May 2020

Manifesto for a resilient, adaptable and sustainable UK food system

Fast lessons from COVID-19

DYNAMIC FOOD PROCUREMENT
NATIONAL ADVISORY BOARD

1 What's the problem that COVID-19 has revealed?

Our food supply chains have become highly specialised and efficient. Unfortunately, this makes them less adaptable and resilient to challenging external events. COVID-19 is clearly a significant shock to the system, and – as we face a series of linked crises across climate, nature and health over the next few decades – is unlikely to be the last crisis of its kind. So, what lessons can be learned from the current situation about how we direct our food systems? How will these learnings inform not only how we respond to COVID-19 in the short term, but also how we plan over the medium and longer term to become more resilient and adaptable for equivalent shocks in the future?

The COVID-19 outbreak and subsequent lockdowns have exposed the fragility of the UK's food security, partly as a result of an overly consolidated funnel through which food must pass to reach the end-consumer. There are simply too few dominant distributors of food in the UK in both the retail and the catering channels. This renders the market inflexible to 'difficult-to-forecast' market dynamics. Whilst strong on specialisation ('operating highly effectively within a particular context'), it has become very clear that our food supply chain is weak on adaptability ('responding effectively to new contexts'). This is because it has developed as a linear supply chain with power at the end of the chain, and that power is largely exerted for the benefit of shareholders as opposed to the needs of producers and workers in the system, or indeed society as a whole.

Whilst stockpiling was initially focused on by the media as the root cause for empty supermarket shelves, in reality our consumption behaviour has fundamentally changed overnight. When our £90 Billion catering market closed, our £150 Billion retail grocery market had to step up to meet the change in demand. A nation that ate, on average, one meal from the catering market a day and two meals at home were suddenly consuming all three meals at home. That's a 50% increase in demand for a market that hasn't previously experienced dynamics like that in recent history. In March 2020 supermarket sales were 43% higher than in March 2019. The shift to using supermarkets has been exacerbated by recent governmental recommendations: that vulnerable people use supermarket delivery services, supermarket vouchers be issued to children that would normally receive a free school meal, and by local councils shutting street markets that were offering an essential service.

Meanwhile, small to medium sized enterprise (SME) food producers and suppliers – a lifeblood of UK GDP and an important and creative ingredient of a thriving catering industry in the UK – have been left exposed with no route to market. The barriers to entry for serving the retail grocery market for most of these SMEs are too great to overcome. The UK is at risk, therefore, of losing these SME producers and it will prove a significant challenge to bring them back. It is possible we may lose them for good and become even more reliant on the ever-larger farm operations, with the associated risks that would result, and/or become more dependent on imports.

Of course, what the UK needs in this current crisis is an accessible route to the retail market for the SMEs that have historically served the catering industry. The UK market is predominantly served by relatively few, large and dominant controllers who have evolved with a preference for long supply chains over short. This makes these controllers neither open nor suited to working with SME suppliers on a significant scale. Half a dozen supermarkets and the even fewer national catering supply distributors in the UK have typically demonstrated they are neither capable nor willing to support a fragmented regional supply chain infrastructure.

So, if SMEs can't find a route to market through the major distributors, can they find a different avenue to the retail grocery market?

A sophisticated level of capability is needed in a wide range of areas to manage such a shift. Serving the retail market requires a different approach to almost all areas of the business:

- production
- product packaging
- product labelling
- marketing to reach new customers
- managing orders from customers
- taking payment from customers
- delivering the product to the end customer.

And, through all of these changes, ensuring the profitability of the business activity is a completely different challenge too. The above issues put all but the most sophisticated of SME producers at immediate risk of closure.

A regional food supply chain infrastructure is needed – served by short, fast light supply chains from field to fork – that nurture and support growth of SME food producers. Such an infrastructure needs to be agile and flexible enough to be inclusive of a wide range of SME food producers in terms of their fulfilment capability and levels of sophistication. Nurturing a more fragmented and diverse base of supply (versus our predominating consolidated mass supply chain today) will allow food to flow in current and future times of crises, because it can flex more readily to dynamic changes in demand.

Responsiveness is improved when supply chains are at their shortest. Establishing a regional and even local food infrastructure that is capable of serving both catering and retail markets would substantially mitigate unforeseen future food channel shifts. It would also reduce the UK's over-reliance on consolidated mass distributors and retailers whose long, rigid food supply chains are so heavily reliant on imports.

