



# FABIAN COMMISSION ON FOOD AND POVERTY

## Working paper 5: Supply chain and society

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This paper provides context, background and key questions for the third hearing of the Fabian Commission on Food and Poverty on Supply Chain and Society.

The hearing is at the Len Medlock Centre, Boston, Lincolnshire on Thursday 12 February 2015.

Witnesses will be:

Dr Michael Heasman (Senior Lecturer in Food Policy and Management in the Department of Food Science and Agri-Food Supply Chain Management, Harper Adams University)

Fiona Gooch (Senior Policy Adviser, Traidcraft)

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## **Introduction**

The Commission's final strand looks at the food industry from an ethical perspective, covering the impact on the UK food industry on UK food producers and the workforce, and global food producers and the workforce (particularly in low income countries), as well as animal welfare.

There are a number of different impacts that the UK food system has on food producers. This working paper looks closely at the meat supply chain, where problems with adversarial and inefficient production systems are indicative of problems throughout the food system. The paper also looks at the lack of transparency in the food supply chain, how this is linked with food fraud, and the role of the Groceries Code Adjudicator in addressing these issues.

This paper explores the consequences that the UK food system creates for the food workforce – most notably in low pay and exploitation of migrant agricultural workers. The working paper also explores three regulatory frameworks which have had a role to play in the relationship between the food industry and the workforce: the Agricultural Wages Board, Seasonal Agricultural Workers Scheme, and the Gangmasters Licensing Authority.

Problems in the global supply chain reflect a lot of these issues but on an even more significant level, as is evident from the discussion on workers' rights and the unequal distribution of power within global food supply chains.

Finally, problems around animal welfare are indicative of the more general impact of increasingly intensive farming practices across the environment.

## **UK food industry impact on UK food producers**

This working paper looks at the following issues concerning UK food producers:

- Issues in the meat supply chain
- Supermarkets and relationships
- Food fraud and lack of transparency
- Institutional regulation

### *Issues in the meat supply chain*

The CRESC report, *Bringing home the bacon* (2012) presents a specific case study of consequences for producers in the meat supply chain which we can use as a lens into the wider food provisioning system.

According the report, the pig meat supply is in 'long term crisis', with the size of the national pig herd declining by around 50% over the past decade – meaning the UK has gone from 80% to 50% self-sufficiency in pig meat. As a result, the UK is failing in tradable goods against its Northern Europe competitors, including Denmark and the Netherlands, which provide over 50% of the UK's bacon, being able to produce it more cheaply, despite wages in meat processing being nearly double what they are in the UK.

The report argues that the causes of the crisis in pig meat are replicated in other declining sectors, where opportunist dealing has similarly created an adversarial, inefficient and dysfunctional supply chain, a result of a 'trader mentality' and 'point concept of value'.

- While British supermarkets have delivered shareholder value and low prices to consumers, British pig producers and processors have lost out. This is partly because **supermarket buyers** have extracted value from along the chain through flexible 'supply agreements' instead of contracts, playing suppliers off one another and insisting processors pay for promotions.
- Pig producers and processors lack the power to make this kind of opportunism work for them. The result is **low profits, endemic uncertainty, poor capacity utilisation** discouraging investment and entrenching national disadvantage against foreign competitors, as well as deterioration of job security, workforce pay and conditions.

### Supermarkets and relationships

As *Bringing Home the Bacon* notes, the success of British supermarkets rests on delivering shareholder value and low prices to consumers. However, this comes at a detrimental cost to processors and producers, who are squeezed for lower prices by supermarkets. This is a result of what the report calls the 'trader mentality', where relationships with suppliers are **short termist** and subject to change. For instance, the use of supply agreements instead of contracts means relationships are unbalanced, giving supermarkets the freedom to look to alternative suppliers. This subsequently causes oversupply and even waste if supplier lose a contract. Furthermore, examples such as promotional activity are often pushed down to the supplier to take the cost instead of the supermarket.

As the report outlines, the pressures have several detrimental outcomes: profit lines are squeezed (or non-existent), discouraging productive investment, while the size of the national pig herd has declined by 50% over the last ten years, meaning import dependence on Northern Europe (despite the fact that Denmark and the Netherlands have higher wages and a less flexible workforce).

