COVID-19 & the Food Supply System

Fourth Expert Panel Meeting 20th October 2020 11am

Meeting Notes

In attendance: Victoria Bywater, Steve Guilbert, V Hird, Andrew Kuyk (Provision Trade Federation), Matt Lobley, Sue Pritchard (Chief Executive Food Farming and Countryside Commission), Emma Tranter (notes), Jack Ward (CEO British Growers), Dr Rachel Ward (IFST), Tim Wilkinson, Michael Winter (Chair), a representative from the fishing industry, a representative from a meat trade association, a representative of the Food Standards Agency, a representative from the finance sector and 3 other panel members

Apologies were received from Tim Brigstocke, Ruth Huxley, a representative of the livestock auctioneer sector and 2 other panel members.

1. Welcomes etc.

MW welcomed everyone to the meeting and thanked them for attending.

2. Fruit and Veg paper

There were no particular questions, comments, points or queries from the expert panel regarding the paper.

SG noted that he had been struck by some similarities with seafood sector. He also noted that we talk about fruit and veg sector as a coherent entity, but it is very diverse with specialist subsectors.

<u>Question 1: How, and to what extent, did the impact of CV-19 differ across fruit and veg sub-sectors and scale and location of operation?</u>

JW - there were one or two examples where people had a disaster but in general the sector has done better as a result of Covid for the following reasons:

- Sizeable demand
- Problems with imports from some countries. E.g. mushrooms. Imports from Poland slowed down significantly in the early stages of Covid and mushroom growers saw orders increase by 40-50% but driven by exporters not able to get product in.

To note: you can only sell a crop once, and when it's gone, it's gone. E.g. apple sales increased, but once you get to the end of the crop, that's it, and they had to move to imports.

A member of the panel (PM1) said that there were variances across individual businesses depending on whether they were, for example, packing for retail, or destined for food service. E.g. a herb crop that is destined 50% for retail and 50% for food service, the food service element dropped off a cliff and businesses had to adapt very quickly. Some businesses supplied to box schemes, some did their own B2C and quickly built a platform to do their own boxes.

PM1 - on the labour side, people with business interests in in e.g. China, realised there might be a problem, so there were already looking at stabilizing their work force. However, the initial lack of knowledge led to hysteria and disruption. Workers needed to be reassured, as did the local communities in which they lived. Businesses also struggled to get people from Eastern Europe due to borders closing.

PM1 - There was an initial uplift in sales, but other repercussions that meant it was more difficult down the road.

SG asked what was happening re. labour, pre-lockdown and whether this was already an issue in February and early March.

PM1 said that the businesses she was referring to had already secured their labour but they were physically unable to get the people. They had them on paper, but not in person. Some managed, but others were slightly short.

SG asked what enabled those who were able to adjust and find new routes to market to do this well.

PM1 said that the adjustments weren't necessarily profitable, they just allowed a continuation of trading, but there wasn't anything to distinguish between those that continued with their new ways of working, and those that dropped out after a couple of weeks.

A representative from the finance sector (PM2) said that international trade continued and was more resilient than people thought. These supply chains kept working. Regarding new markets for wholesale and food service businesses, the businesses that adapted were probably defined by not much more than having the get up and go, initiative and drive. Agreed that in the early days they didn't make much money, but they made a huge achievement and some of them now have new business operations they didn't have on 1st March, which will probably evolve and develop as permanent changes.

Dave Lewis comment: it took 15 years to get to 7% online trading of retail product, then it doubled in 7 weeks.

With reference to the glitches in international trade, particularly from Spain to the UK. This is a real warning for what might come with Brexit. In the last week of March, first week April, there was a precedent in France to say they shouldn't export any French product until the French were fed. Some Spanish product travelling through France on lorry was impeded. It was soon resolved, but it caused havoc, but the physical transportation of product through France is fundamental. Some people moved product through different countries meaning it took longer to arrive.

Cash flow has remained good.

MW asked if mushroom trade had continued in the same vein. JW and PM2 confirmed that it had dropped back but was still up by about 12%.

SG asked if there was sectoral and government support to facilitate this process.

JW – nothing specifically was done for the fruit and veg sector, unlike milk. In general, the industry just got on with it.

PM2 agreed and said that he knows of certain major importers and operators who were in communication with the secretary of state daily, so the message was being got across loud and clear.

JW – clarified that regarding labour, the secretary of state took a personal interest in this and spoke regularly to the industry to understand the pinch points in order to offer support.

