FDF response to Scottish Government price caps consultation

Question 1
Do you agree or disagree that improving the affordability of essential food items, particularly for low-income households, should be a policy priority for the Scottish Government?

☐ Agree

☐ Disagree

☒ Unsure

Question 2
Do you agree or disagree that government intervention is required to improve the affordability of essential food items?

☐ Agree

☒ Disagree

☐ Unsure

Question 3
Do you agree or disagree with the proposal to introduce price caps on selected essential food items?

☐ Agree

☒ Disagree

☐ Unsure

Question 4
Please explain your answers to Questions 1 to 3, including any alternative approaches or steps that should be taken to improve food affordability.

FDF Scotland recognises the serious affordability pressures facing households and supports targeted action to help those most in need. However, we do not agree that direct government intervention in food prices is required or appropriate. Government action should instead focus on targeted household support and reducing the underlying costs of producing and supplying food.

Price caps do not address the root cause of food inflation: the rising cost of producing and supplying food. In a highly competitive market, persistent inflation usually reflects cost pressures. Businesses generally raise prices as a last resort because doing so risks losing customers and market share.

Price caps would not address the costs driving food inflation

The UK has more than 12,000 food and drink manufacturers, including c1,200 in Scotland, alongside one of Europe's most competitive grocery sectors. Rather than a lack of competition, the evidence points to substantial increases in production and supply costs since 2020, as well as significant regulatory burdens, as the principal drivers of recent food price rises.

The current state of the industry is challenging. While the sector has demonstrated remarkable resilience

through the shocks of the previous years, that resilience is now being tested, with signs of strain becoming increasingly evident. Most leading indicators point to a deteriorating economic outlook, with declining employment, subdued business sentiment, falling exports, and weak sales and investment. At the same time, businesses continue to face a significant and growing regulatory burden, further constraining confidence and investment. High electricity prices in the UK are also eroding the sector's competitiveness in both domestic and global markets.

The unprecedented supply shocks of 2020–2023 drove up input costs across the board, from energy and commodities to labour, packaging and logistics, while severe supply chain disruption added further pressure. As energy and commodity prices began to stabilise, businesses faced a new layer of structural costs from regulation, particularly Extended Producer Responsibility packaging fees and changes to employer National Insurance Contributions.

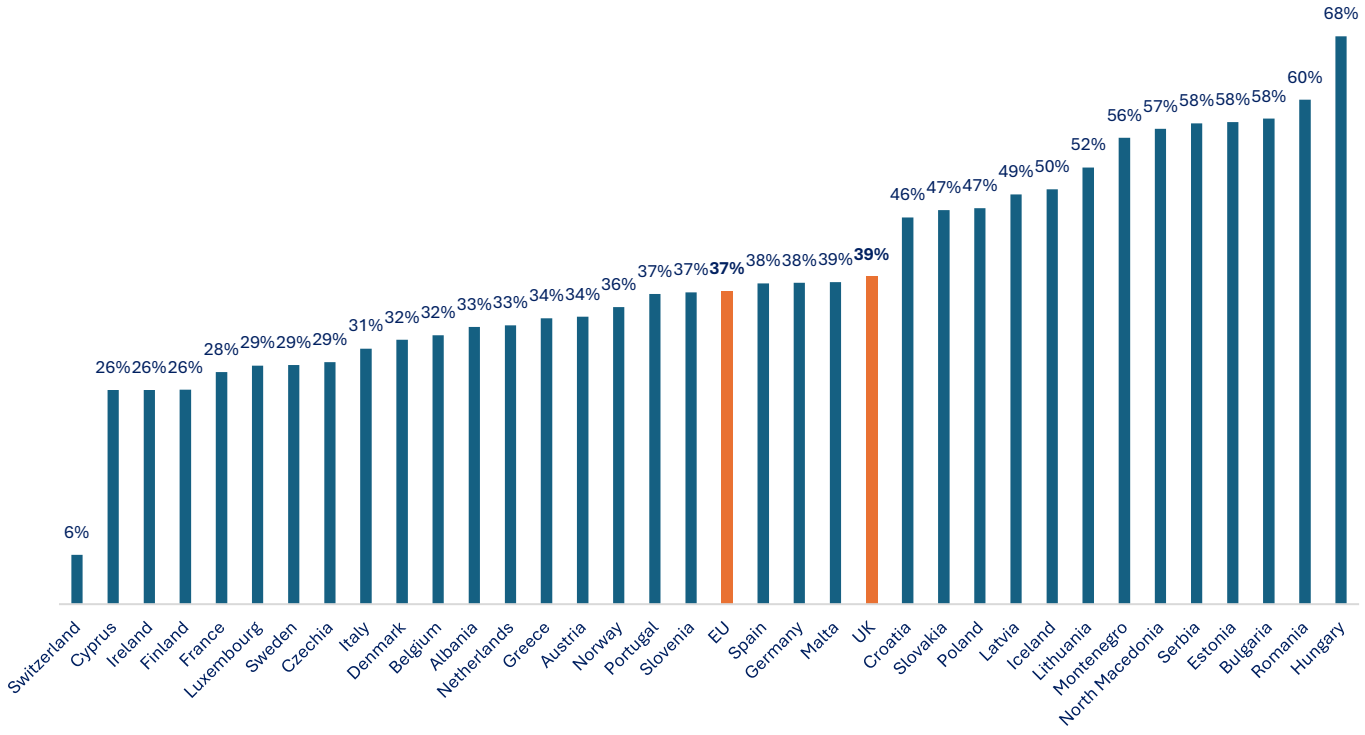
At the same time, the industry was also hit by a demand shock driven by the cost-of-living crisis and there has been an active price war playing out between retailers for the last two years. This means manufacturers' margins have remained under sustained pressure. However, the outlook for 2026 had finally started to improve. Sentiment strengthened in the final quarter of 2025, and sales volumes showed modest signs of recovery.