### Food fraud and lack of transparency

As the second working paper on Health noted 'when it comes to food and health, 'food fraud' and safety often peak in interest following contamination events, as with the recent horsemeat scandal (see the *Elliot Review*, 2014) or concerns with chicken contamination (with Tim Lang calling for a [boycott](#) of poultry). Such considerations about the 'safety' of food often concern the lack of transparency and public accountability in food production.' Currently, the scale of food fraud is estimated to cost the world economy \$49bn annually (NSF International, 2014).

There is evidence to suggest that the complication of the supply chain is closely related to food fraud. The NSF International's 2014 *Food Fraud Whitepaper* suggests that the contributing factors of food fraud include the growing length and complexity of today's supply networks,

huge downward pressures on prices, refrigerated transport and the long term storage of perishable goods, and technology enabling criminals to conduct covert behaviour (with the paper suggesting that organised food crime has increased in the context of economic recession).

Since the well-publicised Elliot Review, the recent evidence of campylobacter in the majority of chickens sold in the UK has caused alarm, with eight in ten chickens showing traces of the potentially lethal bug.

### Institutional regulation

*Bringing Home the Bacon* stresses the importance of business culture in shaping attitudes: as such it's clear that institutional and overarching frameworks have had an important role to play.

In 2001 a code of practice was established to govern relations between major supermarkets and their suppliers, and over the succeeding years there continued to be many complaints by suppliers, smaller retailers and commentators that supermarkets were using their market dominance to compete unfairly. The Competition Commission Market Investigation in 2008 found that though the groceries sector was broadly competitive, some retailers were transferring excessive risks and unexpected costs to their direct suppliers, with a detrimental impact on suppliers' willingness to invest, and potential consumer detriment.

After several developments, the **Competition Commission** recommended that the government established a statutory body to oversee that a strengthened and extended code was applied. After progress was halted with the election, the coalition announced it would establish an ombudsman to 'proactively enforce the Grocery Supply Code of Practice' (**the Groceries Code Adjudicator, or 'GCA'**) which came into force in 2013. As an independent adjudicator, the GCA's role is to oversee the relationship between supermarkets and suppliers, ensuring that the former treats the latter lawfully and fairly, enforcing the **Groceries Supply Code of Practice** where necessary.

The GCA's role applies to the ten retailers with an annual turnover of £1bn + including Tesco, Lidl, Iceland and Waitrose: in turn these use more than 10,000 suppliers, in a sector worth £170bn. Its coverage includes: penalising variation of supply agreements without notice, goods not being paid for on time, compensation for suppliers for forecasting errors, limits on seeking payments for shrinkage / wastage, ensuring suppliers don't predominantly fund promotional offers, suppliers not to be made to make 'unjustified payment' to a retailer for consumer complaints, ensuring de-listing is only for genuine commercial reasons, alongside a few others. If the code is breached, the GCA has the power to: issue recommendations against a retailer, require retailers to publish details of the breach, and even fine retailers (although only for severe or repeated breaches only). As of January 2015, measures granting the GCA the power to fine supermarkets in breach of the Groceries Code up to 1% of their annual UK turnover are being presented to Parliament.

The GCA, Christine Tacon, announced the [first major investigation on 5<sup>th</sup> February 2015](#), saying she had a 'reasonable suspicion' that Tesco had breached the code in its relationship with suppliers, including delays in refunding suppliers and unfair penalties imposed on suppliers.

However, the GCA's role is limited. As an adjudicator, its role is enforcement of the existing code only, while its functionality is dependent upon suppliers coming forward with their complaints and with evidence. Furthermore, its remit only covers interactions between retailers and direct suppliers, meaning interactions between primary producers and intermediaries is out of its scope. And finally, it does not cover: price setting, the imports of domestic meat, food safety and labelling, or pay / conditions of agricultural workers.

Specifically, most recently, criticism has centred around the GCA's inability to act to protect dairy farmers from the long standing problem of low prices, with the UK's largest dairy company, First Milk, withholding payments to farmers following a crash in the price of milk. Currently, the GCA code does not protect such dairy farmers as most do not directly supply retailers, but processors instead – and the code does not cover intermediary relationships.

