

Written evidence submitted by Transform Trade (FFS0021)

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About Transform Trade

Transform Trade is a trade justice charity working in partnership with networks of workers, farmers and social entrepreneurs in South Asia and East Africa to fight for trade that values people over profit. Its roots are in the alternative trade movement in the north east of England. The charity's focus areas are fashion, tea and farming. In the UK we campaign and advocate for improvements in the practices of the UK Government and UK businesses relating to trade. Transform Trade is a registered charity (no 1048752).

Summary

- Producers and suppliers in UK agri-food supply chains are often subjected to unfair purchasing practices (such as late payments, cancellations and changes to contracts) by their buyers. Given the importance of food security, more needs to be done to safeguard producers from these practices to secure food supply and to create a fairer trading environment.
- The Groceries Code Adjudicator (GCA) has been effective in enforcing the Groceries Supply Code of Practice (GSCOP) within its current scope. Healthy supplier engagement in annual surveys demonstrates high trust in the system, although it is unclear how high supplier awareness is overseas.
- Challenges remain in addressing unfair practices affecting upstream and overseas suppliers. Low awareness among overseas suppliers of the GCA and the "fear factor"—reluctance to complain due to business relationship concerns—limit overseas supplier engagement. Anonymised case studies and proactive outreach to high-risk suppliers are recommended.
- Expanding the GSCOP's scope to cover upstream and mid-supply-chain businesses (e.g. farmers) could address systemic unfair practices. A "GSCOP+" code via an independent regulatory body is the most effective option to achieve this. The UK could look at implementing measures which mirror the EU Unfair Trading Practices Directive, and innovative approaches in countries such as Spain, where farmers cannot be paid below the cost of production.
- Fragmentation between the GCA and the Agricultural Supply Chain Adjudicator (ASCA) risks inefficiencies. Consolidating oversight under the GCA is preferable. If not feasible, formal collaboration and information-sharing between the GCA and ASCA is essential.
- Fair dealing powers under the Agriculture Act 2020 address sector-specific needs but fail to cover entire supply chains.
- The GCA should strengthen enforcement with penalties.

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

1. As stated in previous evidence to the EFRA Committee, Transform Trade considers the GCA to be an effective regulator in the context of its current remit, scope and resourcing.¹
2. This is evident in the level of engagement in the GCA's annual survey, which yielded over 2000 and 3000 responses in 2023 and 2024 respectively from direct suppliers, indirect

¹ Transform Trade (2023) 'Submission by Transform Trade to the Commons Environment, Food and Rural Affairs Committee inquiry into fairness in the food supply chain, July 2023 (FSC0061)'. [Online]. URL: <https://committees.parliament.uk/writtenevidence/126733/html/> [Accessed January 2025]

suppliers and trade associations.² This demonstrates that supplier and other supply chain businesses see the value in reporting to and engaging with the GCA. Comparatively, the EU's Unfair Trading Practices (UTP) survey only received 434 responses in 2024, from across 27 countries. There could be a number of reasons for this including the fact that the UTP Directive only came into force in 2021. However it should be noted that the GCA is trusted and seen as a useful regulator for suppliers of UK supermarkets.

3. **The GCA's enforcement of the GSCOP could be strengthened when it comes to tackling unfair trading practices by UK retailers which affect suppliers overseas.** Around half of all food consumed in the UK comes from abroad, and the remit of the GCA does indeed cover complaints from overseas supply chains, however historically, most of the cases dealt with by the GCA to-date have focussed on UK suppliers selling into UK retailers.
4. The GSCOP only covers the relationships between the largest retailers operating in the UK and their direct suppliers. A handful of exporters based in other countries have contacted Transform Trade to advise of unfair practices by the UK importers selling into UK retailers. Transform Trade has encouraged these exporters to contact the GCA directly, because in some situations, it may be that the unfair practice originated with the UK retailer and was then passed down the chain from the importer to the exporter. This is commonplace in instances such as short notice changes to the volume wanted, price to be paid and the standards expected of goods. Transform trade is aware of an exporter being reimbursed with money owed due to possible intervention from the GCA. The exporter suspected that this was prompted by complaining to the GCA about practices of an UK importer selling their product into a retailer operating in the UK.
5. It is likely that unfair trading practices are equally (if not more) prevalent in UK retailer relationships with overseas suppliers, however we consider that there could be a number of reasons for lower levels of complaints and engagement from non-UK suppliers. Based on Transform Trade's engagement with overseas suppliers such as horticultural exporters from East Africa and North Africa, we know that there is low awareness of the GCA and the GSCOP, and access to dispute resolution and remediation among suppliers is patchy. While empirical evidence is limited, it's likely that low awareness of the GCA and GSCOP for overseas suppliers is widespread beyond Africa.
6. It's worth noting however that the GCA cannot tackle unfair purchasing practices in international supply chains on its own. **Efforts must be made and the resources made available for the GCA to collaborate more closely with other regulators in other jurisdictions who have a similar remit and function to that of the GCA.**
7. For instance, Transform Trade spoke to regulator in East Africa, who suggested several ways in which information-sharing about the different roles of the regulators could be better shared between their regulator, the foreign ministries and delegations, chambers of commerce in exporter/importer countries. These entities could also act as an important source of intelligence gathering for the GCA, flag up high-risk supply chains, new practices which breach the principle of fair dealing and can also result in learnings for the GCA on how other

