

Written evidence submitted by the British Independent Fruit Growers' Association (FFS0007)

The Committee will refer to evidence gathered by the previous EFRA Committee on the below topics, but would welcome new or updated submissions on:

- the effectiveness of the Groceries Code Adjudicator to enforce the Groceries Supply Code of Practice

As far as I am aware, the Groceries Code Adjudicator (GCA) continues to be effective in enforcing the Groceries Supply Code of Practice (GSCOP). BIFGA, however, believes that, as we mentioned in our previous submission (attached for your convenience), and have been calling for for over 30 years, to ensure greater fairness for producers and consumers supermarkets need to be fully-regulated.

- the potential merits and demerits of expanding the scope of the Groceries Supply Code of Practice

If the scope of the GSCOP is expanded (and ideally strengthened) so that the GCA effectively becomes a Regulator rather than an adjudicator, this could be a positive step forward, not only for direct suppliers, but also for primary producers as well. A “full-blown” Regulator would also be able to ensure that consumers were protected against unreasonable behaviour by any major groceries retailer. A Regulator could also take steps to ensure that primary producers received a “fair share” of the “shoppers’ pound”.

- other potential reforms to the Groceries Supply Code of Practice, including the potential benefits and risks of lowering the turnover threshold for which retailers are covered

Whilst there could well be a case for an even lower turnover threshold, the threshold should, at the very least, not be increased in the near future.

- adequacy of reviews into contractual practices in agricultural sectors and effectiveness of introduction of fair dealing powers under the Agriculture Act

Recent reviews have revealed significant “lack of fairness” in the food supply chain, but so far, little has been done to correct this in the apple and pear sector.

- the benefits and risks of a sector specific approach to the introduction of fair dealing powers

A major benefit of a sector specific approach to fair dealing powers, would be that the Regulator, and his or her team, would eventually gain knowledge of the sector, and so be able to deal with any sector-specific issues that might not apply in other sectors.

-scope of collaboration between the Agricultural Supply Chain Adjudicator and Groceries Code Adjudicator.

The appointment of a “full-blown” Regulator should help to ensure high levels of collaboration between the two Adjudicators, with better outcomes for both producers and consumers.

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25.7.23

The British Independent Fruit Growers' Association (BIFGA) welcomes the opportunity to submit written evidence to the Environment, Food and Rural Affairs Committee investigation into "Fairness in Food Prices and Supply". We have also asked our members to respond individually.

BIFGA was formed in 1988, to provide independent apple and pear growers with a means of coming together for political and commercial reasons. *The aims of the Association are to enable independent apple and pear growers to join together and use their collective strength for the benefit of the individual member and the industry as a whole.*

BIFGA currently has a membership of just under 200, which, as well as growers, includes companies representing a range of ancillary businesses connected with our industry.

As BIFGA is mainly concerned with the commercial British apple and pear sector, we will confine most of our comments to these crops, with the emphasis on apples.

Structure and operation of the food supply chain

1. To what extent is the UK's food supply chain currently operating effectively and efficiently?

As far as the apple supply chain is concerned, there are many versions. These range from the direct-to-consumers "Pick-Your-Own" chain, to the grower-direct-to-supermarket chain. The most common, however, is the 3 link chain: grower, intermediaries, supermarket. Most of our comments, therefore, will relate to the three-link-chain. Overall, the apple supply chain has the *appearance* of operating efficiently, however, there are many underlying issues which could affect the resilience of the supply chain. These include: a) the "climate of fear", which can hold back suppliers from being open and frank with supermarket buyers about potential supply issues. Many (probably most) growers are "price takers", unable to negotiate directly with supermarket buyers; b) currently, there is significant grower-unrest about the poor attitude of some buyers; c) "just-in-time" ordering causes packhouses many problems, such as the extra costs associated with the need for 7 day operations. "Just-in-time" also means that supermarkets carry less stock "in-store", so it is hardly surprising that they often run out of produce. It also means that a lot of supermarket stock is actually in lorries, acting as "moving warehouses". Smaller, more frequent deliveries to supermarkets increase traffic movements, due to some pallets being only partly full; d) current, "below cost of production" financial returns, have resulted in many growers growing at a loss, which is unsustainable.