The cost of price caps would have to be absorbed elsewhere

Against this backdrop, the conflict in Iran unleashed the worst energy crisis in history, according to the International Energy Agency. Not only is the size of the crisis unprecedented, but so too is the context in which it is unfolding. This is the fourth structural shock to hit the industry in less than a decade, following Brexit, the pandemic and the war in Ukraine.

More importantly, as these were global shocks, producers all over the globe had to contend with significant cost pressures. Chart 1 shows the change in food prices faced by households between January 2020 and August 2026 in different European countries. With the exception of Switzerland, all countries experienced food inflation well into double-digits, ranging between 26% and 68%. The UK increase sits at 39%, in line with the average of 40%, or the overall EU rise of 37%. However, it's significantly higher than rises in Ireland (26%), France (28%) or Italy (31%).

Chart 1 - Change in food and non-alcoholic drink prices between January 2020 and August 2026, by country



Source: Eurostat and ONS.

Part of the explanation lies in energy costs, which are substantially higher in the UK than in many peer countries. Electricity prices for most UK producers - excluding the smallest businesses - are roughly double the European average, around three times prices in France, and twice prices in Spain (Chart 2). This matters because food and drink manufacturing is energy-intensive: energy accounts for around 8% of total production costs. In 2022 and 2023, gas and electricity markets came under exceptional pressure and were highly volatile, with prices rising by an average factor of three.

Higher energy costs therefore increase production costs directly, but they also weaken the case for investing in new capacity or expanding existing facilities in the UK. This risks undermining the sector's competitiveness and its ability to grow.

