COVID-19 & the Food Supply System

Third Expert Panel Meeting 17th September 2020 3pm

Meeting Notes

In attendance: Julia Aglionby, James Bielby, Tim Brigstocke, Steve Guilbert, V Hird, Ruth Huxley, Andrew Kuyk (Provision Trade Federation), Matt Lobley, Aoife Martin (Seafish), Sue Pritchard (CE FFCC), Emma Tranter (notes), Dr Rachel Ward (IFST), Tim Wilkinson, Michael Winter (Chair), a representative of the Food Standards Agency, a representative from the finance sector, a representative from the fishing industry and 6 other panel members

Apologies were received from Victoria Bywater, Jack Ward (CEO British Growers), a representative of the livestock auctioneer sector, a representative of LEAF, a representative from a meat trade association, a representative of the savoury food processing industry, a representative of the milling industry and 3 other panel members

1. <u>Up-date on Dairy Work: 3.00 - 3.10 (see attached paper)</u>

Update on actions:

1.1 Conversation between MW a representative from the finance sector has taken place – thank you to the representative from the finance sector for the information provided.

1.2 Thanks to FSA for providing links which we've started looking at.

1.3 Milk vending machine issue - thanks to the panel member who sent some contact information which will be followed up.

1.4 MW to have conversation with Rebecca Miah re. Milk Your Moments.

The plan is to follow up these leads and additional information in order to produce an extended version of this paper as a working paper which will be put on the project website by November.

There were no further comments from the panel on the dairy paper.

2. <u>Impacts of COVID-19 on the Seafood Sector (see attached paper)</u>

SG explained that the seafood sector was different and distinct from the other sectors we're looking at. He referred the panel to the summary table and 4 key questions that are at the heart of it.

2.1 Impacts: How, and to what extent, did the impact of CV-19 differ across seafood sub-sectors (e.g. fisheries/species) and scale and location of operation (e.g. <10m vs >10m, large-scale processors vs. small-scale processors, etc.)?

This question relates to the issue that the seafood sector is made up of lots of different subsectors. We're interested in the impact that Covid-19 had on these subsectors (fisheries, species, scale, geography, etc.). There was a suggestion that fishermen in the SW were better placed to shorten the supply chain and sell directly to local consumers compared with those in e.g. North of Scotland where the population is more disparate.

A representative from the finance sector had been speaking to the industry around the Humber. They were so entrenched in the food service, out-of-home catering aspects that they've found life quite tough, even though they are close to a big conurbation along the M62. They took the impact quite hard and found the adjustment quite difficult, although some have adapted better than they might say. This includes fishermen and those buying from the Hull and Grimsby markets to prepare catered products.

A representative from the fishing industry said that they had found that there were extreme regional disparities which depended upon what species were normally being supplied, where they were selling to, and how:

The first indications of problems came with nephrops (langoustine). This subsector was immediately impacted due to so much produce being exported to Italy, France and Spain, who came down with Covid-19 sooner than the UK did. It still hasn't recovered (refer to latest edition of EUMOFA) and the effects on price and volume have been substantial.

The closing down of the hospitality sector and fish counters in the UK meant that the market for most white fish was severely impacted. Because of the species involved, it particularly affected Scotland, the North Sea and east coast of England, in general. The south coast, predominantly shellfish, has a different consumption pattern to begin with. There isn't a domestic market for shellfish which is why so much of this produce is exported. In the Cornwall area, more established box distributors used their websites to promote sales, with mixed boxes being developed considerably through these websites. Around the Thames Estuary, fishermen made direct deliveries to the consumer, and this started out on Facebook, rather than via websites. This required less sophistication in terms of IT capabilities than websites. There was often one dominant person pushing it and motivating people to put it together.

SG asked the representative from the fishing industry if there was a distinction in terms of impact between the inshore <10 fleet and the larger scale operators. They said it depended on what they were fishing for. Nephrops is partly <10s but if you look at white fish you're looking in general at the larger vessels.

