

July 2023

Submission of evidence by the [Landworkers' Alliance](#) for the

UK Parliament - Environment, Food and Rural Affairs Committee Inquiry: Fairness in Food Prices and Supply

Authors: Peter Samsom (Resilient Food Systems Co-ordinator) and Rebecca Laughton (Horticulture Campaign Co-ordinator)

The Landworkers' Alliance (LWA) is a grassroots union of farmers, growers and land-based workers with a mission to build a food system where everyone has access to healthy and affordable food which has been produced through ecologically sound and sustainable methods.

Most of our 2,348 members are actively involved in agroecological farming and horticulture, and over half of our members are under 40 years old. We have a vision for a food system in which every city in the UK is supplied by a dense and thriving network of local and regional farmers and growers using a variety of routes to market. Many of our members use box schemes, sell at farmers' markets or sell their products through food hubs. As an organisation, we also led a migrant workers' solidarity project which worked to uncover and to improve the working conditions for migrant horticultural seasonal workers in the UK.

The Committee was seeking views in the following areas:

1. Structure and operation of the food supply chain

1.1 To what extent is the UK's food supply chain currently operating effectively and efficiently?

The UK food supply chain is dominated by the larger supermarkets with just around 3% of groceries as a whole and about 5% of fruit and vegetables sold through outlets other than multiples. Although supermarkets are considered to be convenient with a constant supply of 'cheap' food products, such benefits have hidden costs. The

recent energy shocks and drought in countries supplying the UK with fruit and vegetables, as well as the COVID pandemic and UK's exit from the EU, have highlighted the cracks in this system and the fragility of a highly concentrated, centralised distribution and marketing system relying on "just in time" delivery and unequal power relationships between producers and supermarket buyers.

Decentralised routes to market have the potential to address most of the issues arising from the current, highly centralised supply chain¹.

1.2 How could structural relationships between farmers and fishers, food producers and manufacturers, handlers and distributors, retailers and consumers be improved for both domestic and foreign foods?

At present, too much power is located in a small number of very large supermarkets. In March 2023, the 8 biggest supermarkets sold 92.6% of groceries sold in the UK².

Structural relationships would be improved by the existence of alternative markets which can take significant volumes of produce, meaning that farmers and food manufacturers could withhold their produce and sell it elsewhere if supermarkets do not offer reasonable terms. While the Competition and Markets Authority considers there to be sufficient competition between supermarkets, we would like to see further research into the impact of the lack of diversity of retail models on fairness and prices obtained by producers and processors.

In the Landworkers Alliance, we are working to develop a more resilient and diverse food system, comprising farmers and growers; a dense, regionalised, network of processing facilities such as abattoirs and mills; and multiple retail options ranging from direct sales via CSA³ and farmers' markets to more complex food hubs and wholesalers offering a sales platform for multiple food products. At present our system represents a very small fraction of the food supply system. Suitable targets for increasing this share would be 10% by 2030 and 25% by 2035⁴. This would involve supporting conventional farmers to access alternative local and regional markets, while transitioning to more sustainable practices with the help of the Environmental Land Management Scheme. A recent survey of 500 farmers across England and Wales revealed that 56% of respondents said they would want to supply a different market and a further 20% would consider this⁵. Such a diversification of the market would reduce the power of supermarkets, by giving farmers and food processors alternative outlets for their produce. While LWA and allied organisations will work towards this target of 25% by 2035, Government support in the form of better market regulation and research would help us to do so more effectively.

¹ Landworkers Alliance (2021) Vocal for Local: Why Regional Food Systems are the Future

² Kantar World Panel (March 2023), *extracted from www.kantarworldpanel.com*

³ Community supported agriculture (CSA) is a partnership between farmers and consumers in which the responsibilities, risks and rewards of farming are shared. *Extracted from www.CommunitySupportedAgriculture.org.uk*

⁴ Woodward, J. and Hird, V. (2021). Beyond the Farmgate: Unlocking the path to farmer-focused supply chains and climate-friendly, agroecological food systems. Sustain.

