

Written evidence submitted by National Pig Association (LS0054)

October 2021

NPA response to the Environment, Food and Rural Affairs Select Committee Inquiry: “Labour and trade issues facing the food and farming sector”

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 interests of NFU members that 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 £14 billion in total. In 2019, over 378,000 tonnes of British pork was exported around the globe, to over 40 export markets, a trade worth £610 million.

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

The most acute labour shortage in our sector that requires immediate resolution is in the pork processing sector where there is a desperate lack of skilled butchers. There are approximately 10,000 vacancies across all roles in the processing sector, which has significantly reduced their capacity to slaughter pigs. On average, pork processing plants have vacancy rates of 10-15%.

As a result of labour supply issues in the processing plants, we currently have an estimated 150,000 pigs backed up on UK pig farms that should have been sent to slaughter and already supplying the food chain. To put it simply, shortage of labour elsewhere in the supply chain impacts the farmers more than anyone else. They are left with pigs that cannot be sold, leading to welfare and financial issues and are powerless to resolve the crisis that is developing. Around 6,000 pigs have already had to be culled on farms, and their carcasses wasted, as a result of the problem and this number is growing by the day. Pig farmers themselves are also struggling for labour on farm, with some citing lack of labour as the reason for leaving the industry, and with fewer staff looking after extra pigs, this is adding to the stress and strain being experienced.

The UK is also reliant on imported pork (60% of pork eaten in the UK is imported) which is brought in as primals and processed for retail packing within our own factories. The concern is that highly processed products such as gammons needed for Christmas might divert essential butchery staff resource away from that required for British pigs. In addition, an increasing amount of boneless cuts that require no butchery are also being imported, and whilst these do not use vital butchery resource, they still require processing through slicing machines which will need oversight. These two issues combined are thought likely to put pressure on already inadequate resource which could impact on British product coming through and could add to the already severe backlog of pigs on farm.

There is also a concern that some retailers, who have to date been very supportive of their British supply chains, are now considering moving over to EU pork because it is much cheaper and more accessible.

This would make our situation so much worse to the point that many more pig producers, in addition to those responsible for the 27,500 sows we already know have or are just about to leave the sector, would have no choice but to exit the industry.

The percentage of contracted British pigs being accepted by processors has been reduced by up to 25% per week since the beginning of August and has now reached the point where some farmers are facing a welfare cull of their pigs for rendering because they have exhausted their contingency plans, they have simply run out of space and have no ability to shut off the pig supply coming through.

We have tried our utmost to avoid a cull on farms, not least for those that lived through the Foot and Mouth and Classical Swine Fever outbreaks who should not have to relive such a heart-breaking experience. Others would have to pay for their pigs to go to dedicated slaughterhouses for culling and rendering. Not only is this an incredible waste of healthy pigs and good pork, it is financially ruinous and incredibly damaging for our supply chains.

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

The consequence of the COVID pandemic coinciding with the UK's departure from the EU was a squeeze on the supply of labour from Europe. We survived some very challenging periods during the first year of the pandemic, when the virus led to absenteeism across this critical supply chain: from farms to supermarkets but still managed to keep the supermarket shelves full. However, when COVID travel restrictions eased many workers, who had worked incredibly hard in the previous 12 months, returned to their home countries and many failed to return, either through choice or the impediment of increased costs as a result of higher fares and COVID testing fees. The processing sector reported that between 60-80% of the workforce at the time was from Eastern Europe so was particularly badly hit.

Wages and other incentives in processing plants have increased significantly in the last few months and there have been huge efforts in terms of recruitment from processors. Wages are no longer the issue in the case of skilled butchers as a competent butcher will have a starting salary of more than £26,000 and more experienced employees are paid between £35,000 to £40,000. It is the dire need for people with the appropriate skills and training who can safely and competently carry out this work that has become the issue now.

In addition, the pandemic caused a huge boom in online shopping which, in turn, created thousands of new jobs in that sector, taking many workers directly from agriculture and food processing roles. Although wages are equivalent, working as a delivery driver or in a warehouse is seen as more attractive than some roles in food production. We are also competing with other more attractive sectors such as hospitality who are now open and desperately recruiting staff again following earlier COVID-19 restrictions.

It is not just the processors who are struggling to attract labour; many farmers face similar problems but for different reasons. Across the board, agriculture as a sector struggles to attract, recruit and retain suitable people to work on farms. This is not a new issue and it has not been caused by COVID or Brexit, merely exacerbated by them. Farming is not seen as a desirable career choice, often incorrectly classed as poorly paid, low skilled work which lacks career prospects, combined with long, often unsociable, hours in rural locations and involving physical work which means that many can and do find more agreeable work elsewhere for the same wage.

