir Mark Spencer: That is a common mistake. There is a Richard Thompson who works for Aldi Supermarkets but who is not the same individual. That confusion has caused quite a few ripples during this process. People have accused him before he has even taken the role.

Q407 **Chair:** The rumour has obviously reached the Clerks of this Committee. I apologise to both Mr Thompsons.

Sir Mark Spencer: To be categorically clear, it is not the same Richard Thompson.



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Chair: It is probably just as well that we have that on the record now. Apologies to both Mr Thompsons.

Q408 **Selaine Saxby:** Good afternoon. The Groceries Code Adjudicator has been criticised for the small number of investigations it carries out and the lack of fines given to retailers. Why has the adjudicator carried out so few investigations and how are you encouraging it to take a more rigorous approach?

Alex Williams: That one is for me, I think. I would not necessarily come from a starting point of where not using formal investigation powers or fining powers is a bad thing. We have now done three statutory reviews of the effectiveness of the Groceries Code Adjudicator and all three have found feedback from stakeholders from across the sector praising the collaborative and proactive approach he takes in heading off issues before it even gets to a formal investigation. It could be seen as a mark of success of the regulatory regime that there has only been two formal investigations since the GCA was established. However, the number of suppliers reporting code-related issues has fallen over that 10-year period on trend.

Q409 **Selaine Saxby:** We have heard evidence here that the levy on retailers to fund the Groceries Code Adjudicator might incentivise a compliance rather than deterrent-based approach by the supermarkets. What assessment have you been able to make of the potential merits of an alternative funding structure for the adjudicator?

Alex Williams: As part of reviewing its effectiveness in its recent statutory review, we considered all aspects of how the adjudicator operates and is funded. We think the levy-funded approach is working well on balance, and that, no, it is not necessarily driving it down to a compliance route.

The assessment from all of the stakeholder input we received was that it was more the proactive approach from the adjudicator and his team and their effective management of relationships with supermarkets, through effective management of the relationship with the direct suppliers that the code is focused on, was working well.

Q410 **Selaine Saxby:** The House of Lords Horticultural Committee concluded that the Groceries Code Adjudicator has limited resources and that its role is too limited to stand up for growers effectively. Will the Government consider increasing the funding and resources available to the Groceries Code Adjudicator?

Alex Williams: The Groceries Code Adjudicator has been established to ensure the fair and lawful treatment of direct suppliers to supermarkets, so it is not about producers, per se; it is those direct suppliers. In terms of the resources available to the Groceries Code Adjudicator, it is for the Groceries Code Adjudicator to set the levy; it does have Secretary of State approval but there has never been an occasion where the Secretary



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of State has not approved the levy that is being brought forward by the GCA.

Sir Mark Spencer: I think the gap that you referred to is exactly why the Supply Chain Adjudicator is required and why we have introduced that role.

Selaine Saxby: Thank you.

Q411 **Dr Neil Hudson:** Thank you very much for being before us today. I wanted to go further into the Groceries Code Adjudicator. First of all, Minister, I am very taken that you are wearing your Yellow Wellies badge today for the Farm Safety Foundation. As a Committee that is something that we feel really strongly about having published our report on mental health in rural communities.

When we have been doing this inquiry, the inputs that we have had, some of the pressures facing farmers, growers, producers, is that imbalance in the food supply chain in terms of the power of retailers and intermediaries. Now I am very cognisant of where Government can and cannot step in but you wearing that today shows us that the Government take very seriously fairness in the food supply chain around the effects it has on the mental and physical wellbeing of our farmers and growers.

Sir Mark Spencer: Yes. We all have a responsibility to try to help in that area. I think there is very much more awareness of it. There are a lot of charities who are doing a huge amount of work to raise the profile of that and the work that the Committee has done has been helpful to Government to shape and direct some of the things we can do to improve that area. That is a very good example of where Select Committee scrutiny has helped shape government policy.

Q412 **Dr Neil Hudson:** Thank you. I now want to explore the Groceries Code Adjudicator a bit more. Input we have had on the Committee again is that it could be expanded. What assessment have you made of the potential merits of widening the scope of the Groceries Supply Code of Practice to give the Groceries Code Adjudicator greater oversight of different aspects of the food supply chain?