SG summarized that the two big themes are labour and veg box scheme.

<u>Q2 - To what extent did the impact of CV-19 expose the UK's reliance on both EU imports and migrant labour as a point of acute vulnerability?</u>

It was quite well documented at the beginning that there were not enough people to harvest the crops and there were some schemes to encourage people to sign up to 'pick for Britain'. But then the story peters out with little evidence of what actually happened. Was there a disaster, did they get people to pick fruit? If yes, where did these workers come from? What happened to that story?

JW – there was initially panic about where seasonal labour would come from. But it became apparent that there was already more seasonal labour in the UK than people had thought. E.g. Daffodil pickers who were looking for ongoing work.

The UK fresh produce season starts with asparagus in late April and needs about 5000 people, so this skated through. Then the Pick for Britain campaign picked up. However, a lot of people expressed an interest in trying to find a job in April, but the bulk of jobs weren't there until June and during that period people started arriving from Eastern Europe. Some farms did their own recruitment initiatives, some agencies were working, and Pick for Britain was just one player in a complicated and over-crowded recruitment field. As a combined result of all initiatives, most people got the numbers they needed. There were some success stories in terms of employing UK people - diverting from e.g. construction industry to picking. Others were not so successful. As the season moved on, and people were flown in from Romania and Bulgaria, more and more people found their way across. The seasonal worker permit scheme (Ukraine) got up and running, as the season wore on, most growers skated through most of the season better than they had expected to in March.

SG noted that it was interesting that the 'happy ending' wasn't reported in the same way that the initial crisis had been reported.

MW asked what it has all meant to diet and nutrition.

PM1 said that we need a bit more time to work this out. At beginning of lockdown, sales increased hugely, but there was also huge waste. Things did calm down though, and it became harder for consumers to overstock due to restrictions on movement. People bought a lot of fruit and vegetables, but unsure if they consumed them. There followed a time of people doing more scratch cooking as people focused on immune health. Then boredom kicked in June/July. So it remains to be seen what the final habits will be however we do know that there's been an increase in alcohol-related hospital admissions.

VH said there has been a vast increase in insecure households. There was a big drive to cook your own but this has tailed off and there are now acute problems, particularly with the more vulnerable, who are not getting fresh fruit. There are also stories about how bad the government processes for getting food to the vulnerable were, and this remains a problem.

There are big procurement issues looming. The wholesale sector has been in decline for many years, but this crisis has hurt it far more than imagined.

Question 3: Do you think the crisis will result in any long-term shifts in consumer behaviour and attitudes to fruit and veg consumption and production?

PM1 said that people have businesses now that they didn't have in March, and these are permanent. Some did it to get through short term distress, but now realise that they've retained some customers. Consumer not necessarily loyal, some have dropped off as they've been able to revert to old shopping habits.

PM2 said that there are some confidence issues. The role of the retailer (mainstream) regarding online sales and how determined we are as individuals to keep box scheme because we like things about it. Some of it will be permanent, but there will be a mix of responses. Some customers would like wholesale and food service to come back because that's what they're used to. Others are seeing it as a new string to their bow and are determined to make it work. There have also been a handful of new businesses – box schemes dedicated to e.g. young mums, young kids, families, specific products, regions. This panel member has had more discussions about these as a new avenue than in any other sector. So it appears to be more persistent in fruit and vegetables than in other sectors, even if there might be a slight drop-off compared with the initial peak.

The representative from the finance sector gave the example of a flour miller who moved 90 tonnes of flour last month over the internet that he didn't move at all in February. There will be some permanent trends, but too early to give a measurement.

MW asked if the box schemes were driven by producers, or people further up the supply chain. The representative from the finance sector said that by and large it's further up the supply chain with people diversifying into this.

MW asked if there was a sense that this will lead to more produce being grown, and are growers seeing it as an opportunity.

A panel member replied that it came down to the margins at producer level and how secure and rigorous they are. Given the indifferent growing season 19/20, many growers are still battered by this, and not many are wanting to expand. Indeed, some, especially in the organic sector, are thinking more about cutting back.

JW said that regarding the box scheme, there had been some individual success stories. One of the major box suppliers was doing 7000 boxes a day in 2018. By contrast, Morrisons would have 1.5 million customers a day. In terms of supplies and where people go to get their produce, the retailers are still doing 98%. PM2 added that some retailers e.g. Morrisons are trying to do their own box schemes.