⁵ Ibid

Established alternatives exist in wholesalers whose models are based on transparent and supportive, values based relationships between farmers and consumers. For example, the Better Food Shed in Dagenham acts as a not-for-profit hub and warehouse where produce can be delivered and traded between box schemes around London. This ensures that farmers are paid a fair price for their produce, while maintaining low margins to keep prices as competitive as possible for the box schemes. At both the Better Food Shed and wholesalers Organic North, in Manchester, relationships and trust between the farmers and the wholesalers are key to the functioning of the organisation. A driving principle is ensuring that the suppliers find a market for their produce when it is ready, and the wholesalers see their role as brokering the sale of that produce in a way which benefits both farmer and customer.

2. Market power and regulation

2.1 How does the market power of UK supermarkets and manufacturers compare to other participants in the food supply chain, and how does this compare to equivalent relationships in other advanced economies?

The concentration of the market in the hands of a small number of supermarkets and the power of large manufacturers is exacerbating a deeply ingrained imbalance of finance and power⁶, which is leading to a series of market failures:

- The limited size of the market means supermarkets can set their prices against their competitors, which leads to the lowering of farm gate prices and limits farmers' choice of where to sell their produce⁷. This 'race to the bottom' led to the closure of 26,000 farm holdings in the UK between 2017 and 2022⁸. This is a reduction of 12%.
- Farmers' production costs are barely covered by the price they receive⁹.
- Farmers receive an average of 8% of the money spent on a product: the majority of the Gross Value Added (GVA) is absorbed by the middle of the supply chain.
- Farmers and producers have to absorb the costs of unfair supermarket trading practices including the last minute cancellation of orders, invoice deductions, unexplained fees and the cost of wasted produce due to cosmetic faults¹⁰.
- Farmers are struggling to maintain margins due to economic pressures from both sides - increased labour and input costs and static product prices - reducing their capacity to continue producing and reinvesting in their businesses.
- As the international food system has developed, UK farmers have been forced to compete with global market prices and producers who are not

⁶ Hasnain, S., Ingram, J. and Zurek, M. (2020). Mapping the UK Food System- a report for the UKRI Transforming UK Food Systems Programme. Environmental Change Institute, University of Oxford, Oxford.

⁷ Sustain. (2019) Supermarket Failure

⁸ DEFRA. (2022) Agriculture in the UK

⁹ Fitzpatrick, I., Perry, M., Rose, E., and Young, R. (2017). The Hidden Cost of Food- a report for the Sustainable Food Trust

¹⁰ Feedback. (2018) How Supermarkets Drive Food Waste on UK Farms.

required to meet the same environmental, labour and animal welfare standards. This has forced farmers to focus on capital-intensive production, coercing them down a path of agri-chemicals and intensive animal welfare methods.

2.2 Is existing regulation appropriate, for example the Groceries Supply Code of Practice and the Groceries Code Adjudicator for supermarkets' direct suppliers, as well as the Secretary of State's powers under Part 3 of the Agriculture Act 2020?

The remit of Groceries Code Adjudicator is too narrow: indirect suppliers to the supermarkets are not covered by the code of practice nor are price negotiations. This means most farmers are not protected.

The fair dealing clause in the Agriculture Act 2020, if used effectively, could lead to new Statutory Codes of Practice for all sectors.

2.3 How effectively has the Government conducted reviews of contractual practice in specific sectors, for example in the pig and dairy sectors, and should other sectors be reviewed?

We welcome the fact that the Government is using its powers under the Agriculture Act to improve transparency and contracts in the pork and dairy markets, and the announcement at the Farm to Fork Summit on 13th May 2023 of the additional review into fairness in the horticulture and egg supply chains. We look forward to engaging in the process.

3. Food prices, security and fairness

3.1 What is the relationship between food production costs, food prices and retail prices? How have recent movements in commodity prices and food-price inflation been reflected in retail prices?

There is little relationship between costs incurred by producers and prices paid¹¹. Horticultural growers have been unable to recoup the increased costs of production (labour, inputs, distribution) due to supermarket prices remaining static. This has resulted in UK farmers reducing production, with vegetables and fruit being of particular concern.

3.2 What are the consequences of current relationships in the supply chain for:

3.2.1 risk-sharing

In the current food supply chain risks are largely born by those at the end of the chain - the food producers and their workers. On-farm food waste is largely a result of

¹¹ Sustain, (2022) Unpicking Food Prices

unsustainable cosmetic specifications which lead to over-production, to mitigate risk of failing to meet product specification. Relationships between businesses in shorter supply chain models, such as food hubs, box schemes and others supported by Better Food Traders¹² are more equal and collaborative, which help reduce such additional costs.