Sir Mark Spencer: Yes. Clearly the Supply Chain Adjudicator will work closely with the Groceries Code Adjudicator, albeit they are separate systems—one sits under DEFRA, one sits under DBT—but we as two departments work closely together. I expect those two ombudsmen to work closely together in future.

Alex Williams: I am sure Sarah will jump in but, as I say, the Groceries Code Adjudicator is primarily looking at the relationship between direct suppliers and supermarkets. There are aspects of the groceries code that are of less relevance than they could be for primary producers, for example. There are requirements in the groceries code around promotions and not charging direct supplies for promotions, which might be less relevant if you are a farmer, for example. If the development of



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the relevant sector approach is also highlighted, you do need to take a sector by sector approach when you are looking at primary producers?

That is not to say there is not complementarity between the two adjudicators; it is just to say that they are different roles and probably need to be sector-specific when you are looking at primary producers.

Q413 Dr Neil Hudson: You said there that the scope is to do with the direct suppliers to the supermarkets. Certainly when we have had discussions with stakeholders one of the criticisms is could you not expand it to include some of the intermediaries, because there is a perception that people are getting round the jurisdiction of the Groceries Code Adjudicator because of that.

Alex Williams: I have heard criticism.

Q414 Dr Neil Hudson: What can we do about it?

Alex Williams: The Groceries Code Adjudicator himself has considered the question and has not found compelling evidence that that is the case at present. If he feels the code needs to be expanded, he can personally make recommendations to the CMA to vary the order that affects the code. However, if there is compelling evidence, he has very much requested that suppliers come forward with that evidence.

Q415 Dr Neil Hudson: It is very hard for people in this sector to come forward in public and raise some of these criticisms about the power imbalances with supermarkets. That is one of the reasons why we had interactions with stakeholders who off the record can discuss with the Committee. It is very difficult to go out in public and provide the evidence, but we can give you a reassurance from the Committee that we have certainly had stakeholders express to us they want the GCA widened to help them.

Sir Mark Spencer: What you are hearing from those stakeholders is they want someone to intervene and to fight their corner. We looked at that model of the GCA and one option was to expand that model, but it did not seem to work in the processing sector because obviously it works with a levy on the retailers to fund the GCA. There are seven or eight major retailers, there are tens of thousands of processors.

That levy model does not work, which is why we decided to take it in-house, appoint that individual, fund them through the DEFRA budget and give the autonomy to that individual to step in and fight the corner of those who are dealing with processors. The models are slightly different for that reason. As long as they have the powers to step in, which they take through the Agricultural Act, I think we will get to the right place and probably with a model that works rather than expanding the GCA.

Q416 Dr Neil Hudson: I take your point about the difficulties of expanding the GCA. What about the Supply Chain Adjudicator, Mr Thompson—is this something that could come under his brief to try to address some of this power imbalance? Is that something you could look at?



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Sir Mark Spencer: That is exactly what his role will be, initially in the dairy sector. He then feeds back to us what he is finding and what will help him. Of course, there is the option for the Government to introduce secondary legislation to look at other sectors or to intervene in other relationships.

Q417 **Dr Neil Hudson:** The Government is cognisant of these issues; you are just trying to look at the best way of addressing them is what you are saying today?

Sir Mark Spencer: Absolutely.

Q418 **Dr Neil Hudson:** Okay, thank you. Finally, in February 2022, the Groceries Code Adjudicator launched seven golden rules for handling requests for cost price increases in the context of rising inflation. What consideration have you given to refreshing the Groceries Supply Code of Practice to embed some of these rules?

Sir Mark Spencer: Yes. That is what really did cause some of that challenge. If we go back to cauliflowers, if we had done a deal whereby we set the price and then there is huge inflationary pressure in terms of energy or fertilisers, of course that puts you in a very difficult place and having that flexibility in the system to adjust those contracts is something that we are looking at and working out the best way. We do have to recognise if you build inflexibility in one direction, then you risk putting inflexibility in the other direction. That is something that is a huge wrestle.