SG asked AM about the impact on the fish processing side. To what extent were larger processors in a better position to withstand the impact? Or was it the smaller ones who were able to react more nimbly? AM said that we need to approach this with the understanding of what happens to seafood produced (either caught and landed, or processed) in this country. It either goes for export or for domestic sale through food service or retail. The export markets were severely impacted and this had a real impact on high value shellfish exports. Fleet dynamics were affected very differently. The pelagic sector was pretty much unscathed in the grand scheme of things. However, small scale shellfish that relied on exporting live, high-value product into France, Spain and Italy saw their markets close down once those countries went into lockdown. Earlier trends also affected exports into China. Processors who produced product for the food service sector were significantly impacted. In the same way that export markets closed down, food service was hit as soon as lockdown happened. Not just restaurants, cafes and takeaways, but also cafeterias, canteens in schools and offices, etc. The retail sector, including high street fishmongers, saw a boom once they got themselves repositioned. But in the early days of March, when people were stockpiling, it was comfort foods: fish fingers, tinned tuna, etc., not fresh fish.

Fish counters closed, except Waitrose, due to resourcing, not supply. There was a massive spike in retail sales in supermarkets which has fallen back a bit, but is steady and holding its own. In the first couple of weeks of lockdown, a lot of fishmongers regrouped and then as consumers realised that their local market/high street was open to them, there was a benefit to fishmongers. They were challenged by some of the logistics and getting product landed into the main fish markets (Peterhead, Brixham). They remained open, but there were fluctuations in landing and most of the supply routes weren't working as well. Transport logistics stopped or were scaled back, so several fishmongers in London struggled to get product because the traditional supply routes from the SW weren't functioning. Fish and chip shops in England and Wales rely on imported product whereas a lot in Scotland rely on domestically landed product. They have done a roaring trade since reopening and say that they are making more money and working less hours than they were pre-Covid. Many have changed their business model – online sales and ordering, discreet opening times, etc. Like most other sectors, it was quite a complex landscape, with some losers. Regarding larger processors vs smaller processor, the larger ones, the ones selling into retail, have been fairly comfortable as they had products stockpiles. The really small processors (family-owned businesses) were much more able to adapt and be agile, to look at different supply routes. But those in the middle did struggle and they were the ones that went into furlough for at least the first few months.

MW asked why the export markets and shellfish trade cut off when international trade continued. What made the seafood sector different? Was it mainly because the produce was destined for restaurants, or was there another factor? AM agreed that the produce was going predominantly into food service, but also because it is a valuable product at a higher price, and in the early days of the lockdown people's purchase patterns changed, overseas as in the UK.

A representative from the fishing industry said that air transport was also a factor. So much of the seafood product exported to the Far East goes as air freight, but on standard flights. The amount of freight space available therefore diminished considerably and prices went up correspondingly.

AK represents larger fish processors in his current role. The fishing industry in the UK is very diverse – there's the distinction between the catching and processing sectors, and then each of these subdivides: the catching sector subdivides by size, size of vessel, regions, target species. There is a huge difference in both value and market between shellfish, white fish (cod, haddock) and pelagics (herring, mackerel). On the processing side, the main distinction is size and market. The very large processors (household brand names e.g. Birds Eye) mainly supply large retailers and that's where the volume is in terms of sales.

You then need to consider two further issues: the supply of raw material and then the routes to market.

On the supply side, there's a rather strange paradox in the UK: we are an island surrounded by water and fish, but about 80% of what we catch is exported as it's the 'wrong' species and not the fish we eat (pelagics, shellfish). About two-thirds plus of what we eat we import. Within the routes to market the supply is quite different. The imported produce was largely unaffected, but on the catching side there were supply problems because Covid impacted vessel crews and onshore activities. There was a double hit – not only were routes to market impaired, but there were also safety issues around social distancing on vessels and the immediate onshore side of things. A lot of people tied up and didn't go to sea to avoid these complexities, but also because there was nowhere for fish to go once landed.

