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## Written evidence submitted by NFU (LS0045)

The NFU represents 55,000 members across England and Wales. In addition, we have 20,000 NFU Countryside members with an interest in farming and rural life.

### EFRA Inquiry: Labour shortages in the food and farming sector

#### Summary

With labour supply tightening to critical levels, the NFU, alongside several food and farming industry associations, commissioned a report to quantify the level of shortages and its impacts on the supply chain. The report ([Establishing the labour availability issues of the UK food and drink sector](#)) was published at the end of August and estimated there to be 500,000 workforce shortages across the food and farming sector, including hospitality and haulage.

Availability of EU workers is a key factor for labour supply in UK food and farming. In addition, the global pandemic has impacted mobility of labour with anecdotal evidence suggesting that foreign born workers are less likely to return to the UK post-pandemic. Also, the pandemic has disrupted training of the workforce, which has amplified the skills gap faced by the food and farming sectors.

The outlook for the food and farming labour supply looks to remain tight for the foreseeable future with overall unemployment rates being low, amplified by the specific skill requirements needed by the sector. The situation now is that labour availability is a barrier to growth with over a quarter of agricultural and horticultural business set to scale back operations without access to non-UK based EU nationals.

Compounding the labour shortages is the ongoing 'mega-spike' in gas prices. This has had both direct and indirect impacts on food and farming. Initially, this created a severe reduction in food grade CO<sub>2</sub> availability – causing major disruption to food processing capacity. The connection between fuel and food security has been made clear in recent weeks and will remain a legacy into 2023 if farmers continue to struggle to access crop nutrients.

Trade with the EU remains problematic, especially regarding asymmetric SPS arrangements: most imports from the EU continue to be free of any controls or restrictions, putting UK exporters to the EU at a respective disadvantage, with agri-food trade between the UK and EU in decline.

In the short term, labour shortages do not look set to improve and the reliance on overseas workers remain. That is why the industry has called for a 12-month COVID Recovery Visa to minimise shortages and get over the immediate crisis. In addition, it is important that the Migration Advisory Committee is commissioned to assess the impact of the ending of Freedom of Movement on the food and farming sector, so that mid- and long-term solutions can be found.

More broadly, there are no silver bullet solutions, but more complementary actions that government can take to enable food & farming industries navigate the current challenges.

#### **1. What is the extent and nature of labour shortages currently being experienced in the food supply chain?**

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chain. The report ([Establishing the labour availability issues of the UK food and drink sector](#)) was published at the end of August and estimated there to be 500,000 workforce shortages across the food and farming sector, including hospitality and haulage. No part of the supply chain is immune, and shortages are reported on farm, in packhouses and processing plants, haulage, retail and food service. The average vacancy rate at the time of publication was 13% across the industry.

Labour shortages have contributed to food waste and empty retail shelves. This is not because food isn't available, but because it cannot be picked, packed, processed, or transported. The warning signs were there from the start of the year. 24% of the entire UK daffodil crop was left unpicked due to a staggering 33% shortage in seasonal workers. There have been equally disheartening examples of milk being poured down the drain, or significant wastage in the pig and fruit & veg sectors.

These shortages also threaten our valued animal welfare standards due to not having adequate levels of staff to care for animals or provide safe transportation. For example, the National Pig Association has reported that the lack of available labour to process pigs is resulting in pigs being kept on farms for longer than they should be and not only causing additional financial costs for businesses, but also putting additional pressure on staff, especially where the farms themselves are experiencing labour shortages. It is imperative that animal welfare is not impacted upon by overworked and tired workers.

