Food Supply Chains: Discussion at the Cross Party Group in the Scottish Parliament on Rural Policy

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Introduction
As a result of the ongoing ‘horsemeat scandal’, the food supply chain has frequently been in the news in recent weeks, particularly in relation to concerns about transparency, food labeling, food safety and the sheer complexity of the global links across the chain. Other issues have also featured in the press recently, including the milk price cuts of summer 2012 and the associated impacts on producers, which raised questions about the distribution of power between different actors in the supply chain.

This policy briefing discusses the key points arising from a meeting of the Cross Party Group in the Scottish Parliament on Rural Policy on 5th February 2013 titled ‘Rebalancing the food supply chain’. There were three invited speakers at the meeting, followed by a period of time for discussion with the broad range of stakeholders present. The briefing highlights the main issues discussed and then notes some key messages for research and policy.

The food supply chain: characteristics and concerns

- **Lack of consumer understanding and awareness:** The public is not well informed about many of the key issues relating to the food supply chain, not least ‘where food comes from’. Popular programmes (such as Countryfile) may be helping to improve consumer understanding, but there is still work to be done.
- **Challenges faced by food producers:** Producers have faced a number of challenges recently, not least those relating to rising input costs, price volatility, and the poor weather in 2012 which further raised costs and depressed output levels. These challenges have negative effects further down the supply chain, in terms of prices and costs.
- **Challenges faced by food processors:** In Scotland, there are approximately 12,500 holdings with sheep and 15,000 with cattle, compared to only 18 prime stock auctions (plus seasonal auctions) and 26 abattoirs. This fragmented delivery from producers into a more concentrated processing part of the supply chain can result in tensions. The last 12 months have been difficult for processors too, with rising costs but low, seasonally-variable throughput volumes (particularly if they are processing locally-sourced produce) and tight margins, and a pressure to maintain low prices for consumers.
- **Levels of exporting:** The Scottish red meat industry is largely an exporting business (i.e. produce is largely sold outside Scotland) and the sizeable flow of livestock south of the border results in reduced levy funds available for marketing and promotion.
- **Retailers’ activities:** UK retailers have many different schemes for labeling ‘premium’ products, ‘green’ or ‘animal welfare friendly’ products, or for products sourced from Scottish or British suppliers. While these schemes improve traceability and increase the information given to consumers, they often result in a plethora of different inspections and procedures with which producers must comply. Consumers benefit from promotional activity by retailers (e.g. 2-for-1 offers) – particularly welcome in difficult economic times when household food security across Europe has been worsening - but these schemes are often not designed and implemented in collaboration with producers, resulting in demands on contracted suppliers to raise supply to match promotional activity when it is not possible to do so (e.g. due to seasonality). Small retailers are competing with large supermarkets, although it has been reported that high street butchers, for example, may be benefiting from the ongoing ‘horsemeat scandal’ as consumers seek to buy locally.

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1 This briefing has been compiled by Jane Atterton and Siân Ringrose, Policy Researchers, Rural Policy Centre, SRUC. The Rural Policy Centre provides the Secretariat for the Cross Party Group in the Scottish Parliament on Rural Policy.
2 Wendy Fleming (NFUS Food Chain Relationships Manager), Stuart Ashworth (Head of Economics Services, Quality Meat Scotland) and Eric Calderwood (Institute for Retail Studies, University of Stirling and the Cooperative Group). The speakers’ presentations and the agenda and minutes of the meeting are all available online.
• The changing UK retail environment: The UK high street has seen changes in recent months with many shops, including several large, well known names, being forced to close, particularly as consumers turn to non-shop alternatives, such as home deliveries and online shopping. In remote rural areas, local retailers are important but can often offer only limited choice with higher prices. The survival of these small shops often depends on the loyalty of local shoppers, the commitment of owners (communities as well as individuals) and collaborative working with other retailers to ensure an adequate supply of products. The new supermarket adjudicator represents an opportunity to ensure greater transparency amongst actors in the supply chain.

• Fairness: Much of discussion about the shape and distribution of power in ‘long’ supply chains is about the need for a ‘fair deal’ for producers, processors or consumers faced with the power of the large retailers. But how can ‘fair’ be defined? It is a subjective term and can mean very different things to different people.

• Food security and wastage: Security of food supply is perhaps becoming an even more important concern, given current global political, demographic and climate change and weather challenges. With greater concerns over food supply has come increased scrutiny of the level of wasted food across all actors in the supply chain. There are opportunities to use existing food supplies more efficiently and less wastefully.

Key messages for research and policy
• The need to raise consumer awareness and understanding about where food comes from and its value and quality. Messages regarding the implications of high levels of food wastage and a continued preference for cheap food need to be strong and clear to inform consumer behaviour.

• There is a need to consider the necessity for strict grading requirements and the levels of rejected items in the processing of various products. These constrain the price received by the producer and add to the levels of wastage seen in some food processing plants.

• Further research work is required on the links between price and the ‘sustainable attributes’ of food products. Are consumers prepared to pay higher prices for food from a supply chain which is transparent, sustainable and supports local (i.e. Scottish or British) producers, rural communities and a high quality environment? Support for international ‘fair trade’ schemes tends to be relatively high amongst UK consumers, but would they support ‘fair trade’ for Scottish/UK producers, even though this might result in higher prices? Are consumers willing to support small, local shops even though the choice may be more limited and the price higher than if they were to purchase goods online or use the home delivery schemes run by large retailers?3

• Cooperatives and collaborative groups (e.g. machinery rings) may have a role to play in changing the balance of power, by increasing the bargaining power of producers for example. There is the potential for SRDP funding to be used to boost cooperative and collaborative working in future.

• The importance of taking an holistic approach to tackling challenges in the food supply chain and getting all actors around the discussion table. For example, a range of wider policy issues have affected local retailing, including the restructuring of the post office and the changes to the liquor licensing regime, which have resulted in changed partnership arrangements and higher costs for small local shops, respectively.

• The need for a better understanding amongst farmers of processor and abattoir requirements, and the need for greater consistency and transparency in the latter – albeit there are challenges to achieving this, such as the number of different breeds in the Scottish sheep sector.

• Ongoing research on the impacts of different schemes, such as the voluntary code of practice for the dairy sector, to ensure learning about best practice approaches to inform future policies and strategies.

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3 The Rural Policy Centre has published a number of briefings on food issues which can be found in our Food Matters publications.