At the other end, larger processors continued as 'super usual'. Sales, particularly of frozen and canned produce went up substantially. These supply routes held up. Their problem was how to increase processing to keep pace with supermarket demand. There was a very wide spectrum of impact depending which particular areas you were looking at. Seafish have produced a paper analysing some of these impacts which sets this out very well. However, whilst the paper says that two-thirds of processors had problems or were forced to close, whilst this is true numerically, it's not true in terms of volume and size of market. A lot of the small processors did have, and are still having, problems, but the household names supplying big supermarkets (at best 4 or 5 large companies) have done pretty well and are not in the bracket of processors who are impacted. There were no barriers to trade, but there were issues like availability of lorries, containers, air freight, etc. In addition, container traffic to China was gridlocked for a couple of months as containers couldn't move in and out of Chinese ports, although this had less of an impact than initially thought. Whilst there may have been less choice at a fishmonger, people who wanted to buy e.g. fileted fish, salmon, frozen fish, fish fingers, etc. from supermarkets continued to do so, and in bigger numbers that before.

2.2 Industry Response: Following the collapse of established export and hospitality markets how would you characterise industry efforts to re-orientate the market and increase supply and consumption of locally caught seafood?

Some large scale processors did OK. For the primary producers and smaller scale ones, how did Seafish, as the industry body, respond to this and help these producers find new markets and sell locally? The website shows a campaign, additional resources, etc.

AM said that the obvious initial issue was the risk of excess supply. The boats were landing fish, but where was it going to go? Part of the fleet did tie up (shellfish sector). Parts of the white fish fleet staggered their landings to manage the supply of seafood into the UK supply chain. After about a week or two, businesses started to think about selling locally and domestically. This ranged from small scale vessel operators selling at the quayside to processors, cooperative groups establishing direct sales platforms. Some were platforms that they ran themselves (i.e. they sourced the products from the boats and distributed to the buyers), other platforms acted as a central platform where other businesses could list and people could buy direct from them. There was a complex regulatory landscape, so Seafish were quick to come up with guidance for fishermen selling locally, fish vans, online sales, regulations, labelling, etc. Seafish offered lots of advice and guidance to ensure people were staying on the right side of law. In March, Seafish, alongside Defra, was planning to launch a marketing campaign to get people to engage with UK-landed seafood, primarily in the light of Brexit. They decided to use this campaign to promote UK produce in the time of Covid as well. The campaign was therefore delayed until the end of March/early April whilst people took the time to understand what was happening, and then extended to the end of August. There were local initiatives to encourage people to eat more local seafood. There was a platform for people to list their business. It also connected the concept of buying fish locally with guidance and videos on how to prepare and cook it. And it used social media influencers to get the message out about how good UK seafood is. Seafish also provided practical guidance to businesses – how to operate in a time of Covid – following social distancing requirements, giving crew and processing staff travel certificates, etc. And then guidance was given when restaurants and fish and chip shops were reopening: how to open safely and how to operate.

SG asked if there was a sense of how efforts across the board to facilitate this process were successful. And does it make up for lost export and hospitality?

AM said that it doesn't even come close to making up for this, but it did provide some cash, some trading, the ability to keep operating, as restarting a business that has closed down is challenging and expensive. There was a huge enthusiasm around direct sales, and people engaged well with this. But fishermen are fishermen because they want to fish and land; they are not interested in the sales aspect. There was initially a novelty element, but many local sales initiatives have now scaled back as the other markets have reopened.

A representative from the fishing industry said we need to remember that people were at home for a large part of the period we're talking about. They couldn't go out to eat, and they had the time to cook. There was a novelty element in this. Initially, everyone was interested in being healthy, and then this relapsed and comfort eating came in. To a certain extent, there's the same pattern here: to begin with, it's quite exciting if a fisherman came to door and told you how to cook and eat a certain fish, but when you go back to work you don't have same time for preparation. This needs to be kept in mind when thinking about your consumer base and how durable it is.