3.2.2 prices paid and profit margins of farmers, food manufacturers and other suppliers

Sustain's research¹³ shows that margins for producers are too low. This leads to a situation where the additional work that we are asking farmers to deliver, like decarbonisation and addressing biodiversity loss becomes much harder to deliver. Farmers and growers who are attempting to internalise costs which are usually externalised, such as water pollution, greenhouse gas emissions and biodiversity loss, struggle to absorb these costs in the current market, where margins are so small. Even farmers and growers who are not selling via supermarkets are forced to compete with supermarket prices, as the dominance of supermarkets sets a pricing benchmark despite prices not accurately reflecting the internal and external costs of production. Low food prices generated by supermarket practices such as loss leaders and "buy one get one free" offers, place a further downward pressure on prices for all food producers, which is disadvantageous to those who are trying to run viable businesses by producing healthy and sustainable food.

3.2.3 prices for consumers

This submission does not provide an answer to this question.

3.2.4 quality

This submission does not provide an answer to this question.

3.2.5 healthy food for consumers

Ongoing research by the Food Foundation¹⁴ shows that healthy foods are more than twice as expensive per calorie as less healthy foods and the poorest 20% of the population would need to spend more than half their disposable income on food to meet the Government-recommended healthy diet. The National Food Strategy showed that the UK is trapped in a junk food cycle'. Regulation on this issue is urgently needed.

3.2.6 animal welfare and the environment

Cheap meat production, such as pork and chicken, has a direct effect on pollution of UK water courses like the catchment of the River Wye. These industries also have a detrimental effect on the environment and indigenous communities elsewhere

¹² Better Food Traders is a UK-wide network that supports and promotes ethical food retailers who sell locally-grown planet friendly food- *extracted from www.BetterFoodTraders.org*

¹³ Sustain, (2022), Unpicking Food Prices

¹⁴ Food Foundation (2023), Broken Plate 2023

through import of feed stuffs such as soy from the Amazon basin¹⁵. Furthermore, the downward pressure on price created by supermarkets offering an outlet for unsustainably produced meat products, including those imported from countries with lower animal welfare standards, provides a disincentive to British farmers to improve their production practices. Much is made of Britain having higher animal welfare standards than other countries, but the invisible presence in processed products, of meat produced to lower welfare standards, at home or abroad, depresses the prices that it is possible to achieve for farmers with higher standards.

The current supermarket dominated supply chain also encourages over-production and subsequent waste on UK farms.¹⁶ Reducing food waste is an essential element of the UK's journey to net zero.

3.2.7 competition between retailers?

This submission does not provide an answer to this question.

3.3 Does the structure of the UK food supply chain support overall domestic food security (both self-sufficiency and the availability of imported foods)?

The power imbalances in the UK food supply chains and its reliance on imports leaves the country vulnerable to external shocks, like the war in Ukraine and extreme weather across the globe. Those power imbalances are driving UK producers out of business, as currently experienced in the horticulture sector, leaving the country more vulnerable still.

We urgently need a more diversified system with more producers at different scales, more diversified independent retail using shorter and more farmer-focussed supply chains. This will require a policy environment which supports this diversification and investment in supply chain infrastructure.

4. Affordable and healthy food

4.1 How successfully are supermarkets promoting affordable and healthy eating in the current high food inflation environment and what steps could they take to increase the take-up and affordability of healthy options? How are promotions, such as multi-buy offers, supporting healthy eating including for those on low incomes, and also affecting levels of food waste?

To focus entirely on supermarkets and their success in promoting affordable and healthy eating, is to ignore other valuable and effective ways to address health and food poverty. While supermarkets are currently the dominant suppliers of food, including fresh fruit and vegetables, both traditional and innovative suppliers of food are often more socially focussed and offer good value for money, while also

¹⁵ Landworkers Alliance et al, (2023) Soy No More- Breaking Away from Soy in UK Pig and Poultry Farming

¹⁶ Feedback (2018) Farmers Talk Food Waste- supermarket's role in crop waste on UK Farms

rewarding producers with more realistic prices. Street markets, farm shops and other independent retailers, such as green grocers, bakers and butchers, are valuable community focussed food suppliers and should be supported through policy, including planning and public health initiatives. At the same time, a new generation of agroecological farmers and growers, espousing the principles of “Food Sovereignty”¹⁷ and “The Right to Food” is pioneering ways to make healthy food universally accessible.

