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Building fairer food
markets for more
sustainable produce

GOAL ONE

Encourage the private sector to increase its environmental ambition and extend fairer trading practices



POLICY RECOMMENDATIONS



Conduct larger scale supply chain reviews, including the role of food processors, to ensure smaller-scale farmers get a fairer price for their produce at the farm gate.



Use existing powers within the Agriculture Act to ensure greater fairness in contracts between farmers, growers, food processors, and retailers, and publish more supply chain data, particularly in relation to wholesale price transparency.



Expand the Groceries Code Adjudicator's remit to cover farmers, growers, and other businesses that supply large retailers through a third party.

British farmers produce some of the highest quality produce anywhere in the world. We should be proud of our high standards and farmers' determination to uphold the best practices. Government policy should reflect this, requiring and enforcing the best environmental and animal welfare standards whilst also ensuring that farmers are given a fair return from the market and that consumers can afford to put food on the table. Both retailers and consumers have a distinct part to play in supporting more sustainable agricultural practices.

The fairness of food markets is key to securing positive environmental change for two reasons. First, we need to ensure

that farmers who produce food to a higher environmental standard are fairly rewarded for the additional costs that can entail. Farmers' profits are often negligible compared to other actors in the food chain. Research from Sustain found average profits on a range of staple fresh foods was paltry, often less than one percent of the profits in the food supply chain.¹⁵ Second, with fairer food markets we can limit the public funding required to cross-subsidise food or farm incomes, and instead target public money for environmental public goods. With greater financial security, farmers would also feel less pressure to depend on more intensive methods of production and instead shift towards more regenerative practices.

Following the pandemic and Russian invasion of Ukraine, farmers' profit margins have been squeezed by soaring input prices and labour shortages. That is why it is important that supply chains remain transparent for farmers. Recent reviews of the pig, dairy, and poultry industries have restored some faith amongst the farming community, with the government pledging to use existing powers under the Agriculture Act to regulate the conditions of contracts between farmers and food processors, in addition to publishing more data, including wholesale prices. The wider availability of supply chain data allows farmers to negotiate fairer prices and push for a fairer share of the profit from their goods, as well as encouraging competition among retailers. It is important that the government now delivers on these pledges and seizes the opportunity of Brexit to allow farmers to negotiate fairer prices.

The relationship between farmers, food processors, and retailers remains unbalanced. Farmers receive a minimal share of the profit from their goods and work to short-term, inflexible contracts which exacerbate food waste. Future reviews need to address the Groceries Supply Code of Practice (GSCOP), the legal framework which governs