² Groceries Code Adjudicator (2023). 'Groceries Code Adjudicator Annual Report and Accounts'. URL: https://assets.publishing.service.gov.uk/media/64b94e6d06f78d000d74260f/Groceries_Code_Adjudicator_Annual_Report_and_Accounts_2022-23_web_accessible.pdf and Groceries Code Adjudicator (2024). 'Groceries Code Adjudicator Annual Report and Accounts'. URL: https://assets.publishing.service.gov.uk/media/66a8fecaab418ab055592fe3/GCA_Annual_Report_and_Accounts_2023-24_web_.pdf [Accessed online: January 2024]

regulators approach unfair trading practices.

8. The Fairtrade Advocacy Office studied the impact of the EU UTP Directive in non-EU countries, which has yielded similar results on low awareness. One Rwandan exporter who sells to both EU and UK buyers stated he was unaware of any regulations on unfair trading practices, and expressed his “need for more structured support and information...to better navigate the challenges faced by his business”.³
9. **There is a need to raise awareness not only about the possibility to file a complaint anonymously, coupled with anonymised case studies of what benefits the supplier gained from the GCA intervening.** This could motivate suppliers to overcome the burden and risk of submitting evidence of their complaint, if they can see that they may be reimbursed, and ultimately make the prospect of complaining attractive.
10. Another significant barrier to the efficacy of the GCA is the so-called ‘fear factor’: exporters/suppliers are still hesitant to submit complaints to the GCA for fear that it will damage their business relationships with buyers. This is despite the provisions introduced by the GCA that it must keep information confidential to maintain supplier anonymity and deal with complaints sensitively.
11. Suppliers continue to ask for the GCA to proactively come to suppliers to ask if the supplier has experienced a breach. In this situation, the supplier is then encouraged to provide information to the GCA when prompted, rather than being perceived to have proactively initiated a complaint with the GCA. **Transform Trade is in support of the GCA reaching out proactively to suppliers which are considered to be at high risk of experiencing breaches of the GSCOP code.**

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

12. **The GCA’s scope, limited to retailers and their direct suppliers, omits a significant portion of the supply chain, particularly farmers, unprotected from unfair practices originating at the retailer level.** This is problematic, given that farmers/producers are often most at risk from unfair dealing.
13. Expanding the GSCOP to include upstream and mid-supply-chain businesses would increase the scope of protection to cover companies with significant annual turnovers, benefiting a larger number of suppliers. This expansion could build on evidence and learning from the enforcement of the EU Unfair Trading Practices Directive which covers all stages of the supply chain where at-least one party is based in the EU.
14. This could be done by **introducing a ‘GSCOP+’ code to expand the remit of the GCA’s operations, putting into scope upstream and mid-supply-chain businesses** with significant annual turnover, which would ensure broad coverage and fairness across the supply chain. This would mirror the approach taken by the EU UTP Directive, which aims to create a code of conduct that stronger businesses must follow in their dealings with weaker businesses.
15. **The GSCOP+ code could be establish in the following ways:**

³ Fair Trade Advocacy Office (nd), ‘Report on the implementation of the EU Unfair Trading Practices Directive beyond the EU: Rwanda’. [Online] URL: <https://fairtrade-advocacy.org/wp-content/uploads/2025/01/Report-on-the-implementation-of-the-EU-Unfair-Trading-Practices-Directive-beyond-the-EU-Rwanda.pdf> [Accessed January 2024]

- a. **Primary legislation which would replace the Adjudicator sole with an independent regulatory body.**
Or;
 - b. **Establishing deputy adjudicators** within the Groceries Code Adjudicator (GCA), with a GSCOP+ code which could be implemented using the powers already granted under the GCA Act (2013).
16. **A whole supply chain approach is essential to prevent unfair treatment of overseas exporters by UK importers.** If this approach is taken, the GCA would need mechanisms to trace poor purchasing practices back to their origin, ensuring retailers responsible for GSCOP breaches are held accountable, rather than solely penalising importers for passing on short-notice changes to exporters.
17. Expanding the scope of the GSCOP could introduce regulatory complexities, requiring additional resources and careful coordination to avoid overlaps with existing codes. While this is not a reason to refrain from expanding the scope of the GSCOP, it must be thoroughly assessed and provisions must be made for the regulator/regulators to enforce the GSCOP effectively under a broadened remit.
18. **As well as mirroring the approach of the EU UTP Directive, the UK Government could consider how to implement other innovative measures in EU member states where national regulations strengthen the UTP Directive.** For example, Spain's national law stipulates that for producers or producer groups, the contract price must exceed the actual production costs, which cover all expenses related to their activities. These expenses include, but are not limited to, seeds, nursery plants, fertilizers, plant protection products, pesticides, fuel, energy, machinery, repairs, irrigation, animal feed, veterinary care, depreciation, loan interest, financial products, contracted work, as well as both paid labour and labour contributed by the producer or their family members.
19. The Government, the EFRA Committee and the GCA should **continue to review evidence from Europe**, including: the EU's fitness check of the UTP Directive (due before November 2025); evidence from the Fair Trade Advocacy Office on the efficacy of the UTP Directive and the upcoming report from Oxfam Belgium on the different approaches to unfair trading practices in Belgium, France and Spain.⁴