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

Due to difficulties in attracting UK Nationals to work in slaughterhouses, we accept that some parts of the supply chain had become reliant on Eastern European workers and we absolutely recognise the need to re-focus efforts to ensure these roles appeal more to our domestic workforce going forward. Indeed,

there has and continues to be a huge drive from employers to recruit domestically, whether by offering apprenticeships, flexible shift patterns for those with school age children and benefits packages, but so far these have not been fruitful, which we believe is due to the buoyant jobs market. Many of the vacancies in the food supply chain are at sites based in, or near, cities with higher than average unemployment rates but they are still unable to fill the roles. This is because the industry is not necessarily viewed as attractive and there is a skills gap in butchery which will need a longer-term focus. Processors have also invested heavily in increased automation which will help, however there will always be a need for staff.

This is a longer-term challenge, and domestic recruitment is something in which the whole food and farming supply chain is investing. However, it takes time to train up workers and we need butchers right now in order to solve the urgent issue in the pig sector. Butchers can enter the UK to work on a Skilled Worker Visa but the English language requirement is extremely prohibitive. If that requirement was lowered to better reflect the nature of the role and the need for effective communication, then the industry would be able to fill some of the vacancies and alleviate the problem facing farmers. The level of bureaucracy required to apply for certificates of sponsorship and visas should also be reduced to facilitate access.

We also need to find long term solutions for farm recruitment. Due to the nature of the work involved, pig producers are almost completely reliant on unskilled permanent labour. Unskilled does not mean 'not skilled', as animal husbandry clearly requires a certain level of expertise, but for most stockman roles, does not require graduate level training. We require a regular supply of reliable dedicated staff with good animal husbandry skills in order for the sector to function properly.

Pig production is continuous, not seasonal, and good stockmanship requires ongoing interaction with a pig herd and individual intuition with regard to the animals they are caring for. Because the majority of roles tend to be permanent, it means that individuals working on pig farms have to think seriously about their employment future, and opportunities for their family, as opposed to seasonal labour which provides greater flexibility.

The British pig industry has worked hard for many years to find solutions to attract and retain more people into the industry. We were the first industry to develop a Continuous Professional Development (CPD) scheme - the Pig Industry Professional Register - to enable people working in the industry to demonstrate competence and to document their training and experience record when moving from one employer to another. This has subsequently developed further to AHDB Pork's PigPro – which in addition to CPD, enables staff to access and monitor training, develop career progression plans, mentoring and advice.

There are many other associated initiatives run through the industry, such as the Trailblazer Apprenticeships, but there are also some simple steps the Government could take to support agricultural recruitment. For example, more dedicated resource in Government departments to promote agriculture in education and change the perception of working in the industry. Currently, the industry promotes itself in schools as there is no resource within Whitehall to do support it. Similarly, there could also be better signposting and access for unemployed people towards the benefits of working in agriculture.

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

Wider labour shortages

We recognise that there are labour shortages in roles right across the food supply chain and this was highlighted in detail in a recent Grant Thornton report, which was commissioned by 12 organisations representing relevant sectors in the chain. A copy of that report will be attached with this submission.

The report concludes that there are as many as 500,000 vacancies across the food supply chain. This includes up to 100,000 HGV driver shortages and 188,000 hospitality vacancies. This is in line with the latest ONS estimates which put total vacancies across all sectors at 953,000. This demonstrates very clearly the difficulty of filling vacancies in our own sector.

CO₂ availability

The recent issues with CO₂ availability is another area where the supply chain has been impacted. The rise in gas prices made fertiliser production unviable and CO₂ capture is a by-product of that process. As well as the the nuclear industry and medical procedures, CO₂ is used to stun livestock before slaughter and in food packaging. Had an agreement not been reached to recommence production, the pork supply chain would have been reduced to a fraction of its current capacity. Long term solutions will need to be found to reduce the industry’s reliance on just one company which produces CO₂ as a by-product.

Cost of production

The sharp increases in input costs (feed and straw) over the last year have placed the British pig industry in a significant loss-making position. In the first six months of this year, pig producers lost on average £25 per head and there is no end in sight to the high feed prices in the global market. At the same time as costs have increased, pig prices have been dropping and it is expected that Q3 of 2021 will be worse still. Compounding the problem, producers have been accepting far lower prices to get overstocked pigs off farm (around 70p/kg as opposed to 150p/kg market price). The tables below demonstrate the scale of the financial challenge facing farmers. This sustained loss cannot be borne for long and inevitably we are likely to see more casualties as time progresses. Even if the labour issues are resolved, profitability in the pig sector is still dire and some businesses will not survive.

