

Supplementary written evidence submitted by Greater Lincolnshire LEP (LS0083)

Greater Lincolnshire Food Board January 2022 - Supplementary Evidence to the EFRA Select Committee Inquiry into Labour shortages in the food and farming sector

A description of Greater Lincolnshire's agri-food sector has been provided to the committee before and we submitted full evidence to the inquiry in October 2021.

This evidence, responds to your call for supplementary evidence in January 2022. It includes feedback from the Greater Lincolnshire Food Board which met on 20th January 2022. This meeting was attended by 17 senior managers from medium and larger companies involved in glasshouse crops, pharma crops, bio-energy, potatoes, salads, ready meals, cereals, pork, poultry, eggs, fruit, vegetables, fertilisers, seed and consultancy on low carbon food chains, food retail and consumer box schemes, as well as representatives of the University of Lincoln and the NFU. The views expressed thus represent current industry views across the industry.

The industry welcomes the announcement made by the Home Office and DEFRA on 24th December for a 3 year extension (2022-'24) to the Seasonal Worker Visa Route. The extension to include the ornamental horticulture sector is welcomed given the importance of this sector in Lincolnshire, which has circa 20% of English production of these crops.

Our Food Board agrees with the medium to long term direction of travel set out in this announcement by the government, that the industry needs to recruit more UK workers, pay more and automate and there is strong evidence, which we return to below, of the actions being taken on all these areas by our businesses.

However, there remain some key challenges with the scope of this announcement and broader government policy on labour supply and automation

Industry Scope: horticulture is not the only part of the food chain which has a requirement for seasonal workers. For example the support given in autumn 2021 to the meat sector to cope with pressures in the run up to Christmas 2021 was welcome, but announced too late and with too many costs and restrictions attached to make a meaningful impact on this part of the sector. There is no commitment to similar schemes in subsequent years and thus the industry is again in limbo, uncertain about future labour supply and thus unable to plan effectively.

As a result meat business tell us they have reduced UK production and moved processing overseas, leading to more imports and a fall in exports. Poultry processors have reduced production to match lower workforce numbers with consequential increases in environmental impact as processing plant efficiency falls (+15% water per kilo and +20% energy per kilo).

Other parts of the sector, including all the major food processors are facing similar challenges to the meat industry and horticulture sector and are seeing production constrained by labour shortages.

Labour supply problems are also forcing companies to reduce product ranges which is challenging in an industry in which product innovation has been a key driver of growth and welcomed by consumers. The expectation is that restricted product ranges will become a fact of life as every part of the chain seeks to simplify product ranges, with particularly detrimental impacts on niche and speciality food producers who will not be able to secure shelf space in a rationalised food system.

Recommendation 1 - the industry would like to see a 'sector deal' type methodology adopted at industry level, in which government commits to giving the industry certainty on labour supply over a period of 3 years or more (ideally 5 years+), in return for the industry committing to pay more, recruit more UK workers and to automate. If this is not provided the expectation is that the opportunities for industry growth resulting from Brexit will not be realised.

Timescale, Costs and Availability of Automation - the lack of certainty about any further labour support for the wider food sector or beyond the current 3 year programme announced in the Seasonal Worker Visa Route in horticulture does not give enough time for the industry to automate, given the constraints currently being seen in the automation journey.

Examples of issues reported to us include:

- A major vegetable processor has recently signed off on a £6m automation programme, but an order placed in autumn 2021 will not be installed until summer 2022 because of problems with the supply of the equipment. This business, which operates 3 factories, plans in total to invest £15m to reduce its labour demand by circa 200 posts (£75,000 per job replaced), but can only afford to automate one factory per year because this process will impact production. With the added complication of the lead time for automation to be supplied and the need to maintain production during this period, this investment programme will take over 4 years to complete.
 - A fruit processor has committed to a £5m automation programme (in addition to multi million investments it has already made), but is now facing a 12 month wait from an order being placed to the robots being installed in summer 2022.
 - A major food processor needs to install automation to make up for a shortfall of 1,000 FTE staff and a further 1,000 seasonal workers, but this will take years because of the cost involved and the major challenges with the supply of automation equipment.
 - A local engineering company supporting automation in the food chain is now facing a 6 month delay on steel supply, as well as cost rises, which is further constraining their ability to build the machines to help the industry automate. This compounds problems with the supply of engineers, that both specialist engineering and food chain companies are facing.
 - For agriculture and food companies the automation challenge is compounded by other cost pressures the food chain is currently facing including:
 - Labour costs which are rising by 10% or more a year at present;
 - Fertiliser which is up by over 300% in a year;
 - Some energy tariff renewals are up over 300% where companies fixed them 2-3 years ago;
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- Forthcoming plastic taxes and the extended producer responsibility;
- Logistics costs which rose by circa 30% in 2021.
- The result of all of these cost pressures is that the profit margin in the industry is being eroded which directly constrains the ability to invest in automation. The challenge for the industry is that it is facing a multi £billion bill to invest in automation at the same time as all other costs are rising faster than product prices.
- This will also inevitably lead to major food price inflation, which is now being seen in the official data, with the industry expecting food inflation to remain high for a long time (with consequential impacts on hard pressed family budgets).
- In agriculture whilst the industry welcomes the new Farming Investment Fund, the amounts on offer (£25m in the next round announced on 19th January) do not begin to address the scale of need in the industry. The requirement to buy the machine is also a constraint of these grants in a sector where most equipment is now leased or financed, meaning that the programme as configured is likely to favour the best capitalised farms rather than those who most need the support.
- We thus expect most farming applicants who are looking to automate will be disappointed as the available resources in the programme will not be sufficient to meet the investment needs of the bids received from the industry.