## **UK food industry impact on UK food industry workforce**

As Charlie Clutterbuck has argued, discussions of 'sustainability' around food rarely include labour, despite dependency on a workforce comprised of thousands of migrant and older workers. However, there are several major issues for food industry employees that raise concern.

### Low pay

Poverty as a result of poor wages is a problem across a range of sectors (see the Context and Access working paper). However, there is a much higher incidence of low pay in the food industry sectors – such as hospitality, retail and food manufacturing - than elsewhere.

Those working in the food industry are consistently highly represented in low pay statistics. For instance, KPMG / Markit research (2014) notes occupations within the food industry are within the top ten occupations with the highest proportion of people earning below the Living Wage (defined as a basic but socially acceptable income).

Table 3.2.1: Top 10 occupations **by proportion** below Living Wage: UK

| Rank | Occupation                                    | Total jobs (000s) | Median wage (£) | Annual % chg | Mean wage (£) | Annual % chg | % below Living Wage* |
|------|---|-------------------|-----------------|--------------|---------------|--------------|----------------------|
| 1    | Bar staff                                     | 187               | 6.20            | 1.6          | 6.57          | 0.3          | 90%                  |
| 2    | Waiters and waitresses                        | 154               | 6.21            | 1.7          | 6.70          | 1.2          | 85%                  |
| 3    | Kitchen and catering assistants               | 456               | 6.41            | 2.5          | 6.89          | 2.3          | 80%                  |
| 4    | Vehicle valeters and cleaners                 | 10                | 6.88            | 4.7          | 7.30          | 2.5          | 80%                  |
| 5    | Leisure and theme park attendants             | 28                | 6.84            | 5.6          | 7.04          | 4.3          | 70%                  |
| 6    | Other elementary services occupations         | 16                | 6.82            | 0.5          | 7.35          | 2.6          | 70%                  |
| 7    | Sales and retail assistants                   | 1080              | 6.81            | 1.8          | 7.74          | 2.0          | 70%                  |
| 8    | School midday and crossing patrol occupations | 113               | 7.08            | 0.4          | 7.83          | 6.7          | 70%                  |
| 9    | Retail cashiers and check-out operators       | 163               | 7.06            | 0.7          | 7.47          | 1.0          | 70%                  |
| 10   | Elementary administration occupations n.e.c.  | 36                | 6.78            | -1.0         | 7.86          | -0.3         | 65%                  |

Table 3.2.3: Top 10 broad occupations **by proportion** below Living Wage: UK

| Rank | Occupation                              | Total jobs (000s) | Median wage (£) | Annual % chg | Mean wage (£) | Annual % chg | % below Living Wage* |
|------|---|-------------------|-----------------|--------------|---------------|--------------|----------------------|
| 1    | Elementary services occupations         | 849               | 6.31            | 1.7          | 6.84          | 1.9          | 80                   |
| 2    | Sales assistants and retail cashiers    | 1327              | 6.90            | 2.1          | 7.81          | 1.7          | 70                   |
| 3    | Elementary cleaning occupations         | 673               | 6.78            | 2.7          | 7.63          | 2.1          | 70                   |
| 4    | Hairdressers and related services       | 74                | 7.05            | 3.2          | 7.78          | 2.1          | 60                   |
| 5    | Food preparation and hospitality trades | 370               | 7.84            | -0.7         | 8.69          | -1.8         | 45                   |
| 6    | Elementary process plant occupations    | 216               | 7.88            | 1.8          | 8.82          | 1.3          | 45                   |
| 7    | Elementary security occupations         | 259               | 7.70            | 0.7          | 9.20          | 0.5          | 45                   |
| 8    | Childcare and related personal services | 669               | 8.06            | 0.9          | 8.81          | 0.7          | 40                   |
| 9    | Cleaning and housekeeping managers      | 43                | 8.00            | 1.0          | 9.00          | -1.7         | 40                   |
| 10   | Elementary agricultural occupations     | 52                | 7.99            | 3.1          | 8.60          | 3.8          | 40                   |

### Gangmasters, agency workers and migrant labour

The Gangmaster Licensing Act defines the term ‘gangmaster’ to include any entity: supplying labour to agriculture / horticulture / shellfish gathering and food processing and packaging; using labour to provide a service in a regulated sector / to gather shellfish.

