

COVID-19 & the Food Supply System
Sixth Expert Panel Meeting 18th January 2021
Meeting Notes

In attendance: James Bielby, Tim Brigstocke, Steve Guilbert, Ruth Huxley, Matt Lobley (Chair), Sue Pritchard (Chief Executive, FFCC) Emma Tranter (notes), Alex Waugh, Tim Wilkinson, Michael Winter, a representative of the fishing industry, a representative from LEAF, a representative from a meat trade association, a representative from the Food Standards Agency, a representative from the finance sector and two other panel members

Apologies were received from Julia Aglionby, V Hird, Andrew Kuyk (Provision Trade Federation), Dr Rachel Ward (IFST) and two other panel members

1. Welcome

ML welcomed everyone to the meeting and went through the housekeeping requirements.

2. Lockdown 3 – impacts and pressure points

Refer to document distributed prior to meeting.

What happened pre-Christmas in terms of the Dover port delays, and to what extent was this a crisis narrowly averted?

SP – not a crisis averted, just a very slow train crash which is now starting to materialise.

The representative from the finance sector (PM1) said that the the haulage issues before Christmas were a crisis. One haulier moving fresh produce had 400 trucks stuck at Dover. The systems and processes the government had in place were so slow to react that if it wasn't for the fresh produce sector, the lorries would still be in Kent. When the systems and processes did kick in, it was resolved quite quickly. But some businesses were setting up their own Covid testing systems and translating them into French/other languages, and some people were working 100-hour weeks to get things sorted. The British consumer, retailers and government need to realise the horrendous efforts put into place to get products moved, lorries back, and bring some equilibrium to the container issue, which will probably last all year. This was as close to a physical crisis since foot and mouth in 2002. The movement of goods through the English Channel ports was materially affected. And it was commercial resolution and need that caused it to be sorted rather than government intervention. We soon reached the point where customers were holding back on what they were sending because they couldn't get the truck back. Traffic is now at about half the normal number.

A panel member (PM6) said that they had to withdraw a couple of shipments to Europe between Christmas and NY as forecast not to arrive. Paperwork issued by the UK government was withdrawn from their website as it wasn't meeting French requirements. The government guidance turned out to be incorrect, and the phone lines were busy and unhelpful.

PM1 - Scottish fish industry, amongst others – product was in the chain so long it was rotten by the time it arrived.

The representative from a meat trade association (PM2) said that there was more a flow of disinformation than information when it came to government, which exacerbated the situation in Kent. These problems happened before the rule changes for Brexit, especially export health certificates, came into force and whilst some suggested the situation was a warm up for January, this

wasn't the case, as additional paperwork is now needed. Many members were stuck in Kent, some re-routed via Rotterdam. The current situation is that there is at times a strange interpretation of the rules.

RH – looking at the consumer side of things and what it did to buying habits, it caused a bit of a panic before it was expected. The big Xmas shop was on 21st and then sales slowed down. But retailers didn't know if that was it, or if the rush was still to come, so they had to stay stocked up with produce, which ultimately was wasted, as the Christmas shop had been done earlier. They didn't observe shortages, but it did impact on retailers' ability to sell and waste levels.

The representative from the fishing industry (PM3) said that the effects of Tier 4 lockdown for London had a considerable impact on the retail side. People were expecting family members to visit from London, who were instead stuck there. Where possible, orders were amended, or produce frozen. But there was a lot of food waste.

RH - so many orders were cancelled at the last minute.

SG - Moving to 2021, the seafood sector seems to have drawn the most attention.

PM3 – in terms of the seafood industry, it wasn't until end November/early December that there was communication from the government about what the changes would involve. There was 'prioritisation' for seafood products and day-old chicks, if certain conditions were met.

However, the prioritisation doesn't seem to have been working – documentation problems have been highlighted. There had been no communication between the French and UK authorities on the interconnection of their systems and paperwork beforehand. As a result, there have been numerous difficulties with paperwork – page numbering, reference numbers, etc. All little things, but even with good will on both sides, it is time consuming. Add in European health certificates, and the overall effect is a nightmare. Particularly acute for langoustine, as they have the most limited shelf life, but a problem for all shellfish which is unlikely to be resolved in the short term. In theory, things are being discussed, and these are teething problems, but there is little confidence from the sector.

A panel member (PM4) said that the wholesale sector has been badly hurt by continuing lockdowns, closure of the out of home sector, particularly for those with a mixed business model. There seems to have been extremely unequal treatment of distribution systems through wholesale and distribution systems through multiple retailers, which persists to this day. There is concern about the long-term impact of this and what this will mean for food supply.

JB – the wholesale sector has been hugely affected by the uncertainty created from last minute decisions. E.g. Xmas planning – distributors and wholesalers into retail and catering. Lots of stock was ordered and bought in by wholesalers on the basis of orders from customers, but there was the November lockdown, then December tier system, with hospitality outlet restrictions, and this created a huge amount of excess stock. Stock usually consumed around Xmas period is not easy to shift. Then a national lockdown in January. So there is lots of stock in hand.

