

# Written evidence submitted by Groceries Code Action Network (FOW0021)

## 1. Executive Summary

- 1.1. Unfair trading practices in the UK's food supply chain amount to a transfer of risk and cost onto the supply chain, and may include last-minute variations to the supply agreement. These generate uncertainty for suppliers, who may respond by overproducing – a practice that leads to food waste.
- 1.2. The economic cost of food waste caused by unfair trading practices is paid for by suppliers, reducing the capacity for businesses to invest and innovate in their operations.
- 1.3. The economic cost of food waste caused by unfair trading practices can lead to negative social impacts, such as farmers being forced to seek financial assistance to cover these costs.
- 1.4. Food waste is a symptom of overproduction and overconsumption. The overproduction of food requires surplus land, water, fuel, agrichemicals and labour to be used to grow food that is never eaten. This generates an environmental cost in a world with finite resources and artificially increases the price of food affecting global consumers.

## 2. The Groceries Code Action Network

- 2.1. The Groceries Code Action Network (GCAN) is made up of 23 trade associations, member associations, NGOs, unions, food groups and other civil society organisations that is campaigning to improve the effectiveness of the Groceries Code Adjudicator (GCA) and prevent unfair trading practices (UTPs) in the UK's groceries supply chains and the economic and environmental impacts they cause. The GCAN is calling for fair trading practices, including paying suppliers on time and in full, to be enforced at every level of the supply chain.
- 2.2. UTPs are “practices that grossly deviate from good commercial conduct are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another”<sup>1</sup>. These practices generate increased risk and uncertainty for actors in less dominant positions of the groceries supply chain, which can lead to overproduction and food waste<sup>2</sup>.
- 2.3. Members of the GCAN include: Traidcraft, Feedback, War on Want, Friends of the Earth, Sustain, Bananalink, Bakers and Allied Food Workers Union, Fairtrade Foundation, Fairtrade Wales, Unite, National Farmers Union, National Farmers Union Scotland, Land Workers' Alliance, Food Ethics Council, Global Justice Now, RSPB, Ethical Consumer Magazine, Oxfam, Food Foundation, Tenant Farmers Association, Think Global, British Independent Fruit Growers Association, Church of England.
- 2.4. GCAN is providing a written submission to this inquiry to highlight the need for stronger regulation of the UK's groceries supply chains to prevent UTPs and the food waste they cause. GCAN acknowledges that the manufacturing and agriculture sectors are outside the scope of the inquiry. However, we believe that efforts to tackle food waste in England must include a focus upon waste that occurs before food enters the grocery retail market. Stopping Unfair Trading Practices in these supply chains will lead to less needless food waste, lower environmental impacts and a more efficient food system .

## 3. What is the economic, environmental and social impact of food waste in England?

- 3.1. Food supply chains serving UK retailers are not currently regulated in a way that supports fair trading and encourages efficient food production. As already explained at 1.2, the cost of food waste in the indirect supply chain is borne by farmers, producers and manufacturers. The added cost of dealing

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<sup>1</sup> European Commission, 2014. Tackling unfair trading practices in the business-to-business food supply chain. [http://ec.europa.eu/internal\\_market/retail/docs/140715-communication\\_en.pdf](http://ec.europa.eu/internal_market/retail/docs/140715-communication_en.pdf)

<sup>2</sup> European Parliament Committee on the Internal Market and Consumer Protection (IMCO), 2016. Report on unfair trading practices in the food supply chain. <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2016-0173+0+DOC+XML+V0//EN#title4>

with unfair trading practices can drive otherwise competent suppliers out of business, further skewing the market in favour of large businesses and against SMEs.

**4. What measures could be most effective in reducing food waste by retailers, the hospitality sector, local government, and consumers? These can include redistribution, recycling and recovery, and improved packaging and labelling.**

4.1. No comment has been made by GCAN for this question.

**5. What proposals are necessary to further reduce food waste?**

5.1. In recognition of the extent to which unfair trading practices lead to food waste, the Government should extend the remit of the GCA to cover the widest possible extent of the groceries supply chain, thereby preventing the transfer of excessive risk and unexpected costs onto the indirect supply chain. This is covered in more depth in Paragraph 9, below.

**6. What measures could be most effective in reducing food waste by retailers, the hospitality sector, local government, and consumers? These can include redistribution, recycling and recovery, and improved packaging and labelling.**

6.1. No comment has been made by GCAN for this question.

**7. How effective are existing voluntary initiatives in England and is there a need for legislation?**

7.1. Previous efforts to regulate groceries supply chains and prevent UTPs demonstrate that voluntary initiatives are of limited effectiveness. Indeed, even the 2002-2010 Supermarket Code of Practice (a legal code, but one that wasn't supported by an effective regulator) failed to bring about positive change. The success of the GCA at enacting her present remit owes to a clear legal code, to which retailers must comply, coupled with the power to sanction non-compliance.

7.2. Suppliers are often reluctant to report unfair practices, fearing that they will be delisted or otherwise commercially disadvantaged. This year the GCA reported that 62% of suppliers to the major retailers had experienced UTPs in 2015/2016, and that the majority of those unwilling to raise an objection were concerned that their trading relationships would suffer. This serves to illustrate exactly why voluntary initiatives that are not supported by a powerful regulator, have failed to have an impact in this area.

**8. What are the comparative approaches to reducing and managing food waste in the devolved nations, and across Europe?**

8.1. No comment has been made by GCAN for this question.

**9. Strengthening the remit of the Groceries Code Adjudicator**

9.1. The Groceries Code Adjudicator (GCA) and the Groceries Supply Code of Practice (GSCOP) that it oversees is a landmark piece of legislation that aims to put an end to unfair trading practices in the food supply chain. Unfair trading practices generate increased risk and uncertainty for suppliers leading to overproduction and ultimately food waste. Examples of such practices include uncompensated order cancellations, last minute changes to forecast volumes and product specifications, and retrospective changes to supply agreements.

9.2. The GCA has been effective in reducing the prevalence of UTPs between retailers and their direct suppliers, yet 62% of suppliers still say they experience issues with UTPs<sup>3</sup>. The GCA is able to fine retailers up to 1% of their turnover for breach of the code but is limited to regulating the relationship between retailers and their direct suppliers. As a result, indirect suppliers are not protected by GSCOP and Feedback's research shows how many of these suppliers are affected by UTPs used by retailers

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<sup>3</sup> <https://www.gov.uk/government/news/2016-annual-conference-speaker-presentations>

and their direct suppliers<sup>4</sup>. Direct suppliers are fearful of raising complaints with the GCA in case of persecution by their retail clients, and so transfer the risk and cost of UTPs up the supply chain to their suppliers. This presents a 'moral hazard' whereby retailers and direct suppliers are not incentivised to end UTPs.

- 9.3. GCAN recommends that the GCA has their remit extended in order to protect indirect suppliers in the same way that direct suppliers are currently. This will support better trading relationship, and therefore contribute significantly to reducing food waste in UK groceries supply chains.

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<sup>4</sup> [www.feedbackglobal.org/reports](http://www.feedbackglobal.org/reports)