

House of Commons:

ENVIRONMENT, FOOD AND RURAL AFFAIRS SELECT COMMITTEE

Food Security

Call for written evidence:

**Submission from the Agriculture and Horticulture Development Board
(AHDB)**

23 September 2022

AHDB

AHDB is a statutory levy board funded by farmers and others in the supply chain. Its purpose is to be a critical enabler, to positively influence outcomes, allowing farmers and others in the supply chain to be competitive, successful and share good practice. It equips levy payers with easy-to-use products, tools and services to help them make informed decisions and improve business performance. Established in 2008 and classified as a Non-Departmental Public Body (NDPB), AHDB supports the following industries: meat and livestock (Beef, Lamb and Pork) in England; Dairy in Great Britain; and Cereals and Oilseeds in the UK.

Please note: As an evidence-based non-departmental public body (NDPB) AHDB is not in a position to comment/speculate on all questions relating to this inquiry.

AHDB welcomes the opportunity to provide written evidence to the committee and would be happy to provide a witness to give further information at future oral evidence sessions.

Summary

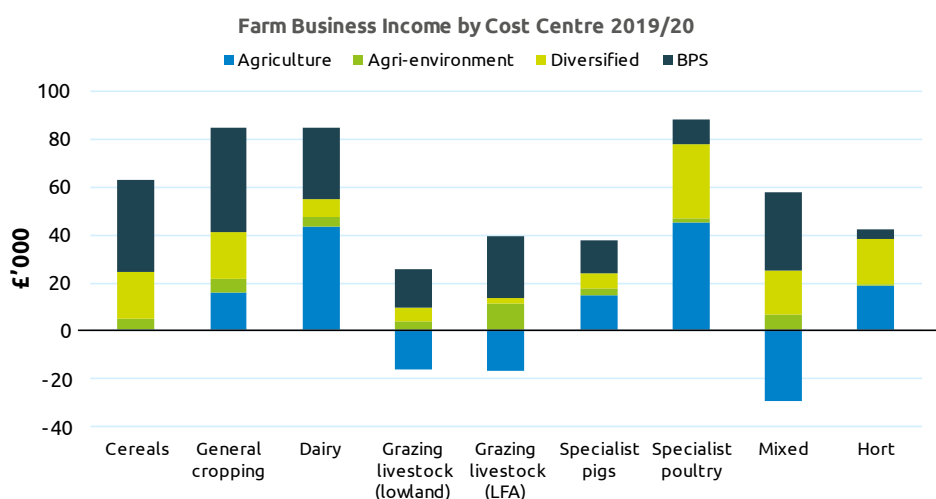
AHDB's inquiry submission details:

- The impact of domestic policy and geopolitical issues on food supply
- Drivers of the short and medium-term outlook for food security and consumer habits
- Assessing the impact of the Sustainable Farming Incentive (SFI)

Inquiry questions and AHDB's response

1. **What are the key factors affecting the resilience of food supply chains and causing disruption and rising food prices – including input costs, labour shortages and global events? What are the consequences for UK businesses and consumers?**
2. A perfect storm of issues has conspired to affect resilience in food supply chains, including the continuing fallout of the UK leaving the EU, the impact of the Covid pandemic and the conflict in the Ukraine. This has led to ongoing disruption at ports, shortages of labour in abattoirs and HGV drivers and increases in food and energy costs. The consequences for farmers are significant, most notably with increased costs of production and volatile commodity markets.
3. In addition, agricultural policy changes in England also come into play as direct payments currently form a very large proportion of farm incomes. Farm incomes vary greatly due to changing commodity prices but a segment of income currently is fixed by these direct payments, helping provide some resilience for farmers which is outlined in the graph below. The Government plans to phase out these direct payments in England by 2027 which will make the farming sector less resilient.