SP question in chat: is the reduction in organics anything to do with the uncertainties in harmonising EU rules? The representative from the finance sector said that there was no doubt it has come along, but the margins in organic vegetables have not been great for a while and some growers have questioned the retailers about how serious they are. Growers are stopping their business altogether rather than return to conventional methods.

3. Discussion on Survey Proposals

MW referred to the list of businesses that had been distributed prior to the meeting, most of whom are not household names. We are aiming to approach about 50 of them but need personal contacts in order to maximise response rate. MW asked panel members to come back to us with names and contact details (including job title and position) and permission to mention when we approach them. Please also flag any obvious gaps.

Regarding the survey, are we asking the right kind of questions, are there any gaps, and will it land well given the diversity of the businesses?

ML explained that the questionnaire itself is quite ambitious due to complexity of situation and the different time periods, each with different restrictions. We are also trying to address all stages of the supply chain and different sectors. We have therefore tried to make most of the questions generally applicable. Will the questions work, will they be meaningful, and have we missed out anything obvious?

TW ran through the four sections of the survey:

- About the business
- Impacts of Covid
- Business responses
- Perceptions of the future and long term economic impacts

The impacts section of the survey is divided into 3 sub-sections with the national lockdown period defined as 23/03 to 04/07 (when the hospitality sector reopened).

The business responses section of the survey is subdivided into 2 periods – national lockdown, then afterwards.

TW asked for any feedback on the structure of the survey, topics we may have missed, questions that may not work for some sectors.

VB said that the survey flows well and captures content well. But we need to get people into the survey a bit quicker. She suggested moving questions 2 and 3 to the end.

RW referred to questions 10 and 12 and suggested adding something in between importing and distribution around manufacturing. Because of social distancing measures that have been introduced, lines and production rates have been slowed down. It would be an interesting question to capture for both the present and lockdown periods.

RW asked about getting comments around simplification or changing of product ranges. Many businesses have simplified variety, size of packaging etc. Some due to resource, but also some just for simplification of operations. We haven’t asked about simplification. Did they simplify, are they planning to go back to where they were? There may be many condiments, pre-prepared meats and vegetables, soup or other canned and pre-packed goods varieties for example we may never see again. Rationalisation has happened which is not a bad thing from economic point of view, but choice and offering, particularly for those with dietary intolerances, have become restricted. Are we offering sufficient diversity and variation of choice from a health point of view? We could have two simplification questions – one on varieties, another on SKU (stock-keeping unit) size offerings – as they are different questions with different drivers.

A representative from the fishing industry (PM3) commented that there was no mention of primary producers e.g. question 5 – already staring into the supply chain rather than looking at initial product. MW said that this was deliberate as other people have done surveys covering this (e.g. Seafish and the CRPR SW Farm survey).

AJ referred to question 6 regarding numbers of staff. What are we trying to achieve by this? AJ would have asked for three bits of data: the number of employees at 23rd March and the number in November that are on payroll, and then ask how many on furlough. It may give some data about how many are on furlough and at risk of redundancy/termination in due course.

A panel member asked if people in the supply chain are seeing the end consumer demanding further data around product sourcing/provenance. Do understand if people have different bias/greater need to understand where products coming from?

ML mentioned that in addition to the online survey, we will also be doing in depth phone interviews where some of these things will be easier to cover.

PM2 endorsed the comment re. speed into the topic. You need to get straight into the topic in order to get higher response. Cut down the number of introductory questions, but also explain why we've chosen the date of 4th July to give some context. Move analysis to end.

The panel member also commented that, regarding staffing, quite a few premises impacted by a Covid hotspot. Can we ask how the organisations concerned have coped with this and how they engaged further with their staff. There is some brilliant work being done with some great schemes for staff being introduced. MW wondered if this might be more for the interviews than the survey.

PM1 referred to VH's point on food security. Maybe ask what people have done for third sector. Many have donated their surplus stock, and it's now become a built in relationship. MW agreed that we need to ask a question along these lines.

ML explained that from an ethics point of view, people can move off landing page until they've done ethics bit, but it may be possible to move this to the end, not permitting submission until the ethics part has been completed.

Initial questions re. sectors and stage of supply chain are there to re-route people to specific questions, but we could find a way around this.