Organic box schemes rose to the challenge of increasing supply during covid crisis, with vegetable box scheme sales increasing by 111% in the six weeks between February and April 2020. A survey of 101 veg box schemes across the UK showed weekly sales of veg boxes more than doubled, with 65% of schemes prioritising key workers or those that were vulnerable and isolating¹⁸. Many box schemes, Community Supported Agriculture (CSA) schemes and food hubs offer “solidarity pricing structures” in which those who can afford it pay more for their box, to enable the scheme to subsidise boxes for those on a low income (e.g. Granville Community Kitchen and Soul Farm). Moreover, the public engagement offered routinely by CSAs and peri-urban farms, including farm visits, courses and volunteering opportunities, helps people understand the connections between healthy, seasonal food and a healthy environment. Evidence suggests that volunteering at peri-urban farms brings health benefits, associated with dietary improvements, physical exercise in a natural environment and community connection¹⁹. At present these initiatives, which are able to transform lives and improve health in communities facing deprivation, only occur where committed individuals are able to drive them forward. With a more supportive policy environment this impact could be dramatically increased. While Environmental and Social Governance (ESG) goals drive supermarkets to offer deals on goods which are healthier, the cut-throat commercial environment within which they operate limits their capacity. Often it is the producers who have to bear the brunt of supermarket special offers on fresh produce, while “buy one get one free” offers tend to focus on processed food containing cheaper, often less healthy, ingredients.

4.2 What challenges do low-income households face, in both urban and rural areas, in terms of accessing affordable and healthy food from a choice of retailers?

Other organisations, working in the field of food banks and community development are better placed to write about access to food than LWA. It is important, however, to note two things. Firstly, unhealthy food is twice as expensive to buy per calorie than healthy food²⁰. During the consultation for the National Food Strategy Independent

¹⁷ Food Sovereignty is “the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods and their right to define their own food and agriculture systems. It puts those who produce, process and consume healthy and local food at the heart of our agriculture and food systems, instead of the demands of market and transnational companies” Nyeleni Europe (2007) available at <http://nyelenieurope.net/food-sovereignty>

¹⁸ Wheeler, A. (2020) . Covid-19 UK Veg Box Scheme Report. Food Foundation.

¹⁹ Jackman, J. (2023) The effect of public engagement in urban and peri-urban agricultural farms on the health and well-being of volunteers. MSc Dissertation for Institute for Global Prosperity, University College London.

²⁰ Food Foundation (2023) The Broken Plate Report 2023.

Review, corporate food companies stated that regulation would help them address this issue, by creating a level playing field so that those who take initiatives to make food healthier don't lose market share to those continuing to make food flavoursome with unhealthy levels of salt, fat and sugar.

Secondly, unhealthy food is more readily available and convenient. One in four places to buy food on the high street is a fast food outlet²¹. The problems of food deserts in urban areas are well documented, but for rural dwellers accessing healthy, affordable food can present an even greater challenge. Limited public transport makes villagers and people living in more remote areas reliant on village shops or driving to supermarkets. Due to low footfall, village shops often stock a much smaller range of perishable foods such as fruit and vegetables, while farm shops tend to cater for the high end luxury market, supplementing their own produce with baked goods, jams, cheeses and cured meats, rather than affordable basics. Despite being surrounded by farmland, the trend towards commodity food production in the countryside means that little of what is produced in local areas will feed local populations. A Food Sovereignty focussed policy approach would prioritise encouraging food production for local consumption in both rural and urban areas. Food could be produced and sold direct, either via community supported agriculture, box schemes, farm gate sales or farmers markets, distributed via a food hub, sold via local independent shops.

4.3 What measures could be taken by central and local government, and others, to enhance cooking skills to reduce reliance on processed food and improve access to self-grown food, in particular for lower income households? What challenges do such ambitions face given the pressures of modern living?

Peri-urban farms like OrganicLea in London, the Kindling Trust in Manchester and Lauriston Farm in Edinburgh have a crucial role in connecting urban populations to food growing and preparation. They are often linked to community kitchens, many run solidarity schemes which support people on low incomes and address a range of issues leading to better health outcomes. Government and local authorities could encourage and financially support these initiatives.

²¹ ibid