## **2. What are the factors driving labour shortages in the food supply chain?**

The UK food and farming sector has a high reliance on overseas workers. The importance of EU migrant workers is evidenced by the latest Labour Force Survey (July 2021) which highlights that there are 2.3 million EU citizens working in the UK on a permanent basis. It is thought that around a fifth of these work in the food and drink supply chain. The most recent estimates for how EU workers are represented in sub-sectors of the Food and Drink industry dates from 2017 and showed that there was a split of; 28% in food and drink manufacturing, 20% in food wholesaling, 13% in food and drink services, 6% in permanent agriculture and 6% in food and drink retail. Reliance on EU workers is particularly pronounced in seasonal agriculture, with a report from the Migration Advisory Committee (2018) highlighting that 99% of seasonal agricultural workers are from EU countries. The hospitality sector is also highly dependent on EU workers, with 24% of the hospitality and tourism workforce pre pandemic being made up of non-UK nationals, of which 48% were from EU countries. Between 2011 and 2016 there was a 61% increase in EU migrant labour in the hospitality and tourism sector.

The global pandemic has seen 1.3 million foreign born workers leave the UK. This workforce is yet to return with anecdotal evidence suggesting that they may be unlikely to ever return. Travel restrictions and lockdowns throughout the pandemic have also caused significant disruption for the supply chain, and notably hospitality which has accounted for 25% of all furloughed employees. As significant is also the impact that Covid-19 has had in disrupting the continued training of the workforce.

There are also several specific skill shortages. For example, one that is affecting all parts of the food and drink supply chain is the shortage of HGV drivers which is impacting on the collection and distribution of food. With butchers being another that is resulting in less UK produced meat in the shops.

## **3. What is the outlook for the labour shortage situation in the coming months and years?**

Despite the challenges that the COVID pandemic has inevitably created, unemployment rates across the UK have remained low and currently sit at around 4.6%. This rate has been dropping since November 2020 despite millions of people coming off furlough. By the end of July 2021, 1.6m people were estimated to be on furlough. The Home Office has claimed that unemployment rates will rise

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sharply and that the end of the furlough scheme will see a large increase in jobseekers. Data to the end of July does not support this and ignores the specific skillsets and rural location of many food and farming jobs. For example, workers that are unfortunate to lose hospitality jobs in London are not going to be qualified to do lorry driving or willing to relocate out of London to do meat processing roles.

In addition, meat processing occurs in busy and challenging environments (cold) and in combination with location means that wage inflation is unlikely to solve the gap in vacancies. Any wage inflation would need to be recovered via higher product prices, resulting in demand destruction for domestically produced product in favour of imported product, which has much better access to labour.

The supply chain report showed that 27% of agriculture and horticulture businesses would scale back operations or productivity if their company did not have access to (non-UK) EU nationals. Some businesses have already taken difficult decisions to scale back UK production in the latter stages of 2021 and into 2022, with several poultry producers cutting back turkey production by as much as 20% for Christmas 2021.

For seasonal work, especially in Horticulture and Poultry, the shortages are expected to worsen each year as the 'returnees' from the EU with settled or pre-settled status move into other jobs or industries and cannot be back filled by other EU nationals. The only route for overseas recruitment is for the Seasonal Pilot Scheme which is not open to the poultry sector and doesn't even cover the full remit of the horticulture sector; excluding businesses that produce plants and flowers despite them facing identical challenges.

Evidence from the horticulture sector shows that returnee rates have fallen significantly in 2021 and even those businesses that typically attract a high returnee rate of around 70-80% are only securing 50% of their previous workforce. Losing half of the returnee workforce each year will see the reliance on the Pilot scheme increase significantly. The operators of the Pilot scheme already have demand requirements in the region of 50,000 workers for 2022 and the expectation this will rise to 60,000 as the year progresses. It remains critically urgent for the government to commit to an extension and expansion of the scheme into 2022 and beyond and to have sufficient visas and operators to meet the demand.

The UK food and drink workforce is also an ageing workforce. The Food and Drink Federation has previously highlighted that over the next ten years, 25% of the food and drink manufacturing workforce is due to retire, with up to a third of the workforce set to reach retirement age by 2033-35.

Within the Food and Drink sector there has already been significant investment in automation and robotic solutions over the past decade. This is seen as a long-term commitment to reduce dependence on manual labour and create a safer and more efficient working environment. Developments include the adoption of robotics in warehousing and packing plants, milking and cheese making machinery, cutting/slicing machinery, automated labelling and investments in factory systems.