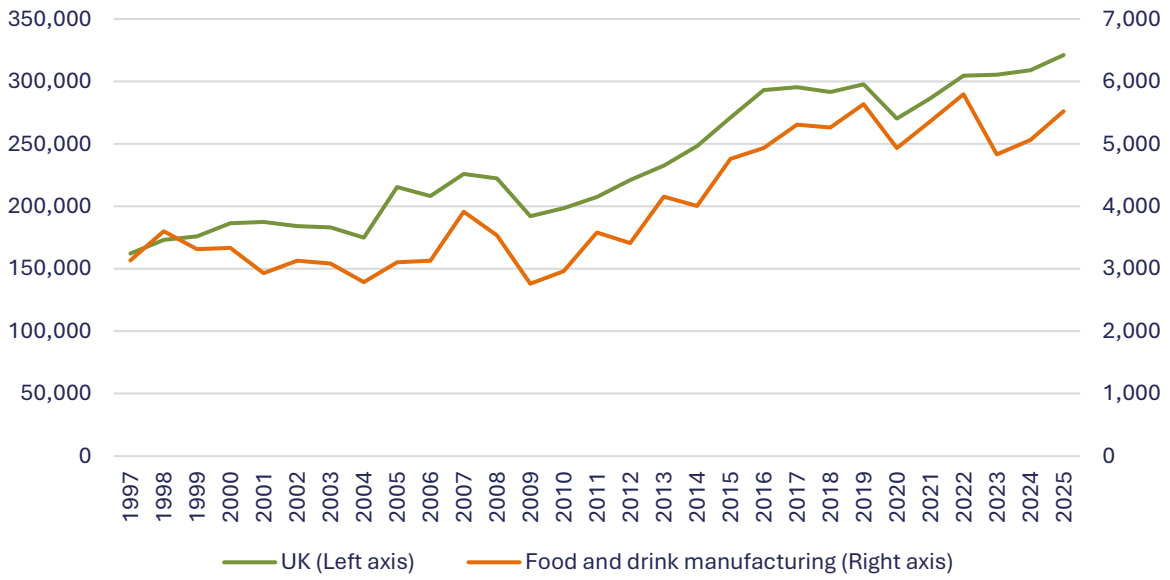
Business investment in the food and drink manufacturing industry is also under pressure. Investment in the UK as a whole was broadly stagnant between 2016 and 2019 (Chart 3), before falling in 2020 and following an upward trajectory since then. In contrast, investment in the food and drink manufacturing industry, rose between 2016 and 2019, but then fell in both 2020 and 2023. However, by the end of 2025, investment in the industry remained 2% lower than in 2019, while investment across the UK as a whole was 8% higher.

Chart 2 – Electricity prices by country

	Small businesses		Medium businesses		Large businesses		Very large businesses	
	Price	How much more expensive UK is	Price	How much more expensive UK is	Price	How much more expensive UK is	Price	How much more expensive UK is
Finland	8.0	263%	5.9	340%	4.4	450%	4.0	452%
Sweden	9.7	201%	7.2	257%	6.0	309%	6.1	263%
France	17.9	63%	10.7	141%	7.9	208%	6.6	236%
Malta	12.9	125%	10.1	157%	9.0	172%	8.3	166%
Portugal	14.7	98%	10.5	147%	9.1	169%	8.4	163%
Spain	14.4	102%	10.5	147%	9.4	159%	8.5	160%
Lithuania	16.2	79%	11.6	123%	10.3	137%	8.6	155%
Latvia	14.1	106%	9.8	163%	8.7	178%	9.0	144%
Bulgaria	12.4	134%	11.0	135%	10.8	126%	9.4	134%
Belgium	19.1	52%	13.8	87%	11.4	114%	9.8	124%
Cyprus	21.4	36%	19.9	30%	19.4	25%	10.2	117%
Denmark	11.8	146%	10.7	142%	10.1	140%	10.3	114%
Estonia	13.2	120%	11.1	132%	9.8	148%	10.4	112%
Slovenia	13.6	113%	12.3	110%	11.3	116%	10.7	106%
Netherlands	22.1	32%	15.8	64%	11.0	120%	11.0	100%
Austria	19.9	46%	15.4	67%	13.8	77%	12.0	84%
Greece	19.7	48%	14.6	76%	13.2	84%	12.1	83%
Italy	21.3	37%	17.0	52%	14.1	72%	12.3	79%
Poland	22.6	29%	14.8	75%	13.9	75%	12.3	79%
Germany	22.5	29%	16.5	57%	13.6	79%	12.4	79%
Romania	16.9	72%	14.3	80%	13.6	79%	12.4	78%
Slovakia	19.6	49%	15.5	67%	14.8	64%	13.0	69%
Hungary	20.6	41%	16.1	61%	14.4	69%	13.5	63%
Czechia	19.5	49%	14.1	83%	14.1	72%	15.4	43%
Ireland	25.7	13%	19.5	33%	17.7	37%	15.7	40%
Luxembourg	19.3	51%	12.5	107%	9.9	147%		
Croatia	15.9	83%	12.5	107%	11.3	115%		
UK	**29.1**		**25.8**		**24.3**		**22.1**	
Average	**17.6**		**13.6**		**12.1**		**11.0**	
How much more expensive UK is relative to the average	**65%**		**91%**		**102%**		**102%**	

Source: DESNZ.