The agricultural workforce is partly dependent upon migrant workers: the UK currently has around 300,000 agricultural migrant workers, 150,000 of whom are permanent.

The prevalence of forced labour in the UK, particularly in the food industry, has attracted much attention. A report from JRF (2012) noted that exploitation in the industry included everything from: ‘underwork scams’; bullying and racism, creating a deferential climate of fear; non/under payment of wages; poor tie in accommodation / work permits; the payment of fees to come to the UK; excessive productivity targets and workplace surveillance; tied accommodation meaning losing employment could mean homelessness too.

The report concluded that such exploitation (sometimes amounting to forced labour) was a result not only of the intensity of work in the food industry, but also the economic pressure driven throughout the supply chain. It also suggested that of the four key factors that created conditions for forced labour (migrant labour use; low paid, demanding work; job flexibility;

expendability), the use of migrant labour was the most significant, deriving from migrants' economic circumstances, limited English, tied housing and reliance on gangmasters (often from their own community). Finally, the report notes that while such workers were not necessarily coerced into this work, and have legal protection from exploitation, job insecurity and material deprivation often makes it difficult to distinguish between free and unfree employment relations.

It seems that while police and council action is crucial, supermarkets / factories employing workers via agencies seem to forfeit a certain amount of responsibility in employees' working conditions. Indeed, it has been noted that even employees working for licensed 'gangmasters' or agencies are likely to be expected to take on unpalatable work patterns, not least via the prevalence of zero-hour contracts in seasonal employment.

#### **Case study: Wisbech, Cambridgeshire**

Gangmasters and migrant agricultural workers operate throughout Cambridgeshire, Wisbech being one of the centres for migrant agricultural workers in the county which is surrounded by farmland and food processing factories. The region's high profile in the news these past few years has not simply been a result of its immigration figures from Eastern Europe (where immigrants mainly from Latvia and Lithuania comprise a third of Wisbech's population of 30,000), but the exploitation of these workers, who predominantly work in the food industry. Indeed, most notably, Ivars Mezals and Juris Valujevs, the two gangmasters jailed in December 2014, had operated in Cambridgeshire since 2010, exploiting workers who picked leeks, cabbages and broccoli. Furthermore, Wisbech's police and council's 'Operation Pheasant' has uncovered nineteen cases of alleged human trafficking, and 220 of illegal gangmaster activity, as of 2014.

Evidence of exploitation of migrant agricultural workers in Wisbech and Cambridgeshire takes many forms, including: over-crowding of the houses of migrant workers, and sometimes even their families too (often found for them by gangmaster); the payment of large sums of money to bring migrants to England; and excessive and illegal wage deductions for accommodation and transport, leaving workers with an actual wage of less than NMW.

#### *Institutional regulation I: Agricultural Wages Board (abolition)*

Established in 1948, the Agricultural Wages Board covered 150,000 workers in 2013 (the year of its abolition in England), and covered agricultural workers' employment rights. The AWB comprised a regulatory system which sought to equalise unequal relations between farmworkers and farmers.

Alongside the AWB's abolition, the Agricultural Wages Order was also scrapped, which had covered a graded pay scale, to some extent providing a career trajectory (as handling expensive machinery and supervising a large number of animals requires highly skilled

workers). The AWO also covered weekly hours and overtime rates, annual holiday entitlement, Agricultural Sick Pay Scheme and Flexible Worker Grades: the concern of some unions upon the AWB's abolition was that the fall back legislation of the National Minimum Wage was did not provide cover for any of these areas

Upon abolition, union representatives and others were concerned that the lack of regulatory framework would drive down already low wages of vulnerable and low skilled rural workers with ever greater profits for supermarkets, as well as influencing lower sickness entitlement and reduced holiday pay. It has also been argued that alternative models of collective bargaining are difficult in agriculture given the small numbers of employees in each farming business, who might be isolated and in a close working relationship with their employers.