The same goes for Brexit planning. Stockpiling ahead of a potential no deal. A deal was signed, but a lot of the stock is on hand. This is, however, longer life stock, so less of an issue.

School catering - orders were made for school food in December by schools and education authorities. Orders were placed by wholesalers from their suppliers to deliver in January. In December we were told categorically that schools would be open in January, same again on Jan 4th.

Then the schools were closed on 5th January. School food products are now in the sector and can't go anywhere because they are specific to that particular customer. There is about £12 million of excess stock in the wholesale sector across these three scenarios, as well as the closure of the hospitality sector and that stock, that can't be shifted. Where possible, the excess stock is donated and given to food charities. A lot of it is fresh and a lot is large scale, so it's not necessarily what they want or can use (not retail packs).

A lot of wholesalers were supplying the school food parcels locally – the government U-turn changing guidance to say that the voucher scheme would be given priority over parcels has led to the cancellation of thousands of orders and contracts with school.

Alongside this, there has been no support for the sector. No business rates relief, no grants, no support with excess stock. It's the point in the supply chain which has been hit the most. But these businesses are staying open to supply hospitals, care homes, supplying into vulnerable rural communities, etc., but operating at a loss.

Last year, businesses could use reserves, but these have now dried up. Some took out government-backed loans, but these are running out. Without some intervention, there will be a critical failure in the sector supplying public sector food, and retail food to vulnerable communities, and creating a huge amount of excess stock that can't be repurposed.

A representative from LEAF (PM5) commented on the impacts from an on-farm perspective, with reference to availability of vets, manufacture of animal medicines and an increase in feed prices.

PM2 – re. meat supply chain. Some members had made fresh meat school products and these orders were dropped at the 11th hour. In addition, some members are reporting that orders into the NHS are lower, as hospital food is scaled back as hospitals focus on treating covid patients, meaning a slowdown of throughput of non-covid patients.

This is the forgotten sector – supply chain into hospitality. Business loans are starting to run out but have a 5-year repayment schedule. Yet some members will have gone a year without proper trade - 85% turnover. Some members had hoped that the Financial Conduct Authority judgement on business interruption insurance would help them – but the main judgement is in respect to businesses that were forced to close (pubs, hotels and restaurants), not the suppliers to them... The wording of insurance policies (e.g. business interruption due to customers unspecified... business interruption against your gross profit) is being used to deny claims and wriggle out of responsibility. Insurers admit that they don't necessarily know what the wording means but says they won't pay out on claims. There are businesses that are on their knees and may not survive. Some are remaining open out of a sense of duty to supply 20-30 local care homes, but because they don't have the economy of scale on buying, production, or logistics, they're trading at a loss on relatively small orders, and this is unsustainable.

ML asked what kind of lead-in time would be needed for these decisions to be able to adapt, or is this just not something that would be feasible?

JB – schools are a good example of where there was a huge failure of planning – open for one day and closed with one days' notice – a decision at the end of the autumn term would have been better. For hospitality shutdowns, the more notice the better, but this is more complicated. There is no problem with this, so long as there are support packages available. If lockdowns create stock problems, and a lack of customers, that's fine, so long as there is support. Hospitality outlets have had support, but the supply chain into them has had nothing beyond the general measures. The

governments, or Defra's perspective seems to be 'will there be a failure of supply if these businesses go bust'? Probably not, as there are big national operators who are part of multi-national ownership companies, who could pick up these contracts, but that's not the point. Lots of hospitality outlets are essentially zombie businesses that are being propped up by the support schemes available to them however the supply sector, which has retained its presence throughout the pandemic, has not had the same kind of support in place.

PM2 – meat products into schools they deliver Day 1 for Day 3, but wholesalers know the menu in advance, so would work out when they need to manufacture.

There is unfairness, as the Scottish and Welsh governments have given support packages, or the opportunity to make claims from central government, to the supply chain. In England, it is discretionary and lies with local authorities, but the amount of money available is very small. Many see it about protecting the high street, not the wholesalers who supply businesses.

It may come across that the supply chain into hospitality is whingeing, but at the outset of all government loans, the prerequisite was that you were a viable business in order to get those loans. There may be a second round of loans, and some businesses that were previously viable may now be classed as not viable, so may not get the loan again.

PM6 – agreed that the shutdown of some of the catering operations in the convenience sector has had an effect that some don't notice. E.g products for kids' lunchboxes may represent 1 million units a week for some products. Then suddenly there's no market as the kids are staying at home.

3. Barometer survey results

TW ran through his presentation (refer to document distributed prior to meeting). There were 87 responses to the survey which ran from end-November to mid-December.

