

ENVIRONMENT FOOD AND RURAL AFFAIRS SELECT COMMITTEE

CALL FOR EVIDENCE

FAIRNESS IN THE FOOD SUPPLY CHAIN

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Introduction

1. This response is submitted on behalf of the [Provision Trade Federation](#) (PTF).
2. PTF is a food trade association representing processors and traders in a range of staple dairy, pork and fishery products. We also lead the work of the [UK Seafood Industry Alliance](#) (SIA) – a partnership with the Food and Drink Federation – as well as providing the secretariat for the [Specialist Cheesemakers Association](#).
3. Collectively these sectors account for roughly **20% of UK household expenditure on food** (around £24 billion a year) and **support some 130,000 jobs**.
4. Our membership consists of businesses of all sizes and types, sourcing raw materials and other inputs from UK, EU and international supply chains to supply domestic and export markets with both finished products and food ingredients. It includes EU and multinational companies as well as those operating solely in the UK.
5. I spent 21 years working as a trade journalist, first for *The Grocer*, then for a number of other titles before becoming editor of *Food Manufacture*. I have interviewed leaders in the grocery supply chain, end to end across that entire period. Now, as director general of the PTF, I work to support our members through what is a persistently volatile period.

Summary

6. The PTF previously submitted written evidence to the EFRA committee on Fairness in The Food Supply Chain for its July 2023 inquiry. A link to that is [provided here](#). This was then followed by oral evidence in March 2024.
7. However, the geopolitical and macroeconomic climate has moved on since then. We are therefore submitting this supplementary evidence to reflect this.
8. On the one hand, the rate of inflation, including for crucial raw materials such as gas and electricity and fertiliser, is now much lower than it was in early to mid-2023. On the other, commodity prices remain higher than they were during that period of high inflation.

9. Staff costs too have risen as companies help support their employees through this period of austerity and look set to continue to do so, with anticipated Minimum Wage and National Insurance rises.

10. Another area of rising costs is regulation. Inheritance tax for farmers, Net Zero requirements, Extended Producer Responsibility for Packaging and increased Packaging Tax set to create substantial and sustained new financial obligations for businesses in the next 2-3 years.

11. At the same time, government borrowing remains worryingly high in proportion to GDP, which is virtually flat. It therefore begins to look like the government must find more ways to raise revenue and this could well mean further costs coming down the line for consumers, limiting spend. This is especially true given that many forecasts suggest consumer borrowing costs, significantly including mortgages, are set to remain high possibly for the next 2-3 years.

12. Finally, geopolitical tensions persist. A fragile peace may, for now, hold in the Middle East, but the war between Russia and Ukraine persists, as does the associated supply chain volatility. Protectionist policies from the US and ensuing responses, particularly from China, could place yet further pressure on costs and prices.

13. Since the PTF's previous submission, some inflationary factors stubbornly keep uncertainty levels high for business and so eat into business confidence. The UK is still weathering the aftershocks of Brexit and Covid, for example, and, if anything extreme weather events look set to become more frequent.

14. These economic forces create the potential climate for unfairness to flourish through power imbalances and this is why a careful harmony should be maintained across all actors, from farm to fork.

15. Large actors in the supply chain may have deeper reserves than some, but none are immune to the impact of these increasing costs. However, it is our contention that, just as there is in the social sphere, there is a developing 'squeezed middle' within the supply chain that is particularly susceptible to higher business outlay. Small companies – particularly start-ups – often have special derogations that lend them greater support. Larger enterprises have scale, which grants some defence. However, medium-sized enterprises often don't receive the support afforded to smaller ones, but at the same time aren't yet of a size to create a buffer against costs. It is the precariousness of those businesses that is particularly concerning in the coming year.

16. Given this backdrop, it is crucial that costs are spread evenly and fairly across the supply chain, of which consumers are a part, in a spirit of collaboration, rather than being borne unfairly by any one operational sector. This will require close professional relationships, honesty, transparency, accountability and strong communication to foster trust.

17. Across the piece, it is PTF's contention that the voice of farmers is rightly clearly heard, as often is the voice of retailers and consumers. However, we are concerned

that the voice of processors must also be sufficiently heard and championed, boosting the visibility of the financial burdens they face, lest they bear the brunt of costs. For the whole chain to hold, and for UK food security to flourish, no part should be subjected to greater financial pressure than any other, otherwise the whole will suffer.

18. Further, it is our contention that these considerations place yet greater emphasis on the need to prioritise and develop a food strategy that embraces food security and relates to a comprehensive trade strategy.

In relation to the new EFRA Committee's focus on the following areas:

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

19. As argued in our previous submission, the PTF feels the GCA has proven to be a highly effective tool in policing the food supply chain, made possible notably by its independence and regulatory power to penalise retailers that breach the Groceries Supply Code of Practice.

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

20. There is scope for expansion of the GSCOP to include, for example, large wholesalers, other online retailers and foodservice operators. However, this would only be practicable if greater resource was provided to the GCA's office.

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

21. There should be some sensible threshold of scale below which there is less scope for abuse of power and less impact from potential abuse. Actors should be of sufficient size to be able to devote sufficient resource to ensuring internal code compliance. That threshold could be set lower.

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

22. A significant step forward in 2024 was the establishment of The Fair Dealings Obligations (Milk) Regulations (FDM24), insofar as they provide a framework for best practice without being too prescriptive. PTF would welcome efforts to extend this to eggs, poultry and the pig supply chain. However, it is vital that all parts of the supply chain are properly consulted in the framing of this legislation to avoid unintended consequences. Due consideration must be given to feedback from all processors and all their representatives as well as farmers. If this is not done, unnecessary effort will be spent in explaining the legislation once launched and such regulations will not be workable.

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

23. On the surface of things, a sector-specific approach seems sensible, although there are questions about how these sectors are defined and selected and who selects them. All major grocery sectors have inherent vulnerabilities, but care must be taken to ensure lines between sectors are not blurred to avoid misunderstandings and unnecessary complexity in regulatory compliance.

24. PTF is concerned that the current handling of regulations, particularly reflected in the consultation process, assumed a slight bias in favour of a farming perspective against a processor perspective. While farmers clearly have unique vulnerabilities, a supply contract should bind both parties to act legally, fairly and honourably. A bias towards one sector against another ultimately fosters ignorance of the unique pressures each face and a sustained adversarial, as opposed to a cooperative relationship.

25. There may conceivably be instances in which the balance of power, and thus the potential for abuse, sits with the supplier rather than the customer. For the sake of perceived fairness, sufficient room and scope must be made for those (admittedly less likely) instances.

26. There is a risk that adherence to the letter of the law may lead to an overreliance on it to handle disputes, while avoiding the need to build strong, genuine relationships as part of ensuring fairness is honoured. Sufficient facility must be created for robust relationships forged out of mutual trust and understanding to flourish as the driving force behind compliance or the regulatory system will always be treating the symptom, not the disease.

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

27. There is great scope for collaboration between the Agricultural Supply Chain Adjudicator and the Groceries Code Adjudicator in understanding, highlighting and lessening weaknesses and vulnerabilities across the supply chain. Indeed, this is essential for a comprehensive food strategy accounting for all parties equally.

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