Direct payments are an important part of farm income



Source: Defra

4. **What is the outlook for UK food price inflation in the short and medium term?**
5. AHDB produces a short-term projection of anticipated supply and demand changes twice a year for the commodities covered by our remit - meat and livestock (Beef, Lamb and Pork) in England; Dairy in Great Britain; and Cereals and Oilseeds in the UK. It currently indicates that, at least in the short term, we expect supplies to contract over the next two years. Further detailed information on this can be found on the [Agri-Market Outlook](#) section of the AHDB website. Commodity prices are incredibly volatile and do change. However, it takes time for those price changes to flow through the rest of the supply chain to reach the retail level.
6. Kantar's measure of Fast-moving consumer goods (FMCG) inflation shows a continued acceleration, standing at 11.6% in the four weeks to week ending 7 Aug 2022. This coincides with a record low in shopper confidence, with 61% of shoppers expecting to be worse off in the year ahead (IGD ShopperVista, August 2022). Food prices and energy bills are top of these concerns, with 91% of shoppers expecting food to become more expensive over the next 12 months.
7. Consumers are increasingly cautious, and they are managing their expenditure on food and drink in a variety of ways. When buying groceries, 63% say they have [traded down to supermarket own label](#)

Written evidence submitted by Agriculture and Horticulture Development Board (AHDB) (FS0010)

products instead of buying branded products, and 60% say they are buying more products on promotion/deal. In addition to this, 59% say they are shopping at stores with cheaper prices (AHDB/YouGov Consumer Tracker, August 2022).

8. Not only are shoppers looking for ways to save money when buying groceries, they are also cutting back on out-of-home consumption. Polling from YouGov has shown eating out and takeaways are among the main areas people are being forced to cut back on due to the cost-of-living crisis. Given that we'd only just started to see the recalibration of the foodservice channel, following the pandemic shutdowns, it [now faces another hugely challenging period](#). In July 2022, IGD asked people, when going out for a meal, which tactics they might choose to do to save money. The top response (47%) was looking for vouchers/deals and therefore promotions will also be important within foodservice.
9. ***How are the cost of living and increasing food prices affecting access to healthy and nutritious food?***
10. The majority (67%) of shoppers agree that eating healthily is more expensive than eating unhealthily (IGD ShopperVista, April 2022). Historical data from Kantar shows that consumers' relationship with [health is closely aligned to consumer confidence](#), with dips in confidence aligning to a reduction in food and drink had for health reasons (Kantar Usage). Given that 59% of shoppers say their household finances have got worse in recent months (AHDB/YouGov Consumer Tracker, August 2022), many shoppers will struggle to prioritise healthy eating.
11. We are already starting to see the [impact of increasing food prices on meat consumption](#). Of those who have eaten less meat than previously, the top reason (52%) was because meat had become more expensive (AHDB/YouGov Consumer Tracker, August 2022).
12. ***Is the current level and target of food self-sufficiency in England still appropriate?***
13. The answer to this question is very much dependent on the factors outlined in the paragraph numbered 3 of this submission. It is dependent on levels of domestic food production and the reliability of food production overseas, given the incumbent geopolitical unrest. In essence, without increasing domestic production you would have to import more. Conversely, if overseas production is disrupted, domestic production would have to increase. Current global geopolitical issues may prompt the Government to question the reliability of those global supply chains. For instance, issues could arise where one country dominates the production of a specific commodity such as sunflower oil production in the Ukraine which could pose potential problems relating to supply. Therefore, targets for food self-sufficiency in the UK may need re-visiting to assess viability.
14. ***How could the Government's proposed land use strategy for England improve food security? What balance should be struck between land use for food production and other goals – such as environmental benefit?***
15. Government policy does have a big impact on farmers' decision-making and the [AHDB Sustainable Farming Incentive \(SFI\) analysis](#) highlights that most farmers make business decisions based on the economics. With commodity market prices at their current levels the payment rates picked for SFI are such that it does not make financial sense for farmers to adopt standards which require them to take land out of production to deliver environmental goods.
16. ***Further information***
- 17.