Recommendation 2 - the industry is investing as fast as its own resources and the supply of automation equipment allows, but at current rates the industry needs a transition period and investment support over at least 5 years to be able to make a meaningful impact on labour productivity.

Recommendation 3 - further investment incentives and support are needed to help the industry make the investments in automation which are needed, given the many other commercial pressures the industry is facing from the highest cost inflation seen in over a generation.

Recommendation 4 - the capacity in the UK engineering and automation sector needs to be increased, from innovation support to develop new capabilities to programmes to develop the engineering workforce and infrastructure needed to lead an automation revolution in agrifood (and the wider economy). Current lead times in the industry for automation projects are now typically 12 months or more. This has to be addressed to make it easier for food chain companies to make a positive investment choice.

Automation Impact on Labour Demand is Complex - the industry believes that automation is unlikely to reduce total labour demand because whilst the industry is already making good progress in increasing labour productivity, any gains in productivity are being used to allow companies to grow their output to meet rising UK demand.

A combination of Covid and Brexit have led to supply chains and consumers all favouring more UK supply of food (lower risk, lower environmental footprint). The industry is thus trying to re-shore production, and this will, if resources allow, help the economy to grow, level up the country (as food

production is concentrated in more peripheral areas), and can make the food chain more resilient and sustainable.

Automation should thus be seen as a way in which the industry can respond to clear market demand for more UK sourcing, without the need to increase its workforce. But, the demand for workers in the food chain is therefore unlikely to fall as a result of automation. However, automation would support the current trends to higher paid, higher skilled and more productive jobs, helping to deliver levelling up through making the sector more attractive to workers.

This trend for more UK sourcing would also, overall, lead to increased sustainability of UK food consumption, as UK sourcing typically has a lower environmental footprint.

A key requirement alongside automation thus remains to increase the recruitment of UK staff to the industry, although we recognise that with vacancies now exceeding 1.2million across the economy this will not be easy.

Actions being taken locally include:

- A number of our larger food chain employers have been working with the County Council and LEP to run targeted recruitment days in the local community.
- A major local food processor employs V1th form students on a flexible basis around their studies to attract new entrants to the industry. This has proved to be successful.
- The Lincolnshire Institute of Technology and a new Centre for Food and Fresh Produce Logistics (Boston Town Deal) are both being launched to train a new generation of students, and a local school has secured £2m to target careers in the food chain. This represents a £20m investment, on top of over £50m which has been made in training provision for the sector in the last 5 years.
- The University of Lincoln worked with the Fresh Produce Consortium to run FPC Future at the Lincolnshire showground in November 2021. This event attracted 1,500 visitors, including 400 students who used the parallel FPC Careers event to meet sector employers.
- The Greater Lincolnshire LEP is prioritising food sector skills and developing a range of programmes to increase skills capacity, including developing the capacity of the Enterprise Advisor Network.

Recommendation 5 - the industry in Lincolnshire is working with education and training providers, Councils and the LEP to develop major programmes of skills development. However, further national support is needed to build on local initiatives, e.g. by creating: a larger national programme to support STEM education; a national campaign to promote the food chain and automation industries as key sectors for growth. This will help the UK bounce back from Covid and exploit the growth opportunities unlocked by Brexit.

Recommendation 6 - many larger food companies who pay the apprenticeship levy are still struggling to engage with the apprenticeship system, as it does not meet the needs of their workforce and they are, as a result, not making full use of the levy they pay. This is a missed opportunity for industry and the UK workforce, and the industry urges government to work with them to simplify and broaden the scope of the apprenticeship programme, so that it can directly

impact on the need to automate the industry. Critically apprenticeship programmes have to do more to support short CPD courses for those already in the agriculture and food industry who will need new skills as automation is introduced.

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