While the industry continues to invest, for certain sections of the industry, such as meat production and many fresh produce harvesting operations, automation is not currently a viable replacement for the flexibility, dexterity and judgement that a human would provide. In some cases, this has caused companies to put in machinery, only to remove it shortly after as it was underperforming compared to people. There is also a space requirement for new machinery and skilled operators are still required to use, maintain, and monitor the technology.

#### **4. What other issues are affecting the food supply chain?**

There are significant concerns on how product will reach the shelves at Christmas due to both shortage of CO2 and labour. This is because there is an increased need for labour at every stage of the supply

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chain (processing, packing, shop floor, distribution centres and lorry drivers) in the run up to Christmas. This can be as early as 10 weeks out, as the supply chain and retailers ramp up production to meet the increase in Christmas trade. CO<sub>2</sub> is used in the processing of added value products (and machinery use) which are bespoke to Christmas, in addition there is a specific need for CO<sub>2</sub> in the slaughter of turkeys.

The recent and ongoing mega-spike in the cost of natural gas has quickly highlighted the connection between energy and food. Energy plays a huge role in the food system from the production of fertilisers, heating greenhouses for salad production through to baking processes.

In the medium term, the agri-food sector needs to transition away from fossil-based energy and this transition needs to be smooth and predictable. This though is no antidote to the immediate issues that current food production systems face both home and abroad.

Farmers are currently in the process of procuring fertilisers for the 2022 growing season. Due to high gas prices it is very clear that fertiliser prices are out of kilter with farm gate commodity prices – despite current high grain market prices, the margin on production will make fertiliser unaffordable.

Typically, the cost of ammonium nitrate fertiliser is less than two times the wheat price. For the 2022 crop, this ratio is now approximately 3.5 and risks being more than 4 in the coming weeks. This is unprecedented and a largely global issue with fertiliser production in the UK, Europe and wider world being scaled back due to high energy costs.

In response, farmers around the world will need to reassess what new economic optimums are and reduce fertiliser application rates accordingly. This presents a headline risk to global crop yields and potentially means that exporting nations have less surplus and importing nations have bigger deficits.

The legacy of the current energy price spike through fertiliser has the potential to run through 2022 and well into 2023. This comes at a time when grain prices are already high and in normal times the market would be confident in a supply response from the world's farmers. As it stands today, there is a risk that UK farmers will be facing a gap in crop nutrient availability in 2022. This risks lower crop yields, which would dent UK food security and as such, industry and government should work together to find suitable mitigations.

## **5. What impact will the timetable for introducing physical checks at the border on food and live animal imports from the EU have on the current issues being experienced by the UK food supply chain?**

There is extensive trade in agri-food products between the EU and UK. For the first half of 2021, the UK imported £13.4bn (FDF) of agri-food products, down 15% compared to the same period in 2019. The main drivers for this reduction in imports was the disruption in the supply chain due mainly to Covid and

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in part Brexit, reluctance by European suppliers to service the UK market due to their own shortage of driver availability and changes in UK consumer demand patterns in favour of more retail sourced products.

There has also been a modest increase in imports to the UK from non-EU partners, of 3.1% (£7.3bn 2019 v £7.5bn 2021) to offset some EU imports. However, the UK remains a net importer of food from the EU with a trade balance of -£8.5bn in the 1<sup>st</sup> half of 2021. In 2019, 26% (Defra food pocketbook) of the food consumed in the UK was sourced from the EU. More recent statistics are not yet available, but it can be assumed that this proportion remains significant with the EU as the main overseas supplier of food to the UK.

There is no question that the government's decision to delay administrative and physical checks on certain agri-foods entering from the EU will therefore provide some respite for UK importers. However, it should be stressed that since the turn of the year, the vast majority of imports from the EU have been entering the UK market free of any controls or restrictions. This means that new Brexit controls and checks have not been the driver for the reduction in imports that we have seen. Covid restrictions meant poor demand from the hospitality and food service sectors in the first half of 2021, which are key markets for imported foods. In addition, reduced EU demand for UK products has probably resulted in reduced demand in the UK for EU originating ingredients – a slowing of the carousel of trade in food products and ingredients.