RW said that may get differing answers from different parts of food businesses. Different parts of a large food business handling different food categories may have had different types of challenge and therefore different points of view. Where we're sending the survey to larger businesses with multiple types of food produce, we maybe need to ask them to complete it for each food category type within their operations. Do we need to sell the benefits of gathering this data – opportunities for future resilience – as it may make people more interested in completing the survey, especially if they're going to get a report at the end? Alternatively, we can run with the questionnaire and then do some gap analysis which we can follow up with e.g. interviews.

Action: MW and RW to follow up on how to manage this.

MW confirmed that the questionnaire was going to be piloted and welcomed suggestions of who we can use for pilots.

It will be challenging to finding the right person in the business e.g. for a transportation company, how do we find the person responsible for food transportation.

RW asked if we can short cut this by going to trade associations. Could we also ask if organisations have started hauling food when they previously didn't, as transportation and logistics volume and complexities was and continues to be a big challenge?

4. General discussion on whether new restrictions are impacting the food sector

The idea that we're in a long tail, moving back to reality, is not the case. There's been lots in the press at the moment about various things:

- Food supply to hospitals and schools
- Organic exports
- Free school meals
- Winter retail sales
- Food boxes

Does anyone have any views on anything we need to take into account regarding the new restrictions, a rapidly approaching Brexit deadline, etc?

RW said that many operations are saying this isn't the new normal, it's business as usual. Everything is situationally in place. They were braced for Brexit, had to pivot for Covid, and now it's not 'we are changing' but we have changed. Problems are now Brexit supply chain related – getting raw materials. Re. Covid, businesses are assuming that we are where we are for the next 18 to 24 months at least.

PM3 said they had been involved in looking at giving priority to perishables in terms of the Dover Straits. More in terms of exports at the moment, but we also need to think of this in terms of imports and having priority. And this is something we need to push for.

PM2 endorsed comments about the concern about movement of goods. Many customers are saying they need more cash, liquidity and facilities, but what we actually need is the process by which we can move product. This includes packaging, how things will move and the paperwork that's needed. And also the NI protocol regarding issues of moving truckloads of product from GB to NI with mixed content.

AK said there was a great gulf between government rhetoric and what it says it's doing in terms of providing information on the ground. Covid is impacting on bandwidth within businesses to undertake contingency planning but there is a dearth of hard information. The general principles are out there. And if we look at e.g. product returns, this is not currently a problem in either direction (into or out of Europe). But with or without free trade agreement, will returned products count as exports? NI currently a closed book, but for a lot of food businesses, NI, GB is a single market. There are many layers of complexity and lots of questions, but a shortage of answers. There is a gap between what the government says it's doing and the information that's getting through to the businesses that will be impacted by this. The current situation is deeply frustrating, potentially catastrophic.

VH commented regarding employees and staff, both seasonal and permanent, that from 1st January the situation will be more acute than Covid. Then there are longer term infrastructure issues and the ability to have more local or regional processing of products coming up a lot. The clamour for abattoirs and cutting plants getting higher to deal with the resilience factor. If we try and bring more production and supply chains back to the UK, the investment in infrastructure is going to have to be there.

MW asked AK if he was in regular conversations with e.g. Defra. AK said they were involved in some conversations but not others. The situation has been compounded by the fact that pre-Covid you could have gone in and seen people, but webinars and Q&As in chat isn't the same and you don't get the cross-fertilisation of people chipping in and expanding on other people's question or press for more complete answers. In addition, the fragmentation of responsibility within government is an issue – Defra, HMRC, FSA, Business Department and the Department for International Trade, with the lever-pulling Cabinet Office removed again from the delivery departments in terms of mechanics. Add in NI, free trade negotiations, devolution, etc… In summary, gov.uk isn't a joined-up thing. AK gave the example of Defra releasing guidance on labelling, and FSA putting out new guidance on health and ID marks. It would have been helpful as a single, consistent document.

JW said that from a primary production point of view, notwithstanding the enthusiasm for plant-based diets and the increase in fruit and vegetable consumption, the likelihood of the translating into a bumper time for UK production is extremely uncertain. From a grower's perspective, margins are very slim, costs are escalating (labour, living wage), loss of crop protection products, weather volatility, etc. all add up to a situation where people are asking if it's worth investing what's necessary to run a modern business, or if there are easier ways to make a living.

As a light-hearted end to the meeting, MW asked for a show of hands as to who thought there would be a Brexit deal? 1.5 people voted yes.

MW thanked everyone again for their input, which is, as always, invaluable.