Again, to go back to the beginning, there is an obligation and a responsibility on all parts of the supply chain to ensure that we all get a fair crack of the whip. If those retailers and processors treat primary producers without respect and without the recognition that they need to make a profit, they will not exist in the short to medium term. They will either go out of business or they will produce another crop. That will then leave them as a processor or a retailer without a supply chain.

Dr Neil Hudson: Thank you very much.

Q419 **Barry Gardiner:** Minister, if three-quarters of your customers were dissatisfied with your performance, do you not think that would be time to think about doing something different?

Sir Mark Spencer: I think plain economics would lead me to that point.

Q420 **Barry Gardiner:** Good. Well, plain economics would certainly lead me to that point. You will be aware of the research that Which? conducted into customers' perception about shrinkflation. Shrinkflation being the process by which your chocolate bar gets shorter, but the price stays the same or sometimes even goes up. What Which? found was that 77%—it was for different questions they asked but it was 77%, 75% and 76%—said this was basically a rip-off and it should not be happening. Do you agree with the 77%?



Sir Mark Spencer: There are different motivations for that. Clearly one is profit and one is maintaining your place in the marketplace, but also there are some health benefits in reducing the size of chocolate bars.

Q421 **Barry Gardiner:** Absolutely. I welcome all that the Government have done and could do more on encouraging people to move away from sugar and so on, but let's stick with this part of it. What they object to principally is the fact that it is sneaky, the fact that it is done without them actually being told that it is being done. You go and you get your Twix—sorry, I should not be advertising—or your Mars bar, whatever, let's be even-handed here, and it takes you a bite shorter to finish it. They think, "Oh, that is funny" because nowhere on the packet did it say, "This is now a lot more expensive per bite than it used to be" and that is what they object to.

Yet in France, when they did something on this last year, they said, "Well, who should be telling consumers about this?" Over half of the consumers said, "Well, the supermarket should be telling us". Then I think about 30%, a third of them, said, "Well, the manufacturers should be putting it on their product". Do you know how many people actually said, "Well, it is for the customer to read the label and find out exactly what weight it was and what weight it used to be"? Actually, 9% thought that they had the obligation to find this out.

Why are you not doing anything about shrinkflation? If you want to use labelling as a tool—which the Government do in some cases very well—surely you should be transparent and ensure that people know that the Mars bar they used to get isn't the Mars bar they are getting now.

Sir Mark Spencer: There is a legal obligation on behalf of manufacturers, retailers, to put the weight of the product on the packet.

Q422 **Barry Gardiner:** Minister, how many grams is the current Mars bar and how many grams less is it than the Mars bar before? You don't know, I don't know. I doubt whether even the head of Mars knows.

Sir Mark Spencer: That is true, but it is probably better for me as a consumer—and I declare my interest as someone who is overweight—to have a smaller Mars bar a day than the larger ones I used to have.

Q423 **Barry Gardiner:** It is not the same with baked beans and it is not the same with a whole load of other products. We have taken Mars bars and Kit Kats and so on, but actually your tin size is smaller, all your packaging, you are getting shrinkflation right across the board and what is happening is customers are being ripped off and they don't like it. They want the Government to do something about it.

Sir Mark Spencer: Alex, did you want to defend baked beans in size?

Alex Williams: As a diabetic, I cannot talk about chocolate bar prices, but I should highlight that the Government are bringing forward new measures to improve unit price transparency. Reforms to the price marking order that will introduce unit pricing by the kilogram for weight



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and by the litre for volume, as well as improving the legibility of pricing in supermarkets, we are bringing that forward.

Barry Gardiner: You know that consumers are creatures of habit; we go in and we buy the same packs off the shelf because they look the same. What we need is that when it changes we need somebody to say, "This has actually now changed, and you are paying this much more per gram or per kilogram than you used to be". Let's leave that one there.