The government's decision to delay import controls on EU product should be seen as one, arguably minor, aspect of the government's potential response to the issues being experienced by the UK food supply chain at present and should not be seen as a "silver bullet" solution.

NFU engagement with the government suggests that there was a high degree of confidence within Whitehall of the preparedness of the government agencies and traders for the new controls foreseen for 1<sup>st</sup> October 2021 and 1<sup>st</sup> January 2022. The government was undertaking a significant number of industry webinars to GB and EU traders, recruitment for officials at Port Health Authorities was reportedly complete for the majority of EU facing ports in England and was underway for APHA officials for physical checks from 1<sup>st</sup> January and 1<sup>st</sup> March 2022.

There are some questions around the readiness of UK IT systems for SPS controls, for example the use of IPAFFS to pre-notify and trace the imports of products of animal origin from January 2022, and whether it will be ready to be used instead of PEACH for the import of plant/ plant material from July 2022.

It appears that the main source of UK government's preparedness concerns related to EU trader readiness, EU certifier capacity and issues of BCP preparedness across the country, most particularly within the Devolved Administrations.

We still cannot export live animals to the EU as there are no EU facing BCPs able to clear livestock. Defra is doing little to help fill this gap, though the NFU has identified both a site and potential operator. Industry solution is possible but needs investment before the trade can resume. We assume that there is enough OV resource to ensure EHCs are completed. Imports of live animals are checked at the point of destination in the UK.

The UK government has very little influence over EU trader readiness or EU certifier capacity. There is now a heightened risk that the government's actions of further delaying the controls will exacerbate the lack of trader engagement in the EU and the necessary decisions to increase resources for official certifiers within EU member states.

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The latest decision taken in September 2021 is the third time that our government has pushed back controls on imported agri-foods coming into the UK (announcements to phase in import controls from EU 13<sup>th</sup> July 2020, 11<sup>th</sup> March 2021 and 14<sup>th</sup> September 2021). There is no doubt that these continued setbacks make it harder each time to have genuine engagement, to provide certainty for businesses to enter the space, and to see the necessary resource allocation amongst EU traders. It is vital that the UK government uses the time wisely between now and the next key dates to ensure that we do not simply see any further delays announced and that import controls are applied fairly and in a balanced way in line with the requirements our exporters have faced since 1<sup>st</sup> January 2021.

The NFU also represents a significant number of growers who have raised concerns about the government's plans and timetable for border controls in regard to imported plants. For those growers, delays to the controls and additional time to prepare has been welcomed. For instance, growers have reported difficulties with the current PEACH IT system, describing the system as outdated and difficult to use (this was due to be replaced by the same systems that IPAFFS uses in February 2021, but is yet to be rolled out).

Concerns have also been raised about a shortage of sufficiently trained APHA staff, which is placing pressure on both import and export inspection systems. While we understand that there have been significant recruitment efforts to increase APHA inspector numbers, concerns remain around the experience and pragmatism of new inspectors. Furthermore, the inspection process does not seem to fully account for actual risk, with low-risk plants and plant products imported by growers facing 100% inspections and testing for low-risk pests and diseases in some cases. High risk plants imported by retailers (such as lavender, a *Xylella* host) are only facing 10% checks, and therefore potentially being freely circulated. Finally, there are ongoing concerns about delays and cross contamination during and after inspections, particularly once inspections move to BCPs. It is vital that government enables more plants to be inspected at the place of destination and inland control points to mitigate biosecurity risks, cross contamination, and delays at BCPs

## **6. What measures has the Government taken to alleviate the problems being faced by the food supply chain this year? To what extent have they been successful?**

In recent weeks the government announced temporary visas for poultry workers and, HGV drivers which would be valid through to the end of the year and February 2022 respectively. More recently, visas for butchers in the pork sector will be welcome to start to address the critical issues in the sector.

It remains to be seen how successful this specific intervention will be, but the narrow sector focus and narrow time window is likely to limit its efficacy at solving the labour issues seen in the broader food sector.