#### *Institutional regulation II: Seasonal Agricultural Workers Scheme (SAWS - abolished)*

The SAWS enabled around 22,000 Eastern European migrants (mainly from Romania and Bulgaria) to be employed in the UK each year. However, SAWS was scrapped in 2013, as labour market curbs for those workers were lifted, meaning these migrants could apply for any job in the UK. However, the Migration Advisory Committee warned that scrapping the scheme could mean a shortage in labour on farms in the medium term, with UK workers unlikely to make up the short fall due to low wages and the nature of the work (MAC, *Migrant Seasonal Workers*, 2013). The committee warned of a surge in labour costs and higher prices of fruit and vegetables in such an event.

While groups such as Migration Watch welcomed the scrapping of SAWS, others such as the British Growers Association and the National Farmers' Union fear the implications of not setting up a replacement scheme to target workers from non-EU EEA countries (as advised by the Migration Advisory Committee). The absence of such a scheme, they argue, threatens access to a reliable, flexible and consistent source of migrant seasonal workers.

#### *Institutional regulation III: Gangmasters Licensing Authority (GLA)*

Established in 2006 after the 2004 Morecambe Bay cockling disaster, the GLA was established to regulate the supply of workers to the agricultural, horticultural and shellfish industries as a non-departmental public body –and its primary purpose has been to prevent the exploitation of workers in the food production sector. In the course of its regulation, GLA officers have the power of arrest.

The GLA is responsible for licencing 'gangmasters' and also ensuring workers' employment rights are protected, including the right to: the NMW, legal hours or work and overtime, annual leave, itemised pay slips including details of statutory deductions, health and safety provision, sick pay, and terms and conditions.

The recent drop in GLA prosecutions has been interpreted by some to signal the diminishing resources of the authority, while it has also been criticised for the low fines exploitative

employers have been required to pay. The limitations of the GLA, and the limitations of relying upon exploited and vulnerable workers to come forward, are well demonstrated in the recent case of two Latvian gangmasters found guilty of exploiting workers, where the two were able to operate without a license for four years (see the recent *Guardian* [article](#) on the subject).

Similarly, the penalties of being in breach of the GLA's code do not seem to be too great. For instance, an unlicensed gangmaster who made Romanian apple pickers work in inhumane conditions (keeping them in unheated outbuildings and making them scavenge for out of date food from supermarket bins) in Armagh, Northern Ireland, was recently found guilty but fined only £500, leading to considerable [public outrage](#).

### **UK food industry impact on global producers and workforce**

Most complex of all is the fact that these issues of low pay, exploitation, food fraud etc, all have an international angle: and the significance of the global side of the supply chain complicates dealing with these issues in the UK.

The food supply chains that serve the UK markets come from around the world, and power and agency is not evenly shared amongst all food system actors. Often those with least power and agency are the farmers, workers, and small suppliers. It is these groups that face the top-level pressures to reduce costs, with negative implications on environmental sustainability as well as these workers' abilities to provide for their families.

The EU has identified the problem of 'unfair trading practices', many of which are already known to be abusive and illegal, but which yield impressive profits. There is hope from campaigners that the Director General of Internal Market will follow up its communications on these practices and establish an enforcement mechanism to stop these and to have tough penalties against them. These have to be introduced with care as suppliers and others are often fearful of speaking out lest they lose their powerful buyer.

#### Overall issues

Oxfam's recent work has examined global poverty in the round across sectors, arguing that the main drivers of international 'poverty wages' are:

- Workers having an unfair share of value in the chain (with some of the poorest wages being paid to some of the UK's most successful companies)
- Absence of collective bargaining (with Oxfam estimating that around 90% of workers in the food and garment supply chains cannot negotiate terms with their employer)
- Inadequate minimum wages (overall, woefully below the wage needed for a basic standard of living e.g. in Bangladesh the legal minimum wage is 19% of the estimated living wage, while that percentage is just 14% in Ukraine)

(Oxfam, 2014)

However, although an endemic issue across different sectors, it seems that the issue is concentrated in the international food industry (as well as in clothing). An estimated third of the world's population relies on small scale farming for their livelihoods, supplying food to an estimated 2-3bn people worldwide. However, up to 60% of farm labourers live in poverty, and while agriculture produces more than enough food to feed everyone on earth, a third of it is wasted (while almost 900m don't have enough access to food).