Q424 **Chair:** If I could just come in there, I think what was even worse than shrinkflation was skimflation that we heard about. Where there is less beef in your beef lasagna or less chicken in your chicken ready meal and they do tell consumers, "New improved recipe", which does not quite make it clear what is happening. We heard about 10 fewer beans in a tin of Heinz baked beans and they would not admit that the sauce was cheaper than the beans. The unit price would not have given that away because it was still the same total weight of beans. The lasagna was still the same weight but there was less of the expensive ingredient and more of the cheaper ingredient.

Sir Mark Spencer: The question is: in a free market, what is the role of the Government to intervene in that?

Q425 **Barry Gardiner:** It is to redress the balance of power between the manufacturer and the customer, between the supermarket and the farmer.

Sir Mark Spencer: Ultimately, the consumer has that power.

Q426 **Barry Gardiner:** Every question you have had this afternoon, Minister, has been about that fundamental issue: who holds the power and is the Government making sure they do not abuse that position of power?

Sir Mark Spencer: Ultimately, the consumer has that power to make those choices and we have seen a number of examples where consumer power has driven the market. I think free-range eggs is the best example of that, where the consumer decided they wanted free-range eggs.

Q427 **Barry Gardiner:** Minister, you and I crossed chicken legs on free-range eggs last time you were here because you were the Minister who was sitting there telling me that we should be marketing them as free-range eggs even when they were no longer free-range.

Sir Mark Spencer: Of course, in a situation where there is avian influenza and people are forced to take their chickens inside, there is an obligation to support those free-range farmers during that period.

Q428 **Barry Gardiner:** Well, call them what they really are—they are barn.

Sir Mark Spencer: Then we lead to confusing the consumer, not informing the consumer and that is quite an important distinction.

Q429 **Barry Gardiner:** Let's get back to the issue at hand. It is the way in which the customer feels that they are getting the raw end of the deal



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and that they are being duped by sneaky practices from the supermarkets and from the producers. Principal among which is that we now have fake farms. What do we have? We have Willow Farm for poultry. We have Nightingale Farms for salads. We have Redmere Farms for vegetables, Woodside Farms for pork, Boswell Farms for beef, and Bay Fishmongers for fish. It is a load of cobblers. It is absolutely fake. Yet you, as a Government, tell us that we want clear labelling. This is not clear labelling, this is lies.

Sir Mark Spencer: The question is: how do you then—

Barry Gardiner: They say it is a farm, but it doesn't exist.

Sir Mark Spencer: Yes, but you can call your brand—so clearly Mars bars are not produced on the planet Mars, are they? Where do you want to go with this? How misleading is the Mars bar? I think you have to give the consumer some credit for understanding where their food is coming from. There is an argument that as a sector, as food producers, we have not done enough to keep consumers informed as to how and where their food is produced. There is more that we can do as farmers and as a Government to educate the next generation on how and where food is produced, to give them that base knowledge to enable them to make those decisions themselves. Surely that is where the Government can intervene rather than in specifically whether you can call your product Gardiner's Gravy or Home Farm Gravy.

Q430 **Barry Gardiner:** I don't think that either you or I or any other human being on this planet would be seriously confused by Milky Way or Mars or any other product so stratospherically named. If somebody tells me that this chicken comes from our own Willow Farm, I probably think that somewhere deep in the English countryside there is a farm called Willow Farm that produced this particular chicken. That is a lie.

Sir Mark Spencer: We are actually consulting on labelling. I accept some of your argument. We are probably closer than this exchange is indicating. I do accept the premise of your question to a certain extent, and I think there is a role to ensure that if a retailer is selling Cotswold Chicken Pie that you would expect both the chicken and the pie to have been produced in the Cotswolds. I do accept that argument. There is clearly a role for the Government to ensure that that is not misleading, but there is obviously then a huge grey area where it is quite difficult to ensure that we are informing the consumer and not deliberately misleading them.

Q431 **Barry Gardiner:** Look, I want to leave it because I think I have made the point. I would simply suggest to you that the consumer, the general public, thinks that this is not acceptable. They think it is bad practice. They think it is sneaky. They think that they are being lied to, and if you set up that dynamic between the customer and the retailer it is a very bad basis to do business on.