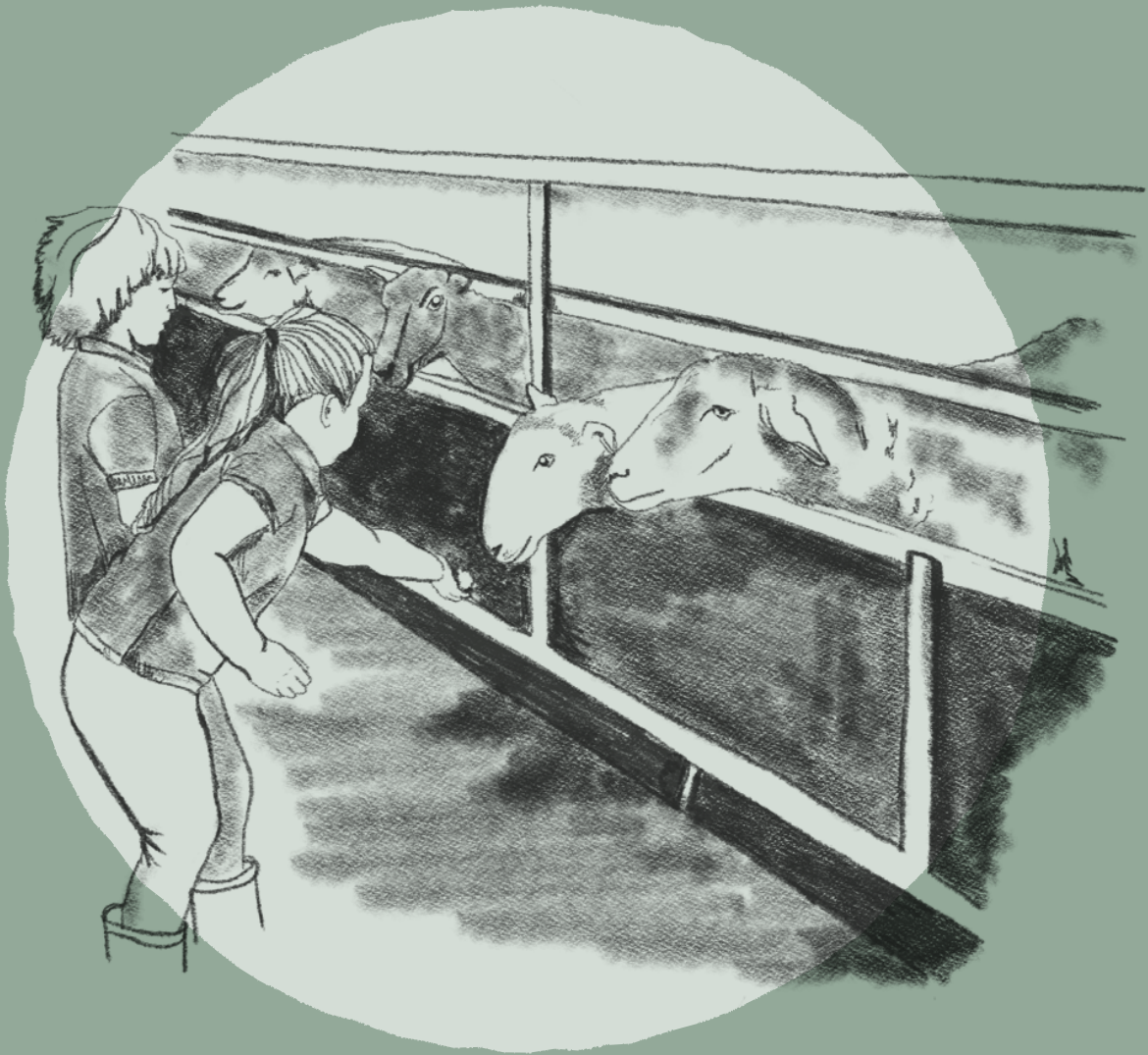
the conduct of thirteen of the UK's largest grocery retailers, and encourage longer-term supply contracts. Growers' production cycles extend long past a single year or season, instead stretching to two, five, or even ten years. Despite this, the duration of many contracts extends to just one year.

Longer-term contracts, set before a crop is planted, would reduce farmers' financial uncertainty, allowing them to better plan their crop, practise more regenerative techniques, or engage in nature restoration projects. The GSCOP should also ensure supermarkets pay the price they agreed, for the quantity they agreed, during the timeframe they agreed. Not only is this fair for farmers, but this would also help to cut the 1.6 million tonnes of food that is wasted each year at the farm gate.¹⁶ This will not be appropriate for every farm, of course, and it is important that farmers retain the flexibility they need to negotiate short-term contracts should they wish.





Last year, the government was right to confirm the independence of the Groceries Code Adjudicator (GCA). The GCA plays an important role ensuring that retailers treat their suppliers lawfully and fairly. To build on the work of wider-scale supply chain reviews and the introduction of longer-term agreements between retailers and growers, the GCA's remit should now be expanded to cover farmers, growers, and other businesses that supply large retailers through a third party. Again, this should reduce farmers' financial uncertainty and ensure they receive a fairer return for their produce.