Chart 3 – Business Investment in the UK and in the food and drink manufacturing



Source: ONS.

Against this backdrop of years where manufacturers have absorbed cost rises and operated with increasingly strained resources, fresh cost rises are hitting the industry. The war in Iran, drought conditions across the UK and Europe, and a strong El Niño are adding significantly to input costs. Since February, gas prices have risen by 178%, diesel by 41%, petrol by 32%, and plastic packaging by 15%. Adverse weather has also affected yields for several key agricultural commodities in the UK. On the global markets, many agricultural commodities have seen double-digit rises compared to last year. The UN Food and Agricultural Organisation reports that food commodities were 5.8% more expensive in September compared to a year ago, with cereals 17%, vegetable oil 18%, and sugar 15% more expensive.

These developments feed directly into production, packaging, transport and ingredient costs. With manufacturers already absorbing higher regulatory and labour costs, these developments strengthen the case for policies that address the underlying drivers of food inflation rather than intervene in the prices at which businesses can sell.

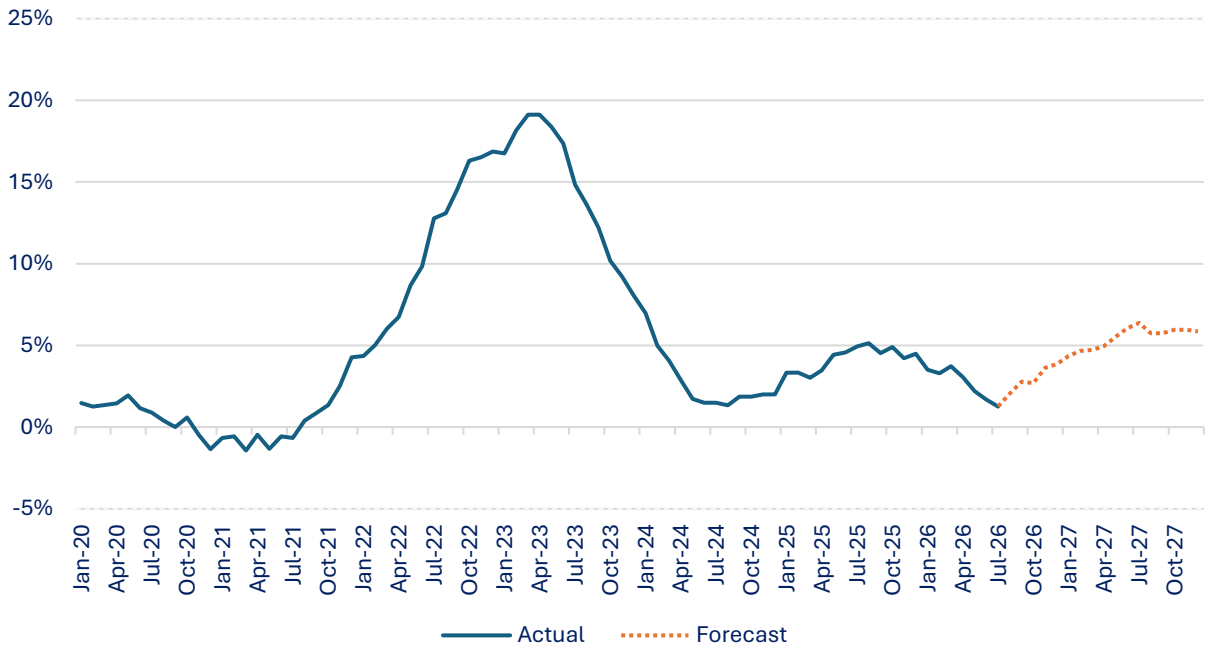
In addition, the fiscal and regulatory burden on the UK food and drink manufacturing industry is heavy. The CBI report on business costs estimates that the industry contributed £8.81bn in taxes in 2025, an increase of 10.4% compared to 2024. When the additional costs associated with Extended Producer Responsibility (EPR) are included, the combined burden of taxes and EPR exceeded £9.9bn in 2025, equivalent to 23.8% of the sector's GVA.