Sir Mark Spencer: It is but there are other alternatives, of course. If you go to your local butcher shop the size of that supply chain is going to be much shorter. There is a fashion for those that can afford it, because of course we have to bear in mind there is a whole chunk of consumers who are not in a position to be able to afford to go to the higher end of the marketplace. You can shorten those supply chains. Sometimes those prices are quite reasonable when you get there. You might find beef in your local butcher shop actually cheaper than it is in the supermarket, so I would encourage consumers to genuinely shop about. Certainly, that is what major retailers do with all their advertising: encourage consumers—

Barry Gardiner: I would encourage you to encourage them, but I would also encourage you to say to the supermarkets, “Stop being so blinking sneaky”.

Q432 **Chair:** Could I just reassure the nation that Yorkshire puddings do not have to be produced in York? Indeed they are our gift to the world. When I was phoned by *The Yorkshire Post* asking to give them some geographic identity, I said, “No, you have to make them fresh. You cannot compare a frozen product with a freshly made product”.

Sir Mark Spencer: That is the grey area. Nobody expects a Chelsea bun to be made in Chelsea. That is the challenge.

Q433 **Cat Smith:** Some consumers obviously are more vulnerable than others. Just to follow on from Mr Gardiner’s point there, if you are watching the grams of carbohydrate in a product that then suffers shrinkflation because you are balancing it against insulin that you are injecting in order to manage your diabetes, that can be a really bad problem in terms of health outcomes.

I have a couple of questions about unit pricing. The Government have obviously committed to amending the price marking order to mandate that consistent unit pricing and, Minister, you have touched on that already. How do you think that these measures are going to benefit customers? Have the Government explored any further measures to improve that clarity of unit pricing so that it is easier for consumers to be able to compare products?

Sir Mark Spencer: You are straying slightly into the DBT area rather than DEFRA, but I don’t want to throw Alex under the bus.

Alex Williams: No, I think I have already touched on it at a high level. Yes, the CMA did a report into unit pricing that drew heavily on qualitative assessment of what consumers really value in terms of information that informs their shopping habits and their own analysis of key aspects of grocery baskets.

As a result we accepted the recommendations of the CMA’s piece of work, consulted on potential reforms to the price marking order in autumn and we committed, in the Government response in January, to bring forward a reformed price marking order that will take a consistent approach to



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pounds per kilo or pence per litre, improve legibility and also provide additional clarity on the types of promotions that retailers might offer that should have these unit prices applied to them as well.

The three prongs of our response to that will provide additional clarity and will provide consumers with a greater understanding and ability to compare products on a unit price level.

Q434 Cat Smith: Will this be extended to cover where loyalty cards to certain supermarkets can offer different prices for the same product as people not using a loyalty card or membership card for that said supermarket?

Alex Williams: The promotions aspects will consider that. I should also highlight that, in parallel to that, the CMA is carrying out an additional review into loyalty schemes offered by supermarkets and their potential to affect competition in the retail sector.

Q435 Cat Smith: This is probably more of a question for the Minister. Do the Government look at how the supermarkets are currently using their loyalty card schemes to offer different prices for the same products? Which? obviously has done an investigation into this where there is some evidence that certain supermarkets are increasing the price of a product in order to then put it on a special offer for the person who has a loyalty card for that supermarket and to be bought at the price that it was actually being sold at the week before. Have the Government assessed how this can potentially be quite discriminatory against certain customers?

You have to be 18 to have a loyalty card for any of the major retailers. I have looked at Clubcards, Nectar cards and there is a requirement to be 18. Surely there is an element of age discrimination that, therefore, younger shoppers—so perhaps children buying their school lunch in a supermarket meal deal—are paying more for their lunch than someone who is over the age of 18 and potentially in work? Also older shoppers, who perhaps are less technologically confident to sign up to these schemes, are they more likely to be excluded? It is also worth noting that you do have to have a permanent UK address for any of these schemes, which excludes those who are in temporary accommodation and homeless.