Table 1 – input costs

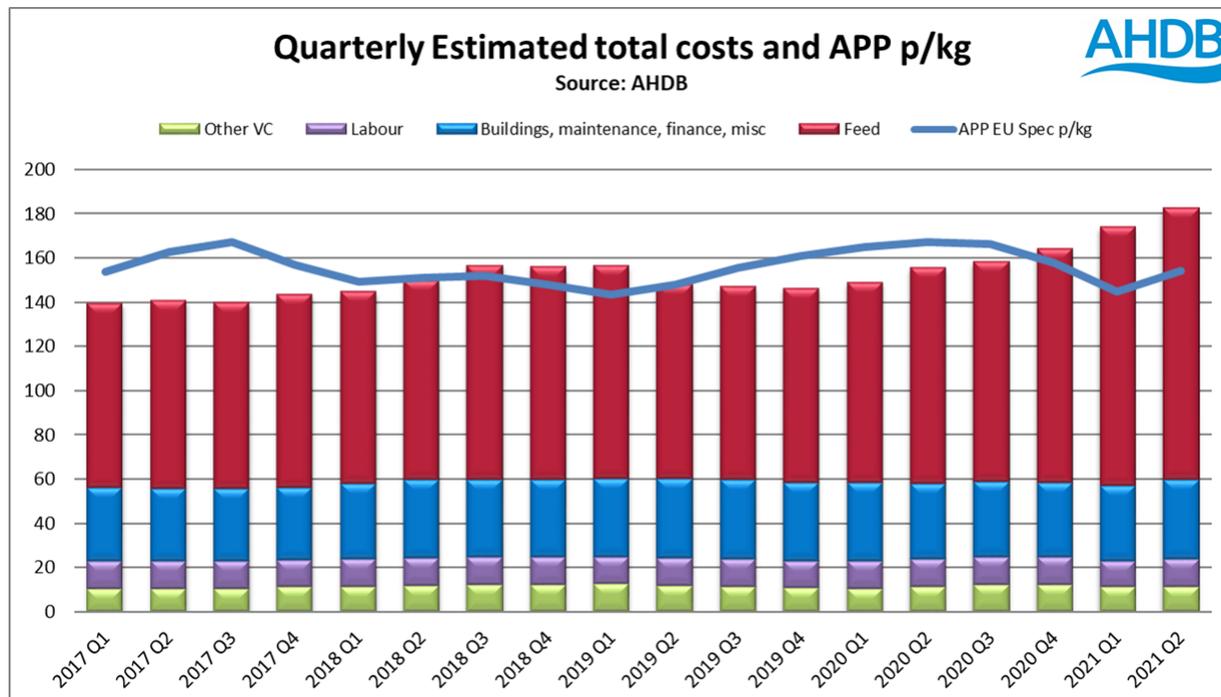
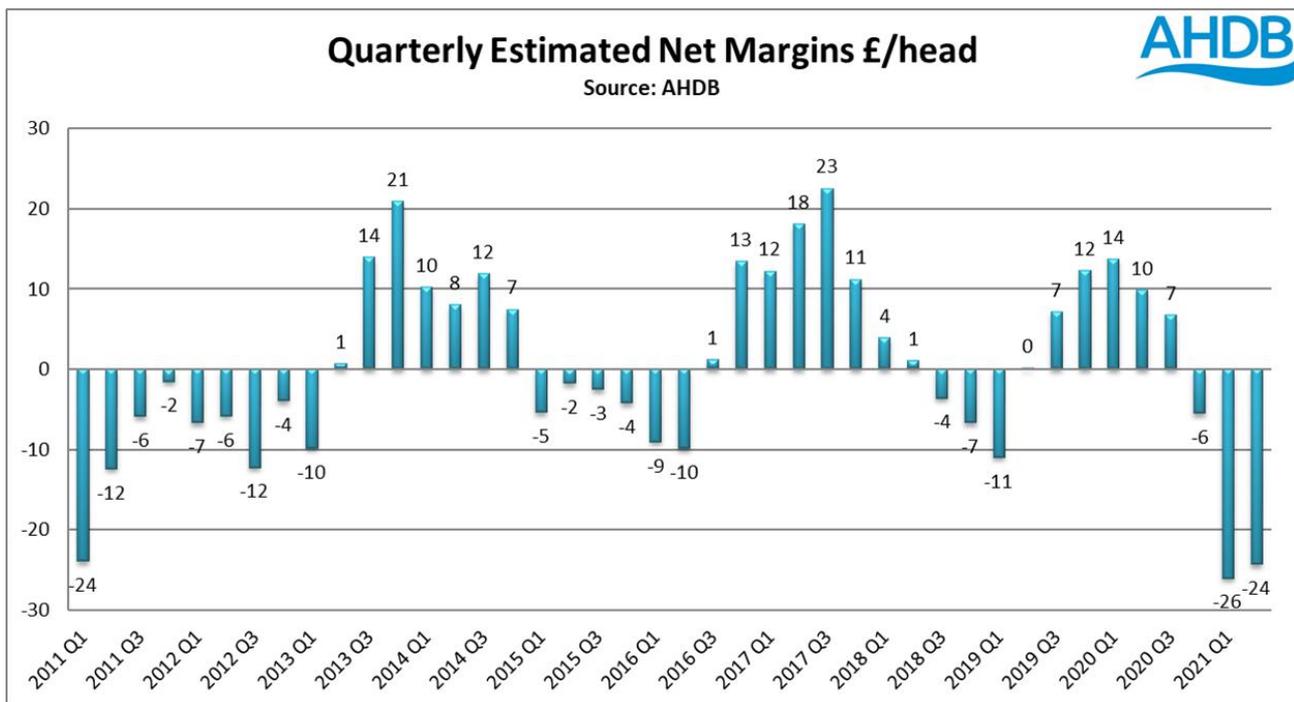