There were responses from a range of sectors and stages of the supply chain. Many said that they were open and coping. Most seemed fairly positive and saw Brexit as more of a threat than covid. Most agreed that their business had adapted well to covid and felt confident about the future of their business.

Does anyone know who may have classified themselves as 'other' regarding business type? PM2 suggested possibly auditors.

PM1 said that these results seemed pretty representative of the customers and businesses he talks to. Many have been far more anxious about Brexit. They haven't got used to covid, but at the time of this survey, covid was a list of known knowns, rather than unknown knowns, which Brexit has brought to the fore.

RH – confidence is probably swayed towards production side rather than retail side. For 67% to say they were confident about future of their business in early December would not have been correct for retail and hospitality then, and less so now. Overall, the mood is much more sombre all round, right from shoppers and consumers to primary producers to when the survey was done.

TW agreed that some of the confidence was a reflection of the time and is quite different now.

PM3 – these results are not desperately representative of the fishing sector. Prices and volumes have been down throughout the year. There were hopes that there would be greater opportunity due to Brexit which have not materialised. This sector would currently be a lot more pessimistic than represented here.

Businesses generally felt prepared for the November lockdown and future lockdowns. The results seemed to reflect a positive mood in November with hope of improvement in 2021.

PM1 – now the mood music is much lower around covid due to the number of staff off or helping with family members that are ill or helping with schooling. People have also been affected by additional work due to Brexit, which is impacting mood. Businesses are looking forward to when their workforce is vaccinated, but they see it as a long haul out of this lockdown.

Businesses reported a decrease in sales volume and turnover, with modest increases anticipated over the next 6 months. Profit had also decreased, with a small further decrease anticipated over the next 6 months.

PM4 – Flour milling not a proxy for the whole food business, but they do supply a lot of food businesses. No volume decline seen at this level (20%) – more like 3 or 4 %. Others sectors may have seen a bigger decline. But the volume of goods is probably not down that much if you do it on the basis of a weighted average.

PM2– abattoirs, cutting plants, meat wholesalers, catering butchers. Catering butchers are the most impacted with 70 to 90% sales reductions. Processors are seeing less of a reduction in turnover, as they can reroute into wholesalers who are supplying high street butchers and farm shops. Some are reporting 40-50% reduction in sales. Some catering butchers have been very agile: one has repurposed business into a click and collect and is 10x busier than January last year. But order size is significantly lower, and profit on these orders is lower than if he was delivering to pubs, hotels and restaurants.

PM3– fishing, seen substantial declines in volume. Average across the industry is a 50% decline in volume and prices. Vessels tied up, profitability down. The fishing industry as it relies heavily on hospitality sector and exports. Doesn't foresee a vast improvement over next 6 months.

RH – does TW feel has enough respondents to categorise the responses by sub sector?

TW – small sample. The level of confidence would be higher with more responses. Will do more analysis and try to group things together more.

ML – agonised over survey – whether to send, length, etc. There may never have been a good time. We need to look at some of the relationships between questions and variables by grouping some respondents. Need to think about using weighted averages so they are not distorted by one or two cases. Need to be careful when we present the results – they're the results for this sample but may not be representative of the whole food system.

May do another round of data collection, and hope we get more interest if we drip feed some of the results of this survey in. But will we ever find a good time to run a survey? Why would businesses who are suffering the most take time to do a survey?

MW – any advice the panel can give us on conundrum re. further survey, and when, would be welcome. What's happened since this survey went out will have changed a lot of things and these results are a snapshot of that moment in time. Will need to think carefully how we use this data.

SP suggested a route in could be via sector bodies e.g. Food and Drinks sector council? Could be a route in to ask each of these bodies to encourage broader take up.

PM1 – doing another survey, and sticking to the topic of Covid, would give a strength in terms of setting a benchmark in terms of first survey, and measuring any change.

4. AOB

There was no other business.

The meeting closed.

Comments from meeting chat:

PM5: Also to add over Christmas time there are 40 % less movement so we have not even begun to feel the impact

RH: I understand the discretionary grants are getting out now and food and drink suppliers are being prioritised (at least here) but agree the amounts are paltry.

PM2: Thanks Ruth. A few of our members have been successful with discretionary grant claims. They have received £2,000, up to £50,000. However the discretionary nature of the grants tend to mean that they are not allocated fairly across businesses in England

JB: In Scotland wholesalers have had 6 figure sums via the Wholesale Resilience Fund

PM2: That's what we have heard. One of our members in Scotland, supplier to schools, NHS, Pubs etc was refused any money as he produces his own sausage, burgers and haggis. His application was rejected as the Scottish Govt. said he was a manufacturer! He is appealing

PM2: The mood is sombre and angry among many of our members

PM4: We need to bear in mind that the impact of Brexit on imports has been mitigated by UK government's deferral of regulatory impact by several months. Exports, however, are feeling the impact right now

PM1: At the beginning of December hardly anyone had heard of new covid variant and higher infection rate, which has had an impact on confidence