Sir Mark Spencer: Yes. Call me old-fashioned, but I just wholly believe in the free market. Having a free market has benefited UK consumers enormously over decades. I think having that right to go to another shop and to buy a product in another shop is the best way to keep those prices suppressed. UK consumers are pretty savvy; they know the deal that they are getting, and they understand those sales gimmicks. I am not sure that they fall for that, but they make a conscious decision whether to accept or not accept it.

Q436 Cat Smith: I suppose that works for the vast majority of consumers, but I am trying to pull out some of the more vulnerable consumers, and they



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will be the minority. The vast majority will probably be able to access a loyalty card scheme in order to access the better prices but will there always be a minority who will not be able to access those?

Sir Mark Spencer: There will. Of course there will always be a retailer or retailers who try to take advantage of that market opportunity in saying, "Don't go to that supermarket because my product is better and more reasonably priced than theirs" and that is how the free market works. They attract those consumers across and that drives down the price, so we all benefit as consumers from that market challenge.

Q437 **Cat Smith:** Do you see a role for the Government when it comes to defending vulnerable consumers?

Sir Mark Spencer: Of course we have a responsibility to ensure people are not ripped off, but I think the best way for them not to be ripped off is to have a free market that is operating as efficiently as possible.

Q438 **Cat Smith:** If the free market is saying to a teenage parent that they are going to pay more for the nappies for their child because they cannot have a Clubcard, a Nectar card, or the older person who cannot sign up online for one, that pensioner who is already living in poverty, would not that be somewhere the Government could step in?

Sir Mark Spencer: Hopefully, if you put your prices for nappies up and then discount them for members, there will be another retailer that goes, "Actually we haven't put them up in the first place and we are cheaper" and so you would be able to switch to that supermarket. The danger is, if you try to legislate that out actually the price of nappies for all of us goes up in the marketplace.

Q439 **Cat Smith:** It is clear where you are coming from, Minister.

Sir Mark Spencer: We agree that we should try to protect vulnerable people and ensure that product is available to all consumers across society. We may slightly disagree on the best way to achieve that, and my perspective is that the free market delivers that. That is the best model because I think Government interference and over bureaucracy in this area would have the opposite effect of what we both want to achieve and would drive up the cost of products across the marketplace.

Alex Williams: I should jump in because having talked about a CMA review, the CMA is exactly considering what the Minister says about making sure market dynamics are providing that opportunity and choice for vulnerable customers. Its review is also explicitly considering whether certain groups are disadvantaged as a result of loyalty scheme pricing. The CMA is carrying that work out and we expect an update in July. They would obviously very much welcome any views from the Committee in that space as it forms its own view.

Q440 **Chair:** I will just come in on another aspect of that because people often say to me, "I am concerned about the loyalty scheme because that



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supermarket knows every single thing I buy. They know every single aspect of my life". It may be that you know somebody is buying incontinence products, someone in the household has a problem with that, and they would not really want everyone at the supermarket to know that. Or maybe they are buying gluten-free or diabetic products. That is the sort of information they may not want to share with other people.

Certainly if the NHS was to release that information it would be quite serious. Isn't there an issue in terms of the confidentiality of a customer? We are being bribed by these offers to share our lives with the supermarket who then knows every single aspect of what we do. "Oh, they are buying baby milk. A baby has arrived. Let's try to sell them some other products".

Sir Mark Spencer: Clearly that data is protected under the law. That data could not be put into the public domain, for example.

Q441 **Chair:** No, but they could certainly use it to market other products that the person might be interested in.

Sir Mark Spencer: Yes. Of course, in making the decision to use that retailer, you need to do that in a conscious way. That you are sharing that information. Now that can be commercially advantageous to you as the consumer because you get to hear about those offers and bargains that they put on. Most people are savvy enough to work out that these promotions often are to get you in the door and then other stuff may be slightly higher than it is in another supermarket. Some people are very savvy at working that system. Other people accept the system and work with it. That is how the free market works.

I just think that Government interference in that area will actually drive up costs to all consumers. The free market has delivered a very consistent supply chain at a reasonable price. If you compare prices in the UK to our friends on the Continent, prices of a shopping basket in France and Germany are consistently higher than they are in the UK.