On 21<sup>st</sup> September, a 'deal' was announced between government and CF Industries to restart production at one of the two UK fertiliser plants. For three weeks this re-instated the supply of food grade CO<sub>2</sub>, which is a by-product of fertiliser production. This three-week period, combined with a suspension of competition law enabled some key failures in the CO<sub>2</sub> market to be addressed. This has given some headroom through to the end of the year, but the food system is still vulnerable to the supply of what is a relatively minor raw material.

## **7. Does the Government need to take further steps to support the food supply chain?**

In the short term, labour shortages do not look set to improve and the reliance on overseas workers remain. That is why the industry has called for a 12-month COVID Recovery Visa to minimise shortages and get over the immediate crisis. In addition, it is important that the Migration Advisory

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Committee is commissioned to assess the impact of the ending of Freedom of Movement on the food and farming sector, so that mid- and long-term solutions can be found.

The NFU recently submitted a response to the BEIS consultation titled “Reforming the Framework for Better Regulation”. The impact of regulation on farming and rural businesses is a critical issue. For us, the key principle behind good regulation is that it should strike a balance between managing risk and harm from any given activity, economic or otherwise, and maximising the societal and economic benefit of that same activity. Better regulation can help the food supply chain be more agile, more productive, and resilient.

Regulatory and policy evolution must be partnered with impact assessment. For the NFU, there are three key areas of impact assessment that should be undertaken:

1. Economic impact upon food and farming businesses
2. Impacts on the industry’s productivity, which is key in delivering economic and sustainability outcomes
3. Impacts upon the nation’s food security and its ability to contribute to the global cause

More proactive market monitoring of food-commodity and indirect raw materials, such as energy, so that recovery from the current state and future issues can be better observed and acted upon.

Urgent focus on regulation and enforcement that impacts crop nutrition. Specifically, the rigid interpretation of the Farming Rules for Water by the EA risk farmers being more reliant on manufactured fertiliser and less able to use farmyard manures in crop production. In addition, having a broad portfolio of products available will help farmers spread risk. The future of urea fertiliser is very uncertain and the NFU is urging Defra to be more pragmatic in its regulation of the product for which the industry has put forward a progressive solution.

The NFU has already set out a package of measures it believes are necessary to ensure farming is prepared for the likely market turbulence ahead, particularly in light of UK trade policy which has meant greater barriers with our largest export market, the EU, while looking to liberalise trade with countries outside of Europe. These measures focus on helping UK farmers grow their markets home and abroad, and to adapt their businesses to these new trading realities, which would have important benefits for the resilience of the wider UK food supply chain:

- Government match-funding for existing industry investment in export promotion and market development overseas, and for maximising the impact and penetration of “Brand Britain” alongside other regional/national agri-food brands.
  - Investment in trade diplomacy, including a significant increase in “boots on the ground” in the form of dedicated agricultural counsellors in our embassies focusing on agri-food exports and market access
  - A UK export council co-ordinating the efforts and interests of producers and exporters in identifying market opportunities and securing market access, ensuring effective two-way communication between industry and government, and respecting the different strengths and unique offerings of all parts of the UK.
  - Making sure government is properly resourced and positioned to support: inward missions from potential export markets on verification and compliance; outward missions of potential exporters identifying and realising market opportunities overseas; and inward investment in the UK agri-food sector.
  - Properly funded domestic agricultural schemes to assist farmers in investing in more productive and efficient technology, consistent with government aims around sustainability and climate friendly farming
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- An adjustment assistance scheme to help domestic businesses adversely affected by the impacts of trade liberalisation.
  - Measures to remove the barriers that can prevent British farmers from providing British food to the British public. This includes much greater transparency and honesty in the out-of-home market on provenance and country of origin, support for a “Buy British” button for online food purchases, and an overhaul of government procurement practices to increase the provision of fresh and nutritious British food in our schools, hospitals and other public sites.

Some of these export measures, in particular the second and third bullets, have in principle been agreed by government. We welcome this commitment but await the detail.

**October 2021**

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