GOAL TWO

Reform public procurement practices to improve competition and encourage the purchase of more locally produced food



POLICY RECOMMENDATIONS

-  Remove restrictions on the ability of small and medium-sized businesses to bid for public procurement contracts to enable more family farms to supply the public sector.
-  Extend the Government Buying Standard across the whole public sector to ensure high animal welfare and environmental standards.
-  Include reference to the role of farming in the food supply chain in the primary national curriculum to raise pupils' awareness of where their food comes from and encourage the consumption of more seasonal produce.
-  Empower consumers to be able to choose more seasonal produce by requiring clear country of origin labelling on online outlets, and encourage retailers to introduce a "Buy British" button.

The public sector should lead by example. It cannot be right for the government to encourage consumers to buy more sustainable food without first addressing its own procurement practices. The public sector spends around £2.4 billion per year procuring food and catering services, which represents approximately 5.5% of UK food service sector sales.¹⁷ Given the vast scale and quantity of public sector contracts, this could, in turn, drive meaningful market change.

PLOUGHING AHEAD

Currently, only contractors directly employed by central government need to adhere to their own standards, known as the Government Buying Standard (GBS). The GBS contains a series of requirements on the quality of the food purchased, its animal welfare record, and environmental sustainability. An inquiry in 2021 by the House of Commons' Environment, Food, and Rural Affairs Committee found that these standards were rarely monitored or applied across much of the public sector.¹⁸ The government should now extend the GBS across the public sector to ensure that public money is not used to support harmful environmental practices. A full cost assessment of making this change should first be conducted by the Treasury and local authorities provided with the support they may need.

Defra rightly reviewed public procurement rules last year, but change has been slow to follow. Too many small and medium-sized businesses are locked out of the supply chain, and family farms are unable to compete. This needs to change.

The recent Procurement Act promised to cut red tape, simplify bidding processes, and make it easier for smaller businesses to compete for more contracts. Now is the time to use the existing powers within this act. By opening up the public procurement process, schools could be linked with local farms to supply their catering. Special consideration should be given to more sustainable farms and, where possible, catering should include more seasonal produce. This will not only benefit schoolchildren and farmers, but our planet too.

The primary national curriculum includes reference to food chains, but not the role of farming in producing the food we eat. This should be amended so that pupils are taught to be more aware of where their food comes from and how it is grown. Guidance should also be issued on how schools can arrange visits to local farms to strengthen their understanding.

Recent studies have shown that the carbon emissions generated by the global transportation of food is higher than was initially thought. For example, the global transport of fruit and vegetables accounts for 36 percent of food emissions - almost twice that released during their production.¹⁹ Encouraging the consumption of more local, seasonal produce would provide a welcome boost to British farmers and ease our route to net zero.

It is important that consumers are empowered to make these decisions. Around one in ten purchase their groceries online, yet many websites often obscure the provenance of goods available. This needs to change, with clear country of origin and regional labelling on fresh produce as standard. To further empower consumers to choose more seasonal and local produce, online retailers could introduce a “Buy British” button to filter out food that is not grown in the UK.

GOAL THREE

Use Britain's diplomatic weight
and trading power to drive
international environmental
ambition



POLICY RECOMMENDATIONS



Strengthen due diligence requirements for forest risk commodities, such as beef and soya, restrict imports of food products from deforested land, and extend requirements to financial services companies.



Proceed with introducing a Carbon Border Adjustment Mechanism on agricultural fertiliser by 2027 and support the uptake of low-carbon fertilisers.



Collect and publish data on the carbon footprint of beef and lamb imports to the UK to improve consumer information.

British farmers' high standards are recognised across the world, with 'British' being a byword for quality. Brexit presented an opportunity to export our world-class food and environmental standards. Food and drink represents the UK's largest manufacturing industry, with exports to over 200 countries. Over the last decade, the value of UK agri-food exports rose by £7.3 billion, taking the total value to around £25 billion.²⁰ With the world's population also forecast to increase by more than a quarter over the next 30 years, by 2050 it is estimated that there will be around two billion more middle class consumers globally - the prime market for premium British produce.²¹

PLOUGHING AHEAD

Steps like the placement of agri-food attachés at British embassies have helped to boost trade opportunities. New free trade agreements, particularly with new and emerging markets, provide an exciting opportunity for UK farmers. The government should continue to support them to take full advantage of increased market access.

