

Food and Drink Sector Council

## **Summary of Meeting, Tuesday 9<sup>th</sup> February 2021**

### **Co-Chairs**

#### **Joint Industry Co-Chairs**

Ian Wright - Chief Executive, Food and Drink Federation

Terry Jones - Director General, National Farmers' Union

#### **Government Co-Chairs**

David Kennedy, Director-General, Food, Farming and Biosecurity, Defra (Agenda Item 1 - Welcome and Introduction; Agenda Item 2 - Opening Remarks; Agenda Item 3 - Update from Government; Agenda Item 4 - Discussion of support for food chain SMEs)

Alison Ismail, Director – Agri-Food Chain Directorate, Defra (Agenda Item 5 - Discussion on restarting the economy and stimulating food chain investment; Agenda Item 6 - AOB and Close)

### **Ministers**

The Rt Hon Victoria Prentis MP, Parliamentary Under Secretary of State, Minister for Farming, Fisheries and Food (Agenda Item 1 - Welcome and Introduction; Agenda Item 2 - Opening Remarks; Agenda Item 3 - Update from Government)

### **Attendees**

Stefano Agostini - CEO, Nestlé UK Ltd

Judith Batchelar - Director of Sainsbury's Brand, Sainsbury's

Minette Batters - President, National Farmers' Union

James Bielby - Chief Executive, Federation of Wholesale Distributors

Andrew Clappen - Morrisons, Group Corporate Services Director

Joe Clarke - UNITE, National Officer

John Farrand - Guild of Fine Foods

Gavin Darby

Graham Hutcheon - Group Operations Director, The Edrington Group

Nicholas Saphir - Chair, Agriculture and Horticulture Development Board

Kate Nicholls - Chief Executive, UKHospitality

Andy Richardson - Head of Corporate Affairs, Volac

Cassandra Stavrou - Founder, Propercorn

Nick Whelan - Group Chief Executive, Dale Farm Ltd

## **Secretariat**

Tanya Barringer - Industry Secretariat Executive

Clare Whittaker - Defra, Agri-Food Chain Industrial Strategy

Alex Howell - Defra, Agri-Food Chain Industrial Strategy

## **Apologies**

Lord Deben - Chairman, Sancroft

Andrew Opie - Director of Food and Sustainability, British Retail Council

George Weston - George Weston – Chief Executive, Associated British Foods Plc

## **Government**

Deb Hankins - Director – Agri-Food Chain Directorate

Ananda Guha - Deputy Director, Exports and EU Exit

Gill Lashley - Deputy Director Access to Food

Tim Mordan - Deputy Director - Innovation, Productivity and Science

Jonathan Back - Lead Retailers and Industrial Strategy

Rupert Daniels - DIT and Trade and Agriculture Commission

Lynne Miles - BEIS, Deputy Director Sector Deals

## **Devolved Administrations**

Alice Biggins - Scottish Government, Head of Food and Drink Industry Growth

Brian Luke - Food Supply Security Lead, DAERA, Northern Ireland

Ian Maxwell – Sector Initiatives, Department for Economy, Northern Ireland

Colette McMaster – Director, Sustainable Agri-Food Development, DAERA, Northern Ireland

David Morris - Welsh Government

## **Welcome and Introduction from Co-Chairs**

Ian Wright opened the meeting and thanked attendees for their time.

## **Opening Remarks from Minister Prentis**

Terry Jones introduced Minister Prentice and invited her to make opening remarks.

Minister Prentice recognised the sector had been through a lot, but that it was also an exciting time as we all look to the future. The importance of having these meetings was highlighted as a way for industry and the government to work together to solve issues.

Minister Prentis extended her thanks to everyone working in the food supply chain on their response to Covid-19 and their role in reinforcing Government messages. This learning will be used in future thinking.

Minister Prentis recognised that there were challenges on exports. In particular with some specific products, such as bivalve molluscs, but highlighted that trade is currently at around 80% of usual levels, which is good considering the pandemic. Minister Prentis was keen to encourage co working between industry and government which has emerged over the last 12 months to continue. There is a desire to build back a strong food sector in a spirit of cooperation.

## **Update from Government**

Government gave an update, highlighting the excellent year of cooperation with the industry which had kept the food supply chain operating.

Reflecting on Covid-19, government wanted to highlight the successes across the sector. The sector is seen as an exemplar of good social distancing practice. Government was conscious that mass outbreaks have been an issue which has threatened food supply. Government emphasised that mass testing is the best way for employers to manage absences. It was noted that there have not been any mass outbreaks in the last weeks or months. Employers who experienced an outbreak were encouraged to get in touch so help could be offered. Vaccinations are currently being targeted at the most vulnerable groups, with current thinking on how to target vaccinations in future.

On EU exit, government recognised there were issues. Exports were generally moving. North Sea and Northern Irish ferry routes were operating at capacity. Ferry routes from the UK to the Republic of Ireland are not operating at capacity. Government noted that currently 200 export health certificates were being issued every day for exports to the EU, with no capacity constraints for vets. More customs officials would be made available. Government emphasised that very little was being turned away from the EU, and has been raising inconsistencies in the enforcement of regulations. Reciprocal checks on imports will be introduced in July looking at how we ensure that does not jeopardise the food supply into the country.