2. How could structural relationships between farmers and fishers, food producers and manufacturers, handlers and distributors, retailers and consumers be improved for both domestic and foreign foods?

There needs to be much more transparency throughout the supply chain, and supermarket bosses need to visit more primary producers. Buyers take a long time to learn about apple and pear production, and, therefore, need to be kept in-post much longer, and not moved just for career path reasons. Growers cannot be expected to have to frequently provide the training for new buyers.

Market power and regulation

3. How does the market power of UK supermarkets and manufacturers compare to other participants in the food supply chain, and how does this compare to equivalent relationships in other advanced economies?

The market power of UK supermarkets is immense. Whether intentional or not, some supermarkets operate a “master and servant” regime, with a “take it or leave it” approach to buying. Some growers and sales desks are effectively “locked-in” to their supermarket buyers, so they feel unable to criticise them, or “take a stand” about supply negotiations. There seems to be a significant lack of fairness in some cases, for example, consumers are unlikely to think it fair if they found out that (according to a BIFGA Survey - attached) of every pound that they spent on British Gala apples, the supermarkets (on average) kept 48p; whilst intermediaries, kept 29p, leaving the grower (who makes most of the investment (new orchards), takes most of the risk (frost, hail, drought, storms etc) with just 23p! Even worse is the fact that whilst retailers can use their investment (in apple display counters, and space) continuously throughout the year, and intermediaries (e.g. transport, cold storage) can also use their investment many times during the year, the unfortunate grower has just one crop per year from which to make a living!

4. Is existing regulation appropriate, for example the Groceries Supply Code of Practice and the Groceries Code Adjudicator for supermarkets’ direct suppliers, as well as the Secretary of State’s powers under Part 3 of the Agriculture Act 2020?

Existing regulation is *not* appropriate – supermarkets need to be fully regulated.

As far as we are aware, BIFGA was the first organisation to suggest (to a previous parliamentary enquiry, in September 1994) that supermarkets needed to be regulated, and whilst the creation of the Groceries Supply Code of Practice was a very good initiative, it only applies to direct suppliers, and not primary producers. This needs to be changed to cover *everyone* in the supply chain. In addition, The Groceries Code Adjudicator (GCA) should have the power to investigate any supply chain, without waiting for complaints.

Due to the importance of the “supermarket shop” in the average household’s budget, there is an urgent need for the GCA to be given the powers of a “full-blown” Regulator “with teeth”, such as Ofcom, Ofwat, Ofgem etc.

5. How effectively has the Government conducted reviews of contractual practice in specific sectors, for example in the pig and dairy sectors, and should other sectors be reviewed?

No comments

Food prices, security and fairness

6. What is the relationship between food production costs, food prices and retail prices? How have recent movements in commodity prices and food-price inflation been reflected in retail prices?

There has been relatively little increase in the retail price of British apples for many years, whilst returns to growers have been static, or even lower, than last year. However, growers have been subjected to huge increases in costs, including for labour, energy, fertiliser, plant protection products, etc.

7. What are the consequences of current relationships in the supply chain for:

a. risk-sharing

There is virtually zero risk sharing along a typical 3 link British apple supply chain. The intermediary sales desks agree a price with the retailers who take their money from the money paid by the shopper; the intermediaries then take their charges, leaving the grower with what is left! If there is a short crop, or damage such as frost, hail, or storm damage it is the grower who has to accept the loss.

b. prices paid and profit margins of farmers, food manufacturers and other suppliers

As far as the 2022 dessert apple crop is concerned, it seems that virtually all growers will be making a loss! For some growers this will be the second year running that they have made a loss. Obviously, this cannot continue. Without change, there could be significant grubbing-up of apple orchards, or even of growers having to sell-up, resulting in job losses, not only on farms, but also with allied businesses.

c. prices for consumers

A few months ago, supermarkets (or their representatives) were saying in interviews, that their net profits margin was only 1 to 2%; a couple of months ago, they started quoting 2 to 3%; more recently, they have started saying 3 to 4%! Could this be because they know that they will soon be posting some record profit figures, and that they are “rolling the pitch” in advance!

d. Quality

Perhaps due to lobbying by BIFGA and other organisations, some supermarkets are now accepting “less than perfect” fruit; however, the low prices paid make this very “unattractive” to the grower.

e. healthy food for consumers

Experts confirm that apples are a healthy food - “an apple a day keeps the doctor away!” More attractive displays, and pro-active selling in stores could increase sales significantly.

f. animal welfare and the environment

No comments

g. competition between retailers?