Furthermore, while the largest food and beverage companies have committed themselves in recent years to better corporate social and environmentally sustainable behaviour, this work has not focused on increasing workers' share of value in the chain. Of the ten biggest retailers, Oxfam has found that Associated British Foods and Kelloggs have the fewest policies addressing the impact of their operations on producers and communities. However, all of the ten have neglected to use their power to create a more just food system. (Oxfam, 2013)

#### Developing countries

Clearly, the issues outlined above (such as unequal divisions of power) are all of heightened significance within developing nations, not least as a result of the clear tension between fair trade prices and the international demand for cheap, intensively farmed foods.

### **Case study: Cashew nuts in India**

See Traidcraft campaign for more info: <http://www.traidcraft.co.uk/campaign-resources>

The example of the cashew nut supply chain, from processes in India to sale in Europe is indicative of problems faced in the global supply chain as a result of the behaviour of UK and European buyers.

India buys over 60% of the world's 'raw' cashew nut exports, largely from West Africa, and over half a million people work in Indian cashew factories, around 90% of whom are women. Over a quarter of India's processed cashews are sold to Europe.

The pressure to supply good quality cashews at the lowest price is passed on to workers at the factories: and yet the profits generated are extremely skewed in distribution, with 60% of the total end value of the cashew product being kept within Europe. Indian cashew factories have to accept whatever terms and conditions are dictated to them by the supermarkets if they want their cashews to reach EU consumers. From each 200g bag of cashews sold in the UK for £2.50, Traidcraft estimates the following distribution of earnings:

- £1.03 to the supermarket
- 54p to the farmer growing and harvesting the cashews
- 40p goes to the Indian factory responsible for roasting, de-shelling, peeling, grading and packing
- 43p goes to the European importer for roasting and packing the cashews
- 7p to those drying, warehousing and trading the cashew
- Just 3p goes to the factory worker

In fact, despite the existence of the (voluntary) Ethical Trading Initiative standards to protect workers (which commit supermarkets to providing a safe working environment, paying wages which don't just meet workers' daily needs but allow for saving, and pay social security obligations), there is evidence that these factory workers are being failed by the standards European supermarkets have apparently committed to.

As a result of supermarket pressures to drive down costs and increase profits, substandard working conditions are widespread, usually involve workers sorting cashews on the floor, while the oils and smoke involved in the processing of cashews often has long lasting health effects. Furthermore, where there is social security provision, health care costs are often so administratively difficult to claim back from employers that workers often end up bearing the financial brunt.

While the recent establishment of the Groceries Code Adjudicator is hoped to impose fines on those who break the rules in the UK, Traidcraft call for the introduction of an EU equivalent. It also encourages UK buyers to buy from Traidcraft, which guarantees workers down the supply chain a fair wage and working conditions.

## Animal welfare

Recent years have seen an increasing concern for animal welfare as a result of agricultural intensification. This has taken various forms: increasing consumption of meat has seen pigs, chickens and cows being squeezed into factory farms; the widespread use of herbicides has had a knock on effect on butterflies and other insects; the intensiveness of fish farming means consumers are eating increasingly chemical-laden fish while breakouts of farmed fish harm wild fish stocks.

In fact, books like Oakeshott and Lymbery's *Farmageddon* deal as much with the far-reaching effect on animals outside of typical factory farms to demonstrate the overwhelming impact of intensive consumption upon all sorts of animals and insects.

Indeed, as well as animal welfare, we might also consider the impact of consumption upon the wider environment, such as raw filth being pumped into the sea as fish are turned into fishmeal to feed farm animals, evidence that industrial farming is playing havoc with nature. Furthermore, evidence of global food waste is staggering, amounting annually to an equivalent of 11,600m chickens, 270m pigs or 59m cattle.

For more information on the substantial contribution made by animal agriculture to climate change and air pollution, to land, soil and water degradation and to the reduction of biodiversity, see *Livestock's Long Shadow*, report from the Food and Agriculture Organisation of the UN, 2006. (And see Environment working paper for more information)

## Review of recommendations

### *UK food producers*

*Bringing Home the Bacon* suggests alternatives for supply chain organisation, particularly 'vertical integration', and ensuring participants take responsibility for the overall health of the supply chain. In relation to pig meat specifically, the report points to the Danish and Dutch national models, as well as Morrisons which is profitably expanding directly owned processing, and is subsequently on track to become the UK's largest food processor.