Looking to the medium term. This is an exciting time as we consider opportunities such as export growth, up-take of innovation, improving productivity and a means to create better jobs across the country. The food sector is well placed to do that with businesses in every region. Government noted that Henry Dimbleby's review on the National Food Strategy would be released this year, and this would help to frame the government's Food Strategy White Paper.

Council Members asked about support for small and medium enterprises (SMEs), noting that exports were down within the SME sector. Concern was expressed that bigger retailers were dropping products from smaller businesses in order to consolidate product ranges. Minister Prentice emphasised the need to work together at a practical level to resolve any issues, but also to look at the future opportunities.

## **Discussion of support for food chain SMEs**

Terry Jones introduced the topic. Members commented that the fundamental issue facing SMEs now is a lack of capacity.

On EU exit, the deal with the EU came late and so was hard to plan for. Rules, for example on rules of origin and VAT are now complex and require expertise SMEs do not have. SMEs do not have a presence in the EU, which makes it challenging to export viably, especially when working with lower volumes. There is a sense that the 'level playing field' is already uneven for SMEs, with disproportionate costs incurred in order to be able to export compared to larger businesses.

Covid-19 has changed customer demand and the shape of sales and the changes in mix of customer, product ranges and distribution channel. This is an issue for SMEs, who often use front of store, smaller pack size, less promoted parts of retail and spot-light sales. While some of the lost volume has been mitigated by growth in back of store grocery and online. Products there are heavily promoted, often sold too cheap, and sales can even be loss making. Home working has hampered SME employee's ability to develop and gain skills to support business growth. There are concerns about the take up of vaccines considering manufacturing businesses tend to be in areas with higher proportions of staff from ethnic minority backgrounds.

SMEs require regular access to capital in order to grow. SMEs may also be carrying higher debt, which will make it hard to innovate and take risks. Council members called for SMEs to be able to access investment, and for clarity on access to any government funding where there have been any changes to the way funding is accessed.

Andrew Clappen, Morrisons, was invited to share perspective from a larger retailer. There is demand for locally produced goods, most of which come from an SME source. Morrisons have a different buying team for dealing with SMEs, and offer improved payment terms. There is an offer of expertise to SME suppliers free of charge.

Terry Jones noted the majority of food being sold was through larger retailers, so it was important to learn how to involve SMEs in this and share best practice such as this.

Council members noted that food and drink hospitality revenues were down significantly, with businesses surviving Covid-19 emerging with high levels of debt and lower levels of business initially. There was a call for government support currently on offer to be extended, and for structured monthly support as businesses emerged from restrictions easing to be put in place.

Council members emphasised that many wholesalers are SMEs and were seeing a similar picture. It was noted that restocking in advance of a reopening would incur high costs before any sales would happen, which would cause cashflow issues. Revenues would initially be lower, while fixed costs remain the same. Members emphasised the need for sectoral support to protect businesses and jobs.

## **Discussion on restarting the economy and stimulating food chain investment**

Council members discussed how the landscape had changed in the past six months following the publication of the covid-19 recovery plan<sup>1</sup>. Members suggested short term asks and the longer-term vision are aligned to create a seamless transition, and called for single interventions that bring multiple benefits, for example on import substitution. Ringfenced R&D funding could be used to implement new legislation, which together with the National Food Strategy would be a catalyst for innovation. It was also noted that interventions should be tailored to sub-sectors and geographies.

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<sup>1</sup> <http://fdsc.org.uk/publicgeneral/fdsc-covid19-recovery-report.pdf>

Council members emphasised that there is no need to reinvent anything. The most efficient way to create an impact is to dial up the initiatives that already exist and sufficiently resource them. The scale of foreign investment in the UK's food sector was discussed. Large foreign producers contributing to the UK economy. The reason the UK is attractive is because of the raw ingredients here. Focus needs to be on ensuring that policy is right.

Council members noted the need for join up with the Devolved Administrations. Members also noted that the Council should ensure short term issues do not become systemic. Short term issues that can be resolved should also be separated from the longer-term issues with alignment. Ultimately the food supply chain has shown it can be resilient, but it must be recognised that that came at a cost.

Finally, Nicholas Saphir gave an up-date on the End of Transition workstream. This was now focusing on three areas and would report to the Council at the March meeting t. The group is reviewing potential gaps within three main areas:

- Trade – led by Andy Richardson. Considering Imports and exports.
- Competitiveness – led by Alex Waugh, Director General of UK Flour Millers. Considering a range of topics including productivity, skills and how to create value.
- Environment and Sustainability – led by Graham Hutcheon. Considering links to academia and targets.

## **AOB and Close**

Industry co chairs thanked council members for the valuable and rich conversation, particularly in highlighting the issues faced by SMEs.

Government thanked the council, noting that this has been the start of a good discussion which would be picked up in the council's forthcoming meeting in March.