For 2026 and 2027, added regulatory pressures will come from the new EU-UK Sanitary and Phytosanitary (SPS) Agreement, the Employment Rights Act, changes to packaging policy and the implementation of the High Fat, Salt, Sugar regulation across the UK, including advertising and promotional restrictions. These measures will add to an already substantial regulatory burden on a sector characterised by tight margins, high capital intensity and long investment planning horizons.

Frequent changes to the regulatory framework further undermine business confidence: firms need stable, long-term rules to plan and invest, yet repeated shifts in policy direction impose additional costs and operational disruption. The realignment with EU law, for example, comes five years after the UK diverged with more than 400 pieces of legislation that now differ from EU rules. Similarly, the proposed changes to the Nutrient Profiling Model would alter rules that only came into force in January 2026 (and in some cases October 2026 in Scotland), effectively moving the goalposts, damaging investment and innovation.

FDF predicts that these substantial cost pressures will be soon reflected in the price of food on supermarket shelves, as the rises are considerable and would be highly challenging for food producers to absorb. (Chart 4). Specifically, we think food inflation will reach 3.9% by December. For 2027, we forecast food and non-alcoholic drink inflation to reach 5.5%, peaking at 6.4% in July 2027.

Chart 4 – Food and non-alcoholic drink inflation, actual and forecast



Source: ONS and FDF calculations.

Against this backdrop, price caps would be counterproductive. They would not lower the cost of energy, labour, packaging, logistics or regulation; instead, they would distort price signals and place further pressure on margins that are already under sustained strain. Unless government funds the difference, there is a material risk that costs will be shifted to suppliers, other products and future investment. This could undermine domestic production, supply-chain resilience and food security.

Claims of opportunistic behaviour by the industry have been made in the past. However, the Competition and Markets Authority's 2023 investigation found that, across most of the product categories it examined, weak or ineffective competition did not appear to have contributed to food price inflation. The CMA found that manufacturers' input costs had risen substantially, primarily as a result of higher energy prices following Russia's invasion of Ukraine, alongside other factors including labour shortages, wage growth, and weather-related disruption.

The CMA's findings on profitability varied between own-label and branded manufacturers. Own-label margins were generally low and had fallen for most suppliers since 2021, while around three-quarters of branded manufacturers that provided comparable data increased unit profitability for some products, although many saw lower volumes, market share, and overall profits, and little evidence that aggregate profitability has increased. These findings indicate that many manufacturers absorbed a share of higher input costs, although the extent of this varied across product categories and between own-label and branded suppliers.

At product level, a March 2026 study by Oxford Economics commissioned by IGD (Institute of Grocery Distribution) examined nine everyday food products, such as milk and bread[1]. It found that together, these

[1] The nine products included in the study were: milk, carrots, apples, chicken, pork sausages, bread, eggs, potatoes and beef.

nine products cost £20.24, and the total profit generated for the entire supply chain, that is farmers, manufacturers, and supermarkets, came to just £0.29, or a profit margin of only 1.5%.

Alternative approaches to improving food affordability

Ministers should instead prioritise targeted support for low-income households and work with the entire food supply chain to reduce input costs, support productivity and investment, sequence regulation sensibly and strengthen long-term food security.

We welcome the Scottish Government's announcement to expand breakfast club provision and help schools, councils and third sector partners prepare for the introduction of universal breakfast club services by August 2027.

With breakfast clubs widely recognised as a practical intervention to support children's wellbeing and readiness to learn, their expansion is a good example of the targeted interventions that can support households without distorting food prices or placing additional costs on the food supply chain. Food and drink companies are already supporting breakfast club provision through funding, food donations and partnerships with schools, charities and governments, demonstrating the potential to build on this collaboration.

The Big Scottish Breakfast provides a practical example of this approach. For the fourth consecutive year, Kellogg's has partnered with the