There seems to be little competition between retailers which is of any benefit for growers.

8. Does the structure of the UK food supply chain support overall domestic food security (both self-sufficiency and the availability of imported foods)?

NO! From a UK grower’s point of view, some supermarkets show little, or no concern about self-sufficiency – if they did, why did some of the leading chains have only around a third of their apple shelf space devoted to British apples in March this year, a time when there was plenty of British fruit available? This also suggests a lack of concern for their own “controllable” carbon footprint! Supermarkets want growers to reduce their carbon footprint, but do not seem to be doing the same themselves!

Affordable and healthy food

9. How successfully are supermarkets promoting affordable and healthy eating in the current high food inflation environment and what steps could they take to increase the take-up and affordability of healthy options? How are promotions, such as multi-buy offers, supporting healthy eating including for those on low incomes, and also affecting levels of food waste?

As mentioned earlier, supermarkets could do much more to promote the sale of healthy, British apples, which would have a lower carbon footprint than imported apples. BIFGA is not a sales desk, but we understand that when supermarkets make a price reduction, or other “promotion”, it is often the grower who “takes the hit”. Fruit could be cheaper if supermarkets made less profit, whilst still increasing returns to growers.

10. What challenges do low-income households face, in both urban and rural areas, in terms of accessing affordable and healthy food from a choice of retailers?

Due to successive national and local governments encouraging supermarkets to open new stores (especially when connected to new developments), small, independent retailers have been put out of business, leaving consumers with less opportunities to buy, e.g. some years back each town would have had several greengrocers, and even small villages would have had a general store selling apples – most of these have now closed down.

11. What measures could be taken by central and local government, and others, to enhance cooking skills to reduce reliance on processed food and improve access to self-grown food, in particular for lower income households? What challenges do such ambitions face given the pressures of modern living?

Central and local government should encourage more cooking in schools and colleges, concentrating on simple, basic meals. For example, it couldn't be much easier to cook a healthy dessert, than to microwave a Bramley apple! The "Fruit for Schools" programme should also be extended, and only British fruit should be used when it is available. The same should apply to all procurement by national and local government bodies when sourcing supplies for schools, hospitals, prisons, government buildings etc.

January 2025

-END-

Attachment

BIFGA SURVEY INTO FAIRNESS IN THE BRITISH GALA APPLE SUPPLY CHAIN
UPDATE: SUMMER 2022

"Pound-a-Pound the Galas"!

It just so happened that a BIFGA retail price-check carried out in March 2019 in preparation for the report:

"Fairness in the British Gala Apple Supply Chain"

showed that the approximate average retail price of British Gala apples in major UK supermarket chains, was £2.20/kg, or, a "Pound-a-pound". As three years have now passed, BIFGA would like to update that survey (for the 2021 crop) to see if there have been any significant changes.

There are many different "routes to market" for apples. These vary from the shortest: pick-your-own/farm shop/farmers' market, "single-link" chains (whereby the final customer purchases apples direct from the grower without any other links in the chain), to the longer and more complex, whereby a grower is the first of a 3 link "chain" which culminates in the final customer purchasing the fruit in a retail outlet. In the latter case, a grower might send his/her fruit to a cold storage and packing facility; then, after storage and packing, the fruit would be sold via a marketing agent/selling desk to a retailer; finally, the fruit would be sold by the retailer to the end customer. Clearly, each link in the chain needs to make a profit, but is there fairness? Is everyone getting a fair return commensurate with the time, investment, and risk involved?

Somewhat alarmingly, despite three years' inflation, a BIFGA survey carried out in March 2022, showed that the average retail price had actually dropped to £2.05/kg - less than a "pound-a-pound". However, because retail prices vary according to fruit size, pack type, and from retailer to retailer, we will, for simplicity, assume for our new survey that the retail price has remained at £1/pound. But was that £1 shared out "fairly" between the various "links" in the supply chain? In other words: "Who invested the most/least time and capital?"; "Who carried the most/least risk?"; and, "Who received most/least of the retail price?".