Chair: Sorry, Cat, I did not mean to interrupt.

Q442 **Cat Smith:** I have one quick final question, which is about the smaller stores. Of course, unit pricing only applies to the larger stores and with less than 280 square metres you do not have to display your unit pricing. However, obviously some of the big supermarkets have smaller stores that operate more as a corner shop, but they do not have to display the unit pricing in their stores. Is that something that the Department will be looking at changing at all?

Alex Williams: I will have to come back to you on that, I am afraid.

Cat Smith: Happy to get something in writing.

Sir Mark Spencer: As a consumer, you should choose a shop where it displays the price and you can understand that price.



Q443 **Cat Smith:** The point is if you are going to your local corner shop that is run by a family in the town or the village and they do not have the obligation to take on that unit pricing, which would be quite administratively burdensome. However if there is, for instance, a Tesco Metro that is below that size, they obviously have this information, and it would be very easy for them to display.

Sir Mark Spencer: That is a commercial decision for Tesco to take. You cannot distinguish between them.

Q444 **Cat Smith:** If you are obliging larger Tesco stores to display it but their Metro stores do not have to, there an inconsistency. It would be quite an easy win for the Government to actually be able to allow consumers to see this information more accessibly. I will leave that with you, Minister.

Sir Mark Spencer: Yes, thank you.

Q445 **Chair:** While we are on labelling, I was finding it rather confusing that we have kilocalories and kilojoules on the packaging. Have the Government looked at maybe simplifying it and just having calories to make it simpler?

Sir Mark Spencer: I do not think it is something that we have looked at. I do not know if that is a DBT thing. It does sound like business and trade rather than environment.

Alex Williams: I was going to suggest the contrary.

Q446 **Chair:** I am meeting with the pizza people, and they have trouble getting all the information on to some of their boxes—even though they are very big boxes—and making it straightforward.

Sir Mark Spencer: It is difficult, isn't it, to compare different products and the way in which we measure and weigh those products? Clearly, you would buy potatoes by the kilo—

Chair: I am talking about kilocalories, not kilograms.

Sir Mark Spencer: Yes, but I am saying in terms of weight as well. A product like potatoes you would, of course, expect the price by the kilo to be displayed but for a higher value product—say, like cheese—you might expect that to be displayed per 100 grams because you buy in much smaller quantities. It is getting that balance right. What is displayed as the unit price I think is best left to the retailer.

Chair: I have yet to meet anyone who works in kilojoules if they are on a diet and trying to watch the calories when they are having their Mars bars. Maybe it is something we could talk about. Barry.

Q447 **Barry Gardiner:** Minister, Mr Williams, Ms Evered, can you tell me how many kilojoules there are in a calorie?

Sir Mark Spencer: In one calorie? I do not know that figure.



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Chair: Nobody knows. That is the point I am trying to make.

Q448 **Barry Gardiner:** I do. It is 4.18.

Sir Mark Spencer: So 4.18 kilojoules in a calorie. You are more informed.

Chair: Did you just Google that?

Barry Gardiner: Ye of little faith, Chair.

Sir Mark Spencer: That is impressive knowledge, Mr Gardiner.

Q449 **Barry Gardiner:** It does reinforce the Chair's point that nobody has a clue what it means when they read it on the back of the packet.

Sir Mark Spencer: What I do know though, as a consumer, is that Mars bars are worse for me than an apple in terms of energy. It depends on the depth of knowledge that I need to know. I do know that having a balanced diet would be better for me than having—

Q450 **Barry Gardiner:** Why are we insisting that the kilojoules go on the back of the packet if, in fact, we do not need that detailed knowledge? If we need knowledge that we can actually interpret, surely it is important to put things on there, in everyday parlance, so that people know what they are talking about.

Sir Mark Spencer: To able to compare products with products, which I accept. Some consumers will want that depth of knowledge, some consumers will not.

Chair: I am going to draw a line under this. Barry never ceases to amaze us, by the way. We have the Minister on his feet so, Julian, if you want to ask the last question. We will hopefully pull stumps before we finish.