Following the Prime Minister's Farm to Fork Summit last year, the government rightly confirmed that animal welfare and environmental standards would not be compromised in any future free trade agreements. The government should now go further to ensure there is a level playing field with imports. Agriculture is responsible for 73 percent of deforestation internationally as forests are cleared to make way for livestock pasture and crops of soy and oil palm.²² This has a devastating impact on global biodiversity and carbon sequestration. The government's announcement of secondary legislation to introduce due diligence checks for large companies to tackle illegal deforestation in their overseas supply chains is therefore very welcome. This should be passed and put into practice as soon as possible.

To prevent British farmers' high standards from being undercut and build on the progress made during the UK's presidency of the COP26 climate conference, the government should go further still. Unlike the EU's Deforestation Regulation, which prohibits the sale of products that have contributed to deforestation, the UK's new regime only guards against products which contributed to illegal deforestation. The House of Commons Environmental Audit Committee's recent inquiry into global deforestation found this creates a perverse incentive for other countries to deregulate and remove protections on forested land.²³

As such, the government should extend this due diligence duty to UK financial services companies, given their involvement in financing companies with significant interests in forest-risk commodities, and

apply a duty to remove deforestation from supply chains completely, regardless of whether it has been sanctioned or not. Ninety percent of respondents to the government's consultation on new laws for forest risk commodities supported this proposal, including the UK's largest seven supermarkets.²⁴ Finally, ministers should develop a clear standard to prevent the sale of food that was produced on deforested land, to reassure consumers that their consumption isn't driving destruction of precious forest habitats overseas.

But across the economy, as we transition to net zero, we must not only act alone. There is a risk that as our environmental ambition and carbon prices increase, some UK-based manufacturers will offshore their carbon-intensive production and replace products previously made in the UK with more carbon-intensive imports. The government's proposal for a Carbon Border Adjustment Mechanism (CBAM) will help to avoid this situation by ensuring both imports and domestic goods face the same carbon price. Agricultural fertiliser is one such area where a CBAM will be beneficial, which is why the government's announcement that it will include fertiliser in the initial CBAM is welcome.

Research by the University of Cambridge has found that manure and synthetic fertilisers emit 2.6 gigatonnes of carbon per year - more than global aviation and shipping combined.²⁵ As a result, fertiliser is already covered by carbon taxes and its production is already heavily regulated as a large point-source of emissions. The UK currently produces around 40 percent of our own fertiliser requirement. This would not be subject to the CBAM as it is already covered by our emissions trading scheme. Similarly, seventy-five percent of our fertiliser imports originate from the EU.²⁶ Given the EU's emissions trading scheme, these imports will also not be subject to further carbon pricing as a result of the UK's CBAM. Fertiliser plays an

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important role in securing domestic food supplies, so it is important to limit the financial impact on farmers during the transition.

Many UK companies, such as CCM Technologies and Anglo American, are developing competitively priced, low-carbon fertiliser products. We now need to build up the UK's production capacity of low-carbon fertiliser to ensure British farmers can remain competitive as we transition toward the introduction of a CBAM. That is why, in addition to introducing a CBAM on fertiliser, the government should consider measures to incentivise the take up of low-carbon alternatives. For example, a new SFI option could reward farmers for using low-carbon fertiliser. This will ensure the impact on farming input costs is minimised.

While at this stage, a CBAM on food products would have a disproportionately high impact on the cost of living and be hard to gather data for, in light of concerns about agriculture's contribution to deforestation and climate change internationally, timelines for collecting the data on the carbon footprint of beef and lamb imported to the UK by large companies should also be set.