Members may recall that the 2019 survey showed that the percentage share of the "consumers' pound", (spent on British Gala apples – our main variety) in a 3 link chain, showed that approx. 47% was kept by the retailers, approx. 28% was taken by intermediaries (including storage, packing, transport and marketing), leaving approx. 25% for the grower – for comparison and convenience, figures from the last survey are shown in red, in brackets, on the attached chart.

To try to find out if there have been any significant changes over the last 3 years, the BIFGA General Committee would like any BIFGA members who are involved in any way in the British Gala apple supply chain, to provide figures (actual and/or estimated) which will help to show if the financial "share-out" of this particular supply chain is fair to all those involved. BIFGA would also like to use this opportunity to update (for each link in the chain), the estimated percentage share of the **total time and investment** involved in the whole chain; also, (for each link in the chain) the percentage share of the **total risk** involved in the growing, storing, packing, marketing, and retailing of a crop of British Gala apples.

The average of the figures BIFGA receives back from respondents should give a realistic indication of which links in the chain have the most/least investment in time and money; which links take the most/least risk; and, which links receive the most/least of the consumers' pound. In order to facilitate the completion of this survey, we have attached some guidance notes – closing date 25.7.2022. Individual returns will be kept confidential to BIFGA, and only average figures will be published.

BIFGA SURVEY INTO FAIRNESS IN THE BRITISH GALA APPLE SUPPLY CHAIN **SUMMER 2022**

GUIDANCE NOTES

1. As there are so many different varieties and types of supply chains for British apples, we have decided to limit our survey to class 1 British Gala apples (grown in 2021), sold via a 3 link supply chain.
2. In order to "standardise" our survey, we would like respondents to work on the basis that the apples were picked into bins holding 320kg, which achieved an approx. 85% class 1 grade-out, i.e. 273kg. Using an average retail price for British Gala of £2.20/kg (£1 per lb), this gives an approx. retail price of £600 per bin.

3. When calculating time and investment, share of risk, and, share of retail price, respondents should bear in mind that apple growers need a whole year to produce a crop, and, therefore, only have one opportunity each year to generate income from their investment in their orchards. Compare this with others in the chain, such as retailers, who are able to use their apple display space to sell multiple “lots” throughout the year, thus giving them multiple opportunities each year to make a profit. Some others in the chain, especially those who handle “imported” fruit, are also likely to have multiple opportunities each year to benefit from their investments.
4. Respondents are asked to supply three figures (actual or estimated) for the 2021 crop, for each link in the chain. The figures in column (1) should be expressed as a percentage of the **total time and investment involved** attributed to each link of the chain. The figures in column (2) should also be expressed as a percentage to indicate the estimated share of the **overall risk** taken by each link of the chain from the start of the growing year through to the purchase by the consumer. The figures in column (3) should also be expressed as a percentage indicating the **share of the retail price**, received by each link in the chain.
5. Please tick box(es) below as appropriate to indicate your involvement in the British Gala apple supply chain. This means that a grower-member with cold stores, a packhouse, and a farm shop, should tick all boxes. If you would like to take part in this survey, please complete the form below, and return it to the BIFGA Secretary as soon as possible – closing date 25.7.2022.

Grower
 Storer
 Packer
 Marketer
 Retailer

LINKS IN THE CHAIN	(1) TIME AND INVESTMENT	(2) SHARE OF RISK	(3) SHARE OF RETAIL PRICE
	% share (for each link) of the total overall time and investment	% Share (for each link) of the total overall risk	% share (for each link) of the total retail price i.e. £2.20/kg = £600/bin
LINK 1 – GROWER Production up to and including harvest	81%* (80) **	90%* (87) **	23%* (25) **
LINK 2 – INTERMEDIARIES Storage, packing, transport, selling to retailers	13%* (13) **	6%* (8) **	29%* (28) **
LINK 3 - RETAILER Selling to consumers	6%* (7) **	4%* (5) **	48%* (47) **
	TOTAL OF COLUMN (1) TO = 100%	TOTAL OF COLUMN (2) TO = 100%	TOTAL OF COLUMN (3) TO = 100%

* Average of figures received from respondents

** The figures in red, in brackets, show the results of the 2019 survey

Name.....

Address.....

Email.....Tel.....