Written evidence submitted by the National Pig Association (LS0078)

January 2022

NPA update 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.

On farm

As a result of the labour shortages in the processing sector, the current backlog of pigs on farms stands at around 150,000 and has increased rapidly over the Christmas holiday period due to slaughtering days lost to bank holidays and COVID absenteeism. Some farmers reported that as few as 50% of contracted pigs were taken by processors in the first full working week after New Year with average levels still at around 30% of contracted pigs not being taken on a weekly basis.

Culling and disposal of healthy animals has been on-going since September 2021. Because there is no statutory notification required when culling these pigs it is difficult to be accurate with the total number of animals destroyed. However, we have been told by farmers, vets and renderers of over 35,000 so far, although it is widely agreed that the actual number will be much higher. We know from the experience of the foot-and-mouth disease outbreak in 2001 how severe the mental impact of on-farm culling is on farmers and it is only ever done as a desperate last resort.

The cost of production continues to provide a grim financial backdrop to the backlog and culling. Farmers have now been losing approximately £25 per pig for nearly a year; clearly this is not sustainable. We know of 30,000 sows that have gone out of the English herd in the last six months and this equates to around 10%. Again, we expect this number to be an underestimate as it takes time to collate a full picture of the data.

Processing

In one of the clearest signs that the situation is not improving, average carcase weights have continued to rise, now topping 95kg, nearly 9kg heavier than two years ago. In some plants, deadweight averages are even higher than that.

Absenteeism due to COVID is affecting plants across the UK. One site reported that staffing levels were down 20% last week, with 100 people absent from the butchery area, which is the where the most acute staff shortages already exist.

Retail

Only two major UK retailers (Morrisons and Waitrose) have run marketing campaigns to increase British pork sales in recent months. If the supermarkets took a unified approach to supporting British pig farmers by selling more of their produce it would incentivise the processing sector to increase throughput of British pork and ultimately assist with the backlog. A collective effort by the whole supply chain is required to steer the industry out of this crisis.

Government measures

In October 2021 Defra announced measures aimed at supporting the pig industry by increasing slaughter numbers and therefore reducing the backlog on farms. These included 800 temporary visas for skilled butchers, a Private Storage Aid scheme so that product could be processed and then put into frozen storage and a Slaughter Incentive Payment Scheme to encourage extra shifts.

Following challenges with initial usage, these schemes were extended to the end of March 2022 and amended in January to encourage greater take up.

<u>Temporary visas</u>

At the time of writing, we are aware of 105 butchers that have or are due to arrive using the temporary visa scheme. More are coming to the UK via the Skilled Worker Visa but will take much longer to arrive.

Processors have reported huge challenges with the scheme because they were constrained by only being able to use four Government-approved providers, none of whom were specialists in recruiting butchers. The processors have been paying very high fees for low numbers of applicants, some of whom have not had the necessary skills to undertake the work.

<u>Private Storage Aid (PSA)</u>

We understand that Defra has only received three applications for PSA since the scheme opened in November. This is partly due to the higher retail demand before Christmas but the constraints on the scheme have also discouraged processors as they have to be very specific about when the product is removed and do not want to take on the risk of product devaluation during storage.

The scheme has now been extended from 2 February to 31 March and some of the constraints around the minimum length of time product can be frozen have been amended. We understand from the main processors that PSA remains problematic and is therefore unlikely to be used by most. Some of the smaller processors have shown interest but no further applications have been made.

<u>Slaughter Incentive Payment Scheme (SIPS)</u>

No applications have been received for this scheme at the time of writing, but Defra have only recently increased the payment to £10 per pig, up from £3, and extended it to 31 March. Processors have reported that the tight constraints on how they are able to use the scheme make it a less attractive option. Any additional kills using the SIPS have to go into PSA or for export, so it limits the options considerably. Processors are looking to put on extra shifts in the coming two months and could use the SIPS as part of that but are still largely undecided, predominantly due to staff working pattern issues.

The main challenges with opening the plants on a weekend is that staff are not contracted to do the extra days and therefore often ask for another day off during the week. Since the cost of running a weekend shift is considerably higher than £10 per pig, it therefore doesn't make financial sense to pay for extra staff at the weekend and then lose staff during the week when the cost would be less. However, some plants are looking to put on extra shifts at the beginning and end of a standard day, which would resolve this issue.

Summary

From the start of this crisis over a year ago it has been the farmers who have borne the brunt of labour shortages in the pig sector supply chain, which have occurred through no fault of their own. The backlog has added an enormous financial burden to their businesses at a time when the market is already costing them £25 per pig, input costs have risen dramatically and, as space has run out, some have endured the psychological trauma of destroying healthy animals.

The Government measures aimed at supporting these desperate farmers are in the hands of the processors and, for the reasons outlined above, have not been successful in solving the labour shortage or increasing slaughter numbers sufficiently to ease the backlog. The resulting vicious circle sees farmers rearing heavier and heavier pigs which the processor then penalises them for.

It is taking an enormous financial toll on our farmers and they have not received any direct support from the Government. The result is that the industry has already shrunk 10% in England; production that will be replaced by cheaper foreign imports, not produced to the same standards. The pig industry has never been subsidised and our farmers only want a level playing field on which to do business.

The last 18 months have clearly demonstrated the imbalance of power in the pig supply chain with both processors and retailers protecting their own interests and leaving independent pig farmers to take the pain. We believe that an inquiry into how the market can be corrected to ensure fairness and a sustainable future for the British pig industry is now critical if we are to survive this crisis and to prevent a similar scenario from ever happening again.

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