

FABIAN COMMISSION ON FOOD AND POVERTY

Evidence hearing 1: Money and affordability

This is a write-up of the presentations from expert witnesses at the first Fabian Commission on Food and Poverty evidence hearing.

The hearing was at 11am on Wednesday 19th November in Portcullis House, Westminster.

Witnesses:

Prof Liz Dowler (University of Warwick)

Dr Clive Black (Shore Capital)

Martin O'Connell (Institute for Fiscal Studies)

Presentation 1, Professor Liz Dowler (Warwick University)

Liz Dowler opened the presentation with a word of caution about the difficulties of measuring the 'food element' of poverty. This makes 'food poverty' very difficult to define as a concept. Dowler gave a number of existing proposed definitions as examples, including individuals or households who are unable to consume sufficient quality or quantity of food for good health (or uncertainty about doing so); and households which have to spend more than 10 per cent of their income on food.

Neither definition is perfect, but Dowler warned the Commission against using food bank use as a measure of food poverty. This is an inaccurate metric because it captures the number of households facing crisis problems, rather than an ongoing experience of poverty.

Dowler argued that the important context for 'food poverty' is austerity. In recent years the main drivers of food poverty have come from the combination of poor wage growth, food and fuel price increases, and the government's tax and benefit reforms (such as freezing Child Benefit).

However, Dowler's presentation also highlighted the longer-term experiences which are interconnected with 'food poverty'. 'Food poverty' is linked to:

- Time poverty and labour market casualisation;
- The residualisation of housing and disappearance of shops where low-income households live;
- Indebtedness and the use of high interest rate loans;
- The non-flexible household budget for items such as rent which often take priority over food.

Dowler noted that food poverty is inherently distributional and that for a number of reasons averages provide a skewed picture of the experience. In particular, the presentation highlighted the local variation in food prices which can subject low-income households (who are often less mobile) to higher costs than 'average food prices' suggest. Similarly, households in food poverty are not homogenous and vary by composition, geography and the length of time in food poverty.

The presentation ended with an observation that although the concept of food poverty encompasses experiences much wider than income, low income is an experience which fundamentally mediates this experience. Dowler pointed to recent work from the Minimum Income Standards research programme which demonstrates that between 2008 and 2013 the amount of money needed to secure a minimally acceptable standard of living has risen by more than CPI, particularly for single working people and households with children. The centrality of income to the experience of food poverty means the commission has a number of decisions to make about whether it considers food poverty best measured at an individual or household level, according to absolute or relative income measures, and whether interventions should aim to improve the absolute condition of groups affected or reduce differentials between them.

Presentation 2, Dr Clive Black (Shore Capital)

The second presentation, by Dr Clive Black, focused on the relationship between commodity markets, real household incomes and the channels for the distribution of food in the UK.

Dr Black began by describing the national and international context of food and its relation to the experiences which contribute to 'food poverty', as described in the first presentation.

Recent oil and commodity price rises as well as shifts in global demand have brought to an end 30 to 40 years of food price falls. Black argued that prices are thought to have 'structurally rebased', meaning that they are unlikely to fall back to their previous level. At the same time the distress caused by the banking crisis has caused living standards to fall precipitously.

Black argued that although the recession has damaged living standards, it has also forced change in the food retail sector. After 2011 consumer behaviours began to shift, with households de-stocking, buying more frequently and locally, and managing food waste more effectively (today 20 per cent of fresh food is thrown away compared to a third before the recession). 'Hard discounters' such as Aldi and Lidl have also stepped in to meet this changing demand.

The changes in consumer behaviours brought about by the recession have impacted significantly on the 'big four' supermarkets, whose earnings have collapsed by between half and three quarters. Black argued that a structural shift in supermarket business models is taking place in the UK. In contrast to the five years up to 2011 in which

supermarkets passed inflation on to consumers, the likes of Tesco and Sainsburys are now beginning to compete on price with the hard discounters. Over time this may be advantageous for consumers as supermarkets can no longer 'take their customers for granted'.

Presentation 3, Martin O'Connell (Institute for Fiscal Studies)

Martin O'Connell began by emphasising the remarks of the previous two speakers, setting the Commission's hearing theme ('money and affordability') in the context of the squeeze on household budgets. This is due to the combination of falling real wages and the large relative rise in food prices between 2005 and 2011. O'Connell then put these rises in historical context by presenting a time series showing a general downward trend in food price inflation from 1975-2011.

IFS research has tracked the ways in which households have responded to the deteriorating economic climate and found that although food spending has fallen dramatically over the course of the recession (by around 6 per cent from an average of £113 per week), calories purchased have remained stable. The research suggests that a coping strategy adopted by households in the recession has been to buy cheaper calories, and this is true across household types. The real price per 1000 calories has fallen to about £1.57 from approximately £1.64 over the time period.

The presentation by Clive Black and the data presented by Martin O'Connell show that households have been able to adapt to economic deterioration, maintaining their calorie intake and using discounters. However, concerns have been raised by nutritionists about the health impacts of sacrificing nutritional quality as a means of managing falling real incomes.