AK agreed that one of the barriers to increasing fish consumption in the UK has been at the consumer end – the preparation, etc. The big brands have moved from providing a fillet in a pack that you open and cook, to providing fish as part of a 'meal solution' (the fish, along with sauce, vegetables, etc.). This is a great added value proposition as the margin on the stuff around the fish is as big as it is on the fish itself. There are two main questions to consider: will our lifestyles revert to what they were before in terms of patterns of communing, office working, etc.? And will our purchasing habits revert to what they were before? The problems faced in this industry are very similar to problems faced among some of the smaller artisan cheese producers whose traditional route to market is deli counters and/or food service (cheese trolley in high end restaurant). People unable to go to restaurants wanted a nice meal at home, and if someone was able to offer a selection of restaurant-quality, hand-crafted products, they did very well. How long this will maintain will be interesting, and it will be a question of survival to some of the people on the sharp end of it.

A representative from the finance sector reiterated the comments about this being a wider issue across other sectors, particularly with regard to food preparation and the time available for making food at home going forward.

2.3 Consumer Response: To what extent did consumers respond by buying more locally caught/landed seafood and trying more 'unusual' species?

2.4 Going Forward: Do you think the crisis will result in any long-term shifts to shorter seafood supply chains and wider consumer palettes?

To what extent will the British public be willing to try unusual species that are local e.g. whelks and cuttlefish are fairly abundant in Devon? As the export markets begin to open up, have these suppliers got what they needed from selling locally, and are they now reverting to the previous pattern? To what extent will these changes stick, and what were temporary adaptions to an immediate crisis?

AM said that it is a bit premature to say with certainty but over time we will get a better sense of this. Seafish runs annual surveys of industry and they are in the process of surveying processors and the catching sector. The survey is normally an economic survey, but this year it includes some Covid-specific questions on business response, engagement with support schemes, bad debt, etc. There is still strong demand for seafood. Fishmongers are still doing well, retail trade is holding its own. Regarding local sales initiatives, some were just people trying everything, and it was never going to be long term, but there are examples of things changing. We're seeing shorter supply chains, getting product into urban centres in the UK. Some online initiatives are growing and expanding. Inevitably, as traditional markets reopen, product will reroute into these as it's easier to just land product and export it than it is to try and have it processed and sold in the UK. But 31st December another unknown. So some operators, mainly SME operations, are still thinking about direct sales as this may need to be a solution early next year as well.

A representative from the fishing industry said we should consider the problems of continuity of supply. If you develop a local market and then it's no longer the season for something that people have got used to buying, what does that do to the economics of your supply chain?

AK agreed that this was one of the reasons why bigger processors source from further afield because consistency and predictability are crucial, particularly for the supermarket trade. This is part of the wider debate about national food strategy. The element of seasonality has disappeared from our consumption habits and it's the bigger fisheries abroad that can supply the volume, quality and consistency, as well as avoid seasonal price fluctuations.

RH said that they have a very different perspective. The fishing sector has particular relevance in Cornwall. The fish counter in her store was open throughout Covid, doing household deliveries when the store was closed. They buy direct, but only from local merchants and only locally-landed species, so the customers have to accept seasonality and what's available locally. They have been taught to do this by staff engaging direct with customers, talking them through why they can't have e.g. salmon or prawns, and what the alternatives are, and how they might be able to cook them. The fish counter goes from strength to strength due to the quality and choice. Retail landscape is generally not like this.

They were however also impacted by supply chain difficulties where it wasn't always possible to get the desired fish that people were used to. Customers were told they would receive a 4 or 6 portion box of fish and the price, but that it would be pot-luck what they got. Customers took this on board and accepted it as their option in order to get fresh fish. Customer feedback was that it was interesting, that it had become a talking point in their families, that they could inspire their children to eat fish because of this, etc. It was quite positive.

Then recently, since the holiday season restarted, due to restaurant places being scarcer, holiday makers and locals with visitors have wanted to eat special things at home. This summer, their store has sold as much, if not more lobster, than they have sold in all previous summers (4) combined. The suppliers have accommodated this well.

Dave (fishmonger) detailed what they had received from Looe that morning (turbot, brill, bass, monkfish, dovers, plaice, red mullet, squid, haddock, Pollock, ray wings, john dory, whiting gurnard and scallops, with other species arriving later in the day for tomorrow). This is an average day. Some customers are surprised at the colour of the fish because it is so fresh. They also have a whole fish (e.g. cod or hake) on the counter as many people have never seen whole fish before. All fish is bought whole then fileted and prepared in house, which people enjoy watching and is what makes them unique in the area. Whilst recognising this is small scale, it's different, and it's an option that is there, and a different supply chain that is there. Covid has been an incredibly stressful experience, but they are able to take the positives out of it and trying to identify where they can learn and develop as a result.

