

Written evidence submitted by The National Pig Association (NPA) (FFS0012)

EFRA COMMITTEE CALL FOR EVIDENCE - FAIRNESS IN THE FOOD SUPPLY CHAIN

ABOUT THE NPA

The National Pig Association (NPA) is the representative trade association for British commercial pig producers, is affiliated to the National Farmers Union (NFU) and represents the pig interests of NFU members who produce pigs and the pig industry interests of its allied industry members.

The UK pig industry is worth £1.6 billion at the farm-gate, £5 billion at retail and, considering foodservice, external sales and export values, over £15 billion in total. In 2023, over 298,000 tonnes of British pork was exported around the globe, to over 92 export markets, a trade worth £571 million.

THE EFFECTIVENESS OF THE GROCERIES CODE ADJUDICATOR TO ENFORCE THE GROCERIES SUPPLY CODE OF PRACTICE

We are encouraged by last year's findings from the GCA Annual Survey 2024 and are pleased to see that, with the exception of one retailer, there was 88%-98% compliance with the code from retailers.

This being said, one of the difficulties of the whole system is the fact that the GSCOP only covers the relationship between the retailer and their direct supplier, and not further down the supply chain. However, previous experience would suggest poor practice usually starts at the very top of the supply chain and is unavoidably cascaded down to producers at the bottom. As such, the GCA is often reliant on producers to bring forward potential GSCOP breaches to their attention as it is them who ultimately suffer.

However, there is a widespread fear throughout the supply chain, producers in particular, that in making such an appeal to an adjudicator, they run the risk of being delisted. This is not a concern that is unique to the pig sector, but it is particularly acute owing to the fact that we have only four main processors and therefore very limited alternative market options.

This concern was echoed in the GCA Annual Survey, where they recognise "there is a distinct reluctance and lack of confidence in raising Code issues", in part out of fear of repercussion.

THE POTENTIAL MERITS AND DEMERITS OF EXPANDING THE SCOPE OF THE GROCERIES SUPPLY CODE OF PRACTICE

In support of the points raised in the previous question, we would agree with the NFU and others that the GSCOP and GCA be granted an extended scope which goes beyond just retailers and their direct suppliers and encompasses other areas of the supply chain. Pig producers very rarely supply direct to retailers, and instead sell to processors, who in turn deal with retailers and other food service businesses and manufacturers. We believe that this would not only improve the awareness of the scheme but also help drive up confidence in it too.

One such example might be foodservice to better reflect the make-up of the supply chain and ensure that fair dealing is built in at all stages, and not just the top two. While this category falls outside of grocery retail, they represent significantly influential organisations with a large amount of buying power.

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

In addition to the expanded scope that has been suggested above, we would welcome reforms to change the turnover threshold for retailers, or indeed other foodservice businesses included in the code. While the biggest retailers are currently within scope, there are other significant players who fall outside of the code's scope but are equally as influential to the supply chain.

ADEQUACY OF REVIEWS INTO CONTRACTUAL PRACTICES IN AGRICULTURAL SECTORS AND EFFECTIVENESS OF INTRODUCTION OF FAIR DEALING POWERS UNDER THE AGRICULTURE ACT

Throughout the whole process we have been hugely supportive and remain highly engaged with Defra as they undertook the Contractual Practice Review into the UK Pig Sector and have subsequently produced the Fair Dealing Obligations (Pigs) Regulations. At the time of writing this submission these regulations are still in their final stages of drafting and are due to be laid in Parliament shortly. Similarly, we were pleased to see the Secretary of State's personal support for the work, confirming the new regulations will be introduced this Spring, during his speech at the Oxford Farming Conference earlier this month.

It is important to understand the background to this passage of work, particularly within the context of the pig industry. The UK pig industry endured an unprecedented crisis from 2020 to spring 2023, triggered by a labour shortage in processing plants during the pandemic, followed by the UK's departure from the EU. During this period, pig producers collectively lost in excess of £750 million, according to AHDB estimates, and more than 60,000 healthy animals were culled on farms owing to the inability of abattoirs to process these animals.

Russia's invasion of Ukraine similarly led to unprecedented pressures on farm, with feed and energy costs rising faster than farm gate prices. With supermarkets competing to keep prices as low as possible, the impact was passed down the supply chain, with farmers losing over £60 per pig at the height of the crisis.

As a result, the industry has seen major contraction, with a 25% reduction in the sow herd since 2020. Sow numbers are now at their lowest for 20 years.

The new regulations will help to rebalance the risk and reward within the supply chain, as well as provide more transparency for producers.

From our perspective both the review and the subsequent drafting of the regulations have provided all interested parties with ample opportunity to have their views heard. That includes for producers who were able to feed in either through the NPA, as the industry trade association, their respective processors, or anonymously directly to Defra.

While we are yet to have the new regulations come into force, we are hopeful that they strike the right balance. While it is true to say, the initial draft regulations started off with more teeth, the legal teams involved were keen to ensure they are not too prescriptive owing to the fact that in doing so the use of contracts would be negatively impacted, and so nullifying the point in the regulations. Equally having measures which in reality are not enforceable in law, is similarly pointless.

Going forward it is important that each of these sector reviews, and subsequent fair dealing regulations, are kept under regular review to ensure they remain relevant and fit for purpose. The pig crisis of 2020-23 caused significant long-term damage to the UK pig sector and we cannot wait for such a crisis to repeat itself before seeing action.

THE BENEFITS AND RISKS OF A SECTOR SPECIFIC APPROACH TO THE INTRODUCTION OF FAIR DEALING POWERS

The very nature of undertaking each review and the introduction of the subsequent fair dealing regulations on a sector-by-sector basis, has meant that the whole process has been slow in its roll out. However, this is ultimately unavoidable owing to the differences in how each sector and its market operates.

Taking the dairy and pork sectors as an initial example, while there are similarities, the structure of the two sectors are very different and so separate reviews and fair dealing regulations are entirely necessary. One benefit of this approach, however, is that we can learn from each sector and the process should hopefully speed up as it continues to other sectors.

We support calls from the NFU for the Agricultural Supply Chain Adjudicator office to be equipped with adequate resources to ensure it can meet its objectives and operate efficiently, especially as further fair dealing regulations are introduced for additional sectors.

SCOPE FOR COLLABORATION BETWEEN THE AGRICULTURAL SUPPLY CHAIN ADJUDICATOR AND GROCERIES CODE ADJUDICATOR

The Agriculture Act, and the subsequent fair dealing regulations that have come out of it, only covers the relationship between producers and processors i.e. the seller and the buyer. In a similar manner to our response to question 1, generally any abuse experienced in the supply chain starts at the top and is cascaded down to the bottom. Any pressure that is applied by retailers to processors, will get passed on to producers.

Going forward, we believe it is important that there is a close working relationship between the ASCA and the GCA and there should be a formal mechanism in place to allow collaboration and data sharing between the two adjudicators to ensure no grey areas or inappropriate behaviour where the supply chain operates in-between is permitted to continue.

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