Table 2 – net margins



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?

In addition to all the other challenges facing the industry, we were hugely frustrated that the Government has further delayed import checks on goods moving from the EU to the UK until 2022. While we had a degree of sympathy with the initial approach to phase-in checks over an extended period, this further delay to implementation exacerbates the imbalance between import and exports, giving EU companies, and the EU pig sector, a competitive advantage at a time when our own domestic industry is facing unprecedented financial pressures.

Between January and August this year, 300,000 Export Health Certificates have been required to export our produce to the EU, costing the industry £40 million. It has put huge pressures on limited veterinary resources; so far collectively it has taken about 400,000 hours to complete the forms. Companies sending food the other way across the Channel do not face these costs and will not have to worry about the additional bureaucracy until next year. We are spending money on processes that add no value to our products, all in the name of protecting the EU’s own biosecurity.

Furthermore, there is a significant loss to the Exchequer as a result of non-compliance because companies know there will be no border checks. In November 2020, the Office for Budget Responsibility (OBR) estimated that the initial delay to import checks would result in a shortfall to HMRC of £200 million in customs duties and £600 million in VAT payments. We are not aware of an updated figure from the OBR since the latest delay was announced.

In summary, this all means there is very little urgency in Brussels to resolve any export issues when EU products can flow freely into the UK. If pork imports into the UK were facing the same costly and stringent checks as exports, we would have more leverage to resolve immediate problems and there would be more impetus to work together to design streamlined and modern trading processes, which in turn would help to reduce paperwork, delays and the associated costs, and would go some way to helping our own beleaguered domestic pig industry.

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?

On 14 October, the Government announced a raft of measures to support the pig industry:

<https://www.gov.uk/government/news/government-set-to-bolster-supply-chains-by-extending-cabotage-rights>

The NPA is very relieved that the Government has finally released some measures aimed at reducing the significant pig backlog on farms. We are working with the processors to understand the impact of these new measures and to determine exactly what will happen now, and how quickly, so that we can give pig farmers some hope and stem the flow of healthy pigs currently having to be culled on farms.

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

Prior to yesterday's announcement, the pig industry was asking for three immediate actions from government:

1. The introduction of a 12 month Visa to enable the sector to secure skilled employees from across the world.
2. A lowering of the English language requirement to enter UK for specific roles. The current level is the same regardless of whether you are a doctor, vet or abattoir worker and given the variation of jobs, does not need to be – this is currently stopping processors accessing a wider pool of skilled workers.
3. Immediate access to Aids to Private Storage – this will help reduce the enormous backlog of pigs on farm far more quickly as it could be enabled in a far shorter time than the visas and the carcasses would require minimal butchery before being placed in storage.

Now that we have a temporary visa scheme for skilled butchers and access to Aids to Private Storage, we can begin to plot a path out of this crisis. We will keep a close eye on how the measures are implemented and will also look to ensure the financial burden of clearing the backlog is shared evenly across the supply chain.

END