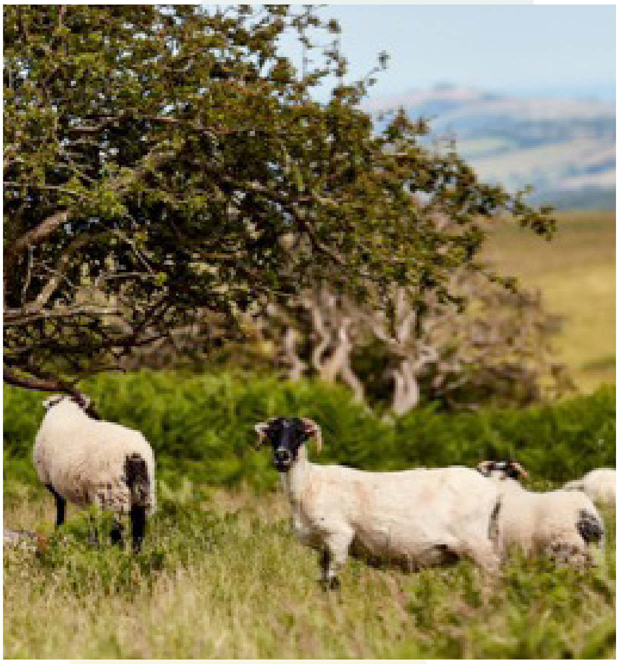
Continuing to rely heavily on importing such a large proportion of our food is not a viable strategic approach. The impact of COVID-19 has enabled us to see how cross border food importation could become problematic. And with Brexit uncertainty compounding such risks, regional food supply chains are a vital mitigation approach – one which must now be prioritised.

2 Sector Specific Impacts of COVID-19 – lessons from March/April 2020

Meat

Over the last few weeks, retailers have found themselves short on products as a result of consumer buying patterns, and the large meat companies have struggled to meet the demand. Meanwhile, meat businesses supplying the foodservice industry have been left with surplus stocks as their customer base has disappeared overnight. With no links between the retail and foodservice sector there has been no clear route for businesses to communicate stock availability to each other. Abattoirs are struggling to adjust as demand and staff shortages increase.

Local butchers and farm shops have tried to adapt to offer home delivery services but are struggling to meet the demand as they do not have the systems or resources in place. It is also difficult to run individual delivery services profitably. 'Last mile' delivery needs scale to mitigate the loss-making risk. There is an imbalance in carcass use as the hospitality industry buys most of the premium cuts.



Fish

Over the last few weeks the price of fish has fallen, in some cases by as much as 80%. The loss of the food service market has had a big effect around the UK, but particularly in Scotland, and it has disproportionately affected the small-scale fleet. The reduction in the export market for fish – especially shellfish – has also had a huge impact on the UK processing sector.

Fish markets are remaining open, but vessels have been requested to carry out shorter trips and stagger their landings. Some of the smaller vessels have started to tie up whilst other vessels have started to land direct to buyers rather than through the markets. In terms of consumption, we must review how fish fits into our diet; we cannot continue to 'import the fish we eat and export the fish we catch'.

Dairy

Dairy markets are almost completely controlled by the end-buyer and the recent disruption has left suppliers to supermarkets struggling to meet demand. Suppliers to the food service industry have slashed ex-farm price, and the spot market has crashed. Cows cannot stop milking daily (unless killed) so we could be heading into a flush of supply that will result in increasing challenges. Dairy SMEs' main routes to market are foodservice and the independent sector. Most of these SMEs will furlough. How many come out the other side of this crisis is the big question.

Horticulture

The horticulture sector is the one most closely aligned to big retail market needs and also contains some of the best examples of new and better regional trading operations (such as Growing Communities). They are experiencing an increased demand in some areas e.g. retail and box schemes, and a loss of markets in other areas e.g. to caterers. Some level of dynamic moving of produce is taking place and very much needed. Alongside having to shift highly perishable produce, the sector is also struggling with the issue of seasonal migrant worker availability which requires a worker recruitment hub/coordination. The sector needs an urgent mechanism (coordination and funds) to support development of more local and regional supply chains, to avoid growers going under and to avert waste that may occur if produce is left unharvested or in storage.

The farmers who supply supermarkets have reported that they could double their sales at the moment if they had the produce. So far, most farmers have not raised their prices (as many businesses might do in times of high demand and low supply). Many farmers have looked to diversify, but reason that, if everything returns to normal post-crisis, they may end up with an unwanted crop. Potato growers who usually supply chip shops have switched to bulk bags for consumers. There is a massively increased online demand for fresh produce. Reports from online retailers state that web traffic has increased by as much as 10-fold.

Arable

Flour producers are catching up, with the hope that consumers who have started to bake at home will continue this activity after they go back to work.

Most arable farmers are continuing as normal during lockdown and planting spring crops on land that was too wet to plant in the autumn. Yields are expected to be down as a result, although prices may rise due to certain factors:

1. Eastern European countries banning exports in order to facilitate their own food security
2. Middle Eastern countries buying more grain than usual to ensure their food security
3. Indications of a possible drought in Eastern Europe
4. Global attitude to grain storage changing: from only having three weeks' worth of consumption in stock, to a much higher percentage. This could increase grain prices in the short term but provide more stability in the future.