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

20. Several organisations, including Transform Trade are recommending that the **turnover threshold should include businesses with annual turnovers above £500,000**, which would more adequately protect smaller suppliers from unfair practices.
21. The tools used by the GCA should also evolve from the current approach. In addition to liaising and mediation to ensure that suppliers get paid, **the GCA could start introducing more penalties to deter malpractice.** This could involve a greater use of its already existing fining and investigatory powers.

⁴ Fair Trade Advocacy Office (nd), 'Report on the implementation of the EU Unfair Trading Practices Directive beyond the EU: Ecuador'. [Online] URL: <https://fairtrade-advocacy.org/wp-content/uploads/2025/01/Report-on-the-implementation-of-the-EU-Unfair-Trading-Practices-Directive-beyond-the-EU-Ecuador.pdf> [Accessed January 2024]

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

22. Fair dealing powers introduced under the Agriculture Act 2020 are welcome. However, the implementation of this via sector-specific codes, and the division of competencies between DEFRA and the GCA mean that the fair dealing powers risk being poorly implemented as explored in paragraphs 23-30 of this submission.

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

23. A sector-specific approach under the Agriculture Act 2020 could be beneficial, given that it can target the unique needs of each sector with tailored protections. These can be adapted to different nature and dynamics that exist different commodity supply chains.
24. However these codes do not currently enable the whole supply chain to be compliant. Farmers can complain where they are subject to unfair purchasing practices/unfair dealing by their direct buyers. The GSCOP only covers retailers and their direct suppliers, missing instances where unfair dealing is passed down the supply chain to the farmer level (leading to lower prices, changed orders etc). Unfortunately in the supply chains where farmer sells to a buyer A, who sells to buyer B who then sells onto the retailer., the relationship between buyer A and buyer B will be outside the scope of either the GCA or the Agricultural Code Adjudicator.
25. **The two-regime framework, comprising the GCA and the DEFRA sectoral codes of conduct, is fragmented and therefore susceptible to exploitation**, potentially leading to three **unintended consequences**:
- The emergence of intermediaries designed solely to bypass/avoid compliance with both GSCOP and the new Agriculture Act framework;
 - The closure of processors, leaving farmers without a market for their products (see paragraph 26); and
 - Buyers opting to source from supply chains with weaker protections, such as those overseas, thereby placing UK suppliers at a competitive disadvantage.
26. Small mid-supply chain processors face increased risk of financial strain, as they remain vulnerable to retailers' unfair trading practices and the dumping of costs. While it is welcome that processors and mid-supply chain businesses treat farmers fairly in these sectors, there is a risk that in doing so, they will still be exposed to unfair purchasing practices from downstream businesses, creates a squeeze in the middle of the supply chain. It is not unreasonable to predict that this may lead to the closure of these mid-supply chain businesses, which could have a negative knock-on effect for farmers.

Scope for collaboration between the Agricultural Supply Chain Adjudicator and Groceries Code Adjudicator.

27. Before establishing the next set of sectoral codes to be overseen by the Agricultural Supply Chain Adjudicator (ASCA) **the government should prioritise expanding the scope of the GCA to cover all stages of the supply chain**, as set out by the scope of the EU UTP directive. Whilst the ASCA is only overseeing dairy sector it would be easier to move its functions under the GCA and expand the scope of the GCA more broadly. This should take priority, and would categorically be more effective than collaboration between ASCA and the GCA.

28. However, if there is not the political appetite for expanding the scope of the GCA and bringing all complaints about unfair practices to a single entity, there is a need to find a way for the ASCA to share information with the GCA.
29. Direct suppliers to retailers are often able to pass on the costs and unfair practices they experience onto their suppliers, and ultimately this reaches farmers. **The current approach targets the symptom of unfairness rather than addressing its root cause.** There is no mechanism for the DEFRA adjudicator to inform the GCA when there is reasonable suspicion that a retailer's actions, in violation of the GSCOP, have led to breaches of the Dairy, Pork, Eggs, or Horticulture Fair Dealing code. **While DEFRA adjudicators can address farmers' experiences of unfair trading practices, they cannot tackle the underlying issue if those practices originate with food retailers.** Only the GCA can do this.
30. **Establishing a formal information-sharing mechanism between the ASCA and the GCA is critical to creating a unified regulatory approach.** Such collaboration would help address the systemic issues of unfair trading practices, ensuring that breaches are tracked and rectified comprehensively across the supply chain.