MW added as an aside that fish van that started visiting his village in June is now coming less regularly, and pre-orders are needed.

3. National Food Strategy and Food Security – general discussion

MW asked if there were any general reactions to the NFS and its direction of travel.

AK said that it was very much on his radar and he had had conversations with the NFS team, so he was fairly close to this. There are some worthwhile issues but his worry (which he has passed on) is that there is a disconnect between the sequencing of the food strategy report and an eventual government response, and decisions that will be taken before then, notably about future the trading relationship with EU, and potentially with the US and others, and future support systems for UK agriculture. In an ideal world you would agree the strategy first and then look at implementation. Here, by default, the levers to deliver the policy are being pulled by other people for other reasons which may make strategy undeliverable by the time it's articulated.

MW asked what the NFS response to this concern was. AK said that they agreed with him, but there wasn't much they could do about it.

MW said that there was a sense that the government was committed to the strategy.

VH agreed with a lot of the above. In her discussions with the NFS, they are keeping themselves at arm's length. So they are at the heart, but also able to critique. Please see links below for Sustain's responses to the paper:

https://www.sustainweb.org/news/aug20-national-food-strategy/

https://www.sustainweb.org/blogs/aug20-national-food-strategy-missing-from-table/

Sustain hopes that the final report will have a more comprehensive look, both in terms of sustainability and resilience going forward in the face of threats to supplies in terms of food production (soil, water, weather extremes, biodiversity loss, etc.). But also in terms of making it work better, having a better understanding of where the value goes from the food pound to the producer, etc.

It is also important to consider nutritional security. There is a new clause in the agriculture bill which will require the government to have an annual food security review. The government already does some regular food security analysis, but we need a proper analysis of our capacity to feed ourselves properly, looking at those who are vulnerable and household food insecurity. There is a cross-party amendment to the agriculture bill begin tabled by Lord Krebs to make it a legal obligation to implement the outcomes of the NFS.

TB said that he agreed with AK's analysis of the NFS document. The difficulty is making sure that something happens downwards through primary producers, then upwards through the supply chain.

The report has been pushed by the Covid agenda, which wasn't part of original purpose.

A representative of the finance sector said that food security is something that they get to talk about to foreign governments, sovereign wealth funds and food operators. When you talk to organisations in other geographies, they take food security really seriously: the government leads, helps and supports. In the UK, we might end up with a half-baked answer unless the government takes it more seriously. Whilst we'll never be self-sufficient, we need understand how others operate, and if we're going to operate on a world stage outside of Europe, we need to play by the same rules, capability and seriousness that other countries and operators stand by. **Action: Finance sector representative said he would distribute a report published by accounting firm.** This states that the UK is the 6th biggest food economy in the world, but assessed as 17th in terms of global food security.

MW said that it had taken a long time for us to take this topic seriously due to the legacy of us being a free-trading nation, reliant on imports until late-19th Century. Covid has put a hole in this theory, although there have been other crises that should have led us to take it more seriously before now.

A panel member said that they agreed with all of the above, but we must bear in mind our environmental standards and issues when we look at how we set our food production standards in the UK. We are good at saying 'this shouldn't happen, we won't allow it in the UK', but if we can't produce it in the UK then we'll import it undercover without actually understanding the implications for other environments around the world.

4. <u>Any other business and date of next meeting</u>

An agenda item for the next meeting will be the planned survey of businesses.

A draft questionnaire, sampling strategy and the aims and objectives of the survey will be circulated to the panel ahead of the meeting for panel comment.

There will also be some feedback on issues raised during this meeting.

MW thanked the panel for their input. The research team is learning so much from the panel and is very grateful for the members' time and insight.

The next meeting will be held on Tuesday 20th October at 11.00.