

Written evidence submitted by Green Alliance (FFS0023)

About Green Alliance

Green Alliance is an independent think tank and charity focused on ambitious leadership for the environment. Since 1979, we have been working with the most influential leaders in business, NGOs and politics to accelerate political action and create transformative policy for a green, equitable and prosperous UK.

In this submission, we have chosen to focus on the following questions:

1. The effectiveness of the Groceries Code Adjudicator to enforce the Groceries Supply Code of Practice.
2. The potential merits and demerits of expanding the scope of the Groceries Supply Code of Practice.
3. 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.

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

The Groceries Code Adjudicator (GCA) has been broadly effective at enforcing the Groceries Supply Code of Practice (GSCOP), though there are issues remaining that need to be addressed. [Positive changes](#) in retailer behaviour have been observed since the GCA's establishment in 2013. A 2019 – 22 [statutory review](#) of the adjudicator concluded that it was a 'highly effective regulator that made good use of its powers to take a balanced and collaborative approach that solves issues'. However, there are concerns that progress has stalled in recent years due to rising cost pressures. Farmers have found themselves squeezed by [rising input](#), labour and machinery costs while coming under pressure from retailers to keep prices low, to avoid impacting profits when the general public have less disposable income. The GCA's 2024 [survey](#) showed some signs of progress – for example, a small drop in the number of suppliers experiencing a code issue compared to the previous year – but more in-depth evidence submitted as part of this suggests that some suppliers are still experiencing [issues](#) with high commodity prices and getting cost price increase (CPI) requests approved.

There are concerns that the GCA's lack of resource significantly limits its effectiveness. There have been [calls](#) for the GCA to take more of a deterrence-based approach to enforcement by making greater use of its existing fining and investigatory powers. However, the adjudicator is funded by a levy on the retailers it adjudicates, which currently includes the [14 retailers](#) with an annual turnover of over £1 billion. As a result, a single investigation costs [more than its annual budget](#), and there have only been [two investigations](#) between 2015 and 2022. The effectiveness of the GCA is further limited by the fact that the GSCOP does not cover the whole supply chain (see question 2), meaning that breaches of the GSCOP might go unnoticed if their impacts are [passed down](#) the supply chain.

The GCA's effectiveness may also be limited by breaches of the GSCOP going underreported, as suppliers have said they [fear retaliation](#) for speaking out. We support calls for a system of

[randomised visits](#) by the GCA to suppliers, which would give them the opportunity to raise issues with less fear of retribution. The GCA should also be empowered to undertake its own-initiative investigations where it has reasonable evidence to suggest malpractice. However, once again, this approach would require the organisation to be better resourced.

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

A key limitation of the GCSOP is that it only covers the direct suppliers of retailers with a turnover of over £1 billion. This means that many indirect suppliers, including small farms and primary producers, remain unprotected. The code also does not cover other key players such as food service and manufacturers, which supply [half of UK food](#). As a result, while retailer trading practices may have improved, similar trends have not been observed in other areas of the supply chain.

The government has taken steps to address these concerns by introducing [Fair Dealing Obligations](#) through the Agriculture Act – a set of rules relating to the issuing of contracts that would apply to any businesses purchasing agricultural products directly from farmers. Fair Dealing Obligations have now been put in place for the [milk sector](#), and the government is working on those for eggs, fresh produce, and pork. However, there are concerns that this approach leaves sectors of the supply chain uncovered, including supermarkets with a turnover of less than £1bn and mid-supply chain businesses that are not sourcing directly from farmers. The Grocery Code Action Network (GCAN) has also [noted](#) that the current approach risks putting pressure on smaller producers already at risk of administration. These could end up being forced by Fair Dealing Obligations to (rightly) increase the prices they pay to farmers while still being squeezed on price by retailers. GCAN argue that the current approach could also have the unwanted effect of leading to the creation of intermediaries with the specific purpose of avoiding these new regulations and could result in retailers choosing to source from supply chains with less protections, such as overseas.

To address these concerns, GCAN suggest that the government introduce a GSCOP+ covering all upstream and mid-stream supply chain businesses with significant annual turnover. This would plug many of the gaps created by the government's current approach. The GSCOP+ should [cover](#) business-to-business relationships in the supply chain that ultimately supply the retailers covered by the GSCOP, with deputy adjudicators established within the GCA to oversee these relationships. There are a few challenges with this approach. It could result in the GCA having to regulate thousands more transactions and businesses, which would require significant additional resource. The government would also have to lay out very clearly how this GSCOP+ would work alongside planned Fair Dealing Obligations, and how the extended GCA and ASCA would work together, to reduce the risk of siloes.

3. 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

The threshold at which retailers are covered by the GSCOP should be lowered to £500 million, from the current £1 billion. This would capture smaller supermarkets, granting protections to a

larger range of suppliers. It could also be a way of raising more revenue for the GCA which is currently funded by a levy on the retailers it adjudicates.

The GSCOP should also be extended to cover the regulation of pricing. Farmers supplying supermarkets tend to make very little profit ([less than 1p](#)) across a range of common items. However, research shows that they could be paid more with [minimal impact](#) on retail prices. Farmers we have visited recently told us that their margins have been increasingly squeezed as the prices they receive for their food have not risen at the same rate as costs. They have had a hard time negotiating cost price increases. The GCA's 2024 annual survey found 'refusal to consider a cost price increase (CPI) / unreasonable delay in agreeing or in implementing an agreed CPI' to be the third most commonly [reported](#) code issue by suppliers. A first step towards addressing this could be to introduce an amendment in the GSCOP giving suppliers more protections in negotiations around CPIs, as has been done in [Australia](#). This could include measures such as requiring the retailer to respond within 30 days of being notified of a CPI.

We also support [calls](#) for the GSCOP to be used to reward environmentally friendly and sustainable farming practices. Provisions could be included for fair compensation for farmers using these methods. This could help incentivise farmers who are worried about the impact on profitability of transitioning to more nature-friendly farming to do so.

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