3 Insights

General

1) A regional food supply chain infrastructure needs to be established for the UK as an immediate priority to mitigate against future crises. In the first instance, it would be prudent to serve the most vulnerable in society via catering in the public sectors of schools, hospitals, care homes, prisons and the military. This £2 Billion market would enable scale to be established for SME food producers in the short term. Then, once this infrastructure is established, SMEs would have a foundation from which they could bridge to other channels such as the private catering market and the retail store and online home delivery market.

2) If the agri-food sector is crippled by COVID-19, the delivery of sustainability and climate and biodiversity crisis mitigation strategies and goals could be impaired, resulting in local economies becoming fractured.

Sector-Specific

Fish

In the short term, there is a need to replace food service as an outlet for fish suppliers. Suppliers need to be enabled to sell fish direct to the consumer to cook at home. Retail would be the most obvious outlet as this is where the consumer generally buys the majority of their fish, though some supermarkets have closed their wet fish stands which has not helped. It would be helpful to package fish in an easy-to-cook format, making it more accessible to consumers and providing an excellent source of protein as an alternative to meat. It's also important to prioritise sustainably caught fish, because socially resilient supply chains can only be supported by resilient ecosystems.

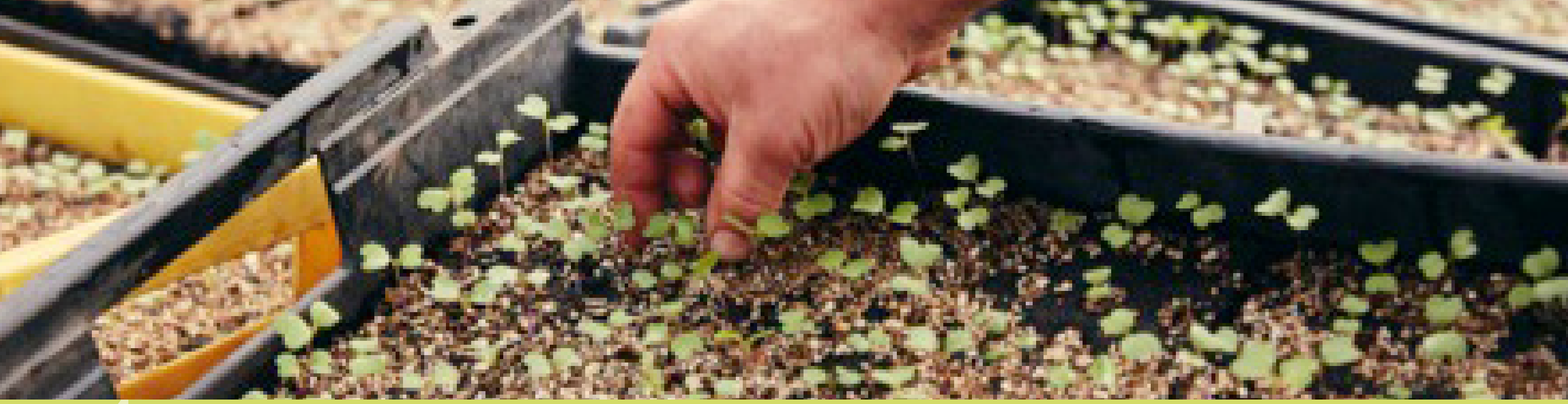
Meat

Consumers have quickly become aware of the importance of their local food shops/butchers. These businesses have adapted quickly and started to offer home deliveries. The COVID-19 crisis could be a lifeline to a number of small food retailers but they will need to source more produce and invest in resources to sustain the service and meet demand. How and where do local shops find new suppliers, with so many local abattoirs that have closed in recent years?

Those who were focused on supplying into the foodservice sector have found the transition to retail more challenging. There is no simple route of communication to domestic customers, and these retail buyers are also overwhelmed by their own day-to-day issues.

Horticulture

Some local producers/outlets are looking to quickly set up online shops as well as 'local delivery ONLY' technology that allows local customers to order. This means a viable local delivery run can be set up where the van also collects produce grown by local people for the local delivery service. Broader adoption of this could encourage people (and especially schools) to grow, cook, and trade food. Having the opportunity to partake in this collaborative system would be a win-win, as it forms part of the solution whilst engendering a sense of pride in how growers can actively contribute to and benefit their local community.



4 Moving towards solutions

Short term (next 3 months)

General

The purpose of the Dynamic Food Procurement National Advisory Board is to encourage and facilitate the implementation of a national public sector food procurement system which ensures that SME producers and suppliers can access the substantial public sector market; at the same time ensuring that end users and consumers have access to sustainable food delivered through a short supply chain, thus increasing food resilience and food security in the UK.