- The report recommends following the example set by **Morrisons and the Danish and Dutch national models** as a way of delivering on broader economic and social objectives.
  - o For example, Morrisons directly owns its processing operations, competes on price in the mass market and uses a higher proportion of British meat than any other major supermarket. Furthermore, it aligns the interests of firm, supply chain and society through directly owned processing plants which run at full capacity, proving the benefits of 'plant loading' – while Morrisons increases margins and reduces costs. In turn, society gains from reduced import dependence, stable employment and the capacity to address animal welfare and climate change.
- But the report also stresses that while such examples are encouraging, business models and practices are organisationally embedded meaning **government policy has crucial role**

**in brokering change**, in recognition of the fact that it is the form of competition that is problematic, and government must use **changes of ownership** to lever changes in behaviour:

- The big three supermarkets are locked into their present business model through demands in stock market as well as own **mentality and practices** – much depends on government to take constructive role in persuading firms to change their business models
- Report also cites need to reform the '**narrow official mentality**' in the UK which means successive governments have taken a **narrow competition policy approach** and UK policy interventions have involved a series of **unsuccessful voluntary initiatives** not recognising that competition is the problem
- Importance of recognising ownership: ownership can lever changes in business practices. The report encourages: **vertical integration of supermarkets with processors** via tax breaks for retailers who increase their value added. Furthermore, **horizontal integration is encouraged** by support for the creation of **producer co-operatives** and marketing assistance for artisan producers.
- Finally, the report suggests that these 'radical' proposals should be backed by **increased powers for the Grocery Code Adjudicator** to enforce contracts that give food manufacturers the security they need to improve **their productivity and lower costs**; and also to **ban many forms of supermarket promotion** which harm suppliers and don't necessarily benefit consumers

#### *Tackling EU and global food fraud*

NSF International (2014) recommends a seven step programme for businesses to deal with food fraud, although it recognises that the problem is a widespread and even global one, relying on national and international mechanisms too.



## FOOD FRAUD AWARENESS, DETECTION & PREVENTION

Fraud control is a complex commercial and supply chain issue and is not something that can be solved by 'Technical teams' in isolation.



Furthermore, the Elliot Review (2014) identified the key risks in the supply chain and how they might be mitigated, including risks in storage, meat commodity market, traders and brokers, transportation and freezing blocks of meat trim (see pp.44-45).

### *Workers' rights*

Firstly, it seems that the problem of particularly low wages in the food industry needs to be addressed as part of a broader debate about low wages.

The JRF report on exploitation in the food industry recommends a number of specific suggestions including: extended power of the Gangmasters Licencing Authority; the responsibility for large food retailers and suppliers to ensure workers are always paid NMW and employment agencies are not exploiting them; better access to English language provision and migrant organisations to provide support for vulnerable migrants, alongside better union support.

However, it has been noted that 'ethical' employment standards (defined as 'wellbeing, autonomy, and justice, by the Food Ethics Council in its 'Ethical Matrix') are difficult to enforce in practice (Clutterbuck, 2011), and are ultimately the responsibility of civil society, unions and NGOs.

### Global producers

Oxfam's *Behind the Brands* campaign and report which scores the top ten food and beverage companies against the seven critical areas of sustainable food production (women, small scale farmers, farm workers, water, land, climate change, and transparency) calls for a number of actions from these retailers, including: openness of information as to the company's sustainability policies, protecting local communities from land and water grabs / greenhouse gas emissions / access to supply chains; ensuring local farmers are paid a fair price; address the particular exploitation of women.

### **Questions to consider**

- Is the tension between wanting to pay the food industry workforce in the UK and globally a fair wage, and ensuring poorer families have access to affordable food in the UK, an irreconcilable one?
- Is 'fair trade' only fashionable in times of economic growth?
- Are the supply chains of meat and other food (such as fruit and vegetables) just as aggressively competitive as one another?
- Is there any opportunity for improving the productivity and pay of food industry jobs within the UK, and what role do technology and training play in this?
- What would be the implications of requiring food system actors to pay higher wages to their workforce and supply chain workforce?
- What can be done to ensure the power and agency within the food supply chain is spread more evenly amongst all actors?

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### **Environment and wider concerns**

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