Q451 **Julian Sturdy:** I just want to touch on labour in the food supply chain, Minister. We talked before about access to skilled labour being an issue, the impact that has on the cost of inflation of produce, which came up in the inquiry, and also produce not being harvested and left in the field. We have discussed that with you previously.

What also came up in the sessions we have had was concerns that seasonal worker scheme operators are not actually complying with the scheme's requirements, including reports of workers being left without work and, therefore, unable to repay migration debt. What steps are you taking with other Departments to improve monitoring and ensuring compliance?

Sir Mark Spencer: Obviously this is a responsibility of the Home Office. We work closely with the Home Office. On the number of visas we have worked closely on, we are now issuing 43,000 visas per year. The sector did not take advantage of all of those visas last time, which means that there is capacity for a few more if that is required.



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You are right to focus on the fact that we do have a responsibility to look after those people when they come here and to ensure that they are fairly treated. It is the case that the vast number of people who come to the UK are treated fairly. Where they are mistreated, the Home Office does take action and has taken action against suppliers by withdrawing their licence.

Q452 **Julian Sturdy:** Do you have those discussions with the Home Office?

Sir Mark Spencer: We meet the Home Office on a fairly regular basis, and we work quite closely. Of course, the Home Office is responsible for the treatment of those individuals and is very keen and very robust in our discussions in making sure that we do our fair share and our bit to ensure those people are not exploited, are protected and are being treated fairly. The same in the countries those people are being recruited from. The Home Office does a lot of work to ensure that those people are not being exploited at the other end of the conveyor.

Q453 **Julian Sturdy:** The companies that are doing the employing and bringing them into the UK—what monitoring is being done of those and are you involved in monitoring?

Sir Mark Spencer: Again, it is the responsibility of the Home Office, but there are vigorous rules and inspection regimes in place to ensure that those people are protected all the way through that process, so that there isn't somebody charging them a fee in the foreign country to sign up to the scheme, that they are not exploited when they get here, that their accommodation is adequate, and that the number of hours that they are working is what they are being paid for. A lot of work goes into that.

Administratively, it is quite burdensome for the employers, but if they want to make use of that migrant labour employers sign up to that scheme and follow that admin. Again, within the agricultural sector, we have some very good employers who do look after their staff. There are a number of examples where I have gone around as a Minister meeting farmers, meeting their staff teams, and there are often foreign nationals who have settled here in the UK or who have come back on a regular basis, who have been elevated up the management system to fairly senior roles within the management structure of that business.

Q454 **Julian Sturdy:** Yes, I would agree with that entirely. Leading on to the cost part, the Landworkers' Alliance has called for the cost of the recruitment and transportation of seasonal workers to be borne by supermarkets rather than the farmers. What is your assessment of that proposal?

Sir Mark Spencer: The supply chain has to ultimately pick up the cost of that product reaching the supermarket shelf. It is something that we need to share across that supply chain, if we are to produce those products at a reasonable price for our consumers—going right back to the beginning—that needs to be fair for the retailer, fair for the processor, and fair for the primary producer.



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Q455 **Julian Sturdy:** I will finish on this point—*[Interruption.]* Obviously, the bell is ringing. We had the supermarkets in front of us and they said they are concerned about the fact of skilled labour for their producers but then they are also not prepared to actually fund it.

Sir Mark Spencer: Ultimately, the consumer has to pay. At the end of the day, this all lands on the consumer. When they buy a product off the shelf, they are the ultimate individual in that chain. However, the retailer, the processor and the primary producer need to play their part and share the risk, share the responsibility but also share the profit.

Q456 **Julian Sturdy:** Do you think the retailers are doing enough?

Sir Mark Spencer: There is always more we can do. There is more that we need to do to balance that supply chain. That comes down fundamentally to what the Government are trying to achieve through their fairness reviews, putting the ombudsman in place and continuing those conversations to keep supply chains flowing and fair.

Chair: Minister, Mr Williams, Ms Evered, thank you very much indeed for coming along and giving the evidence. I was going to say you were saved by the bell, but we have actually got to the end of our questions. Thank you very much indeed.