Using the already proven approach to dynamic food procurement being considered for the CCS 'Future Food Framework', it is possible to implement a 'Future Food Framework-Lite' accessible by the non-public sector (e.g. vulnerable members of the public or key workers). This would include direct award via CCS's Spark Technology DPS for the technical solution, and direct award via a relevant logistics DPS for the logistics element. Alternatively (for the logistics element for fulfilment collections from producers), it would be possible to use human resource and/or vehicles already under government control, such as the military. Instead of offering countless varieties of fresh food to order, there is the opportunity to offer a smaller choice. For example, nutritious and sustainable seasonal fruit and vegetables, meats, bread, fish and essential store cupboard items or even a fixed meat box, veg/fruit box or fish box. Recipes linked to the content within the box could also be provided.

By making the 'Framework-Lite' time limited, it would give ample time for the market to recover whilst giving a boost to the most sustainable SME food producers in the UK.

Medium term (3 months - 2 years)

General

Expedite the government's 'Future Food Framework' which is being led by Crown Commercial Service (CCS). CCS released a Prior Information Notice early in 2020 announcing the intended launch of this 'Future Food Framework'. This mechanism is widely supported by SME producers. It can enable increased food security and agility to respond to future food crises in every region of the UK through public sector procurement.

The framework was announced to address government policy in the following areas:

- improving food security
- improving transparency of provenance and accountability within food supply chains
- improving performance on energy, waste, and social and environmental factors of food production
- reducing the diet-related disease burden
- boosting regional economies in every region of the UK
- improving value and reducing cost for public purse.

It is based on a previously proven solution, employed by a Local Authority, that enabled more sustainable food to be procured, fulfilled, consolidated and delivered to schools from SMEs in the region.

Meat

Utilise the 'Future Food Framework' to bring SME producers on board and open up markets to them. Ensure sufficiency of abattoirs in every region of the UK.

Fish

Support the development of the domestic market for sustainably-caught seafood, reducing the quantity of seafood imported into the UK and increasing the quantity of UK-landed seafood into the UK domestic market. Such market development to include increased customer (and potential customer) awareness and access to the product. Fish and seafood could be procured via the 'Future Food Framework' into the public sector from SME fish processors in each coastal region of the UK.

Dairy

Potentially include dairy as a lead category in the roll out of the 'Future Food Framework' to the public sector. Simultaneously, set up a representative board including DEFRA and retailers to facilitate collaboration and co-operation between those who have products and those who need it.

Horticulture

Use the 'Future Food Framework' to bring SME producers on board and open up markets to them. Foster co-ordination and collaboration between the industry bodies, bringing together support, training and guidance with a focus on routes to accessing alternative markets for SMEs.

Longer term (2 years plus)

General

A regional infrastructure of processing support to enable SMEs to successfully process their produce for consumption in direct sale, retail and catering markets (e.g. milling, storage, part and full processing, abattoirs, cutting rooms, and marketing hubs).

Across all categories and across all sectors of producer and consumer: education and communication about the importance of short, agile supply chains, linked to food resilience, accessibility, climate change impact, and sustainability.

5 Key Manifesto Recommendations

1. Expedite Crown Commercial Service's 'Future Food Framework' to launch an already proven Dynamic Food Procurement approach for schools, hospitals, care homes, prisons and the armed services across the UK.

2. Enable each sector (horticulture, fisheries, arable, dairy, meat) to plan ahead their production, via procurement rounds taking place 12-18 months in advance of the required supply window.

3. Leverage the £2 Billion annual public sector food spend to drive the adoption of the balanced scorecard for public sector food procurement by qualifying producers to the framework. In so doing, create a shift to more sustainable production methodologies over time.

4. Establish robust infrastructure for shorter food supply chains and the adoption of more diverse regional produce by ensuring producer-accessible processing resources such as milling, storage, part and full processing, abattoirs, cutting rooms, fish filleting and packaging processors, fruit and veg washing, grading and preparation processors and marketing hubs in every region of the UK.

5. Engage all food and drink producers in the UK to the above approaches via a constant pulse of communication on the benefits of supplying qualifying sustainable produce. Quantify the demand that exists from each sector in each region.

The Dynamic Food Procurement National Advisory Board
is made up of procurement practitioners, policy makers and food producers.

Aims of the Board

- To facilitate UK-wide, SME-inclusive, dynamic procurement, fulfilment and delivery capabilities for public sector food buyers.
- To divert >33% of UK public sector food and drink spend to fresh, local produce from sustainable SME producers by 2023.

Find out more about what we do and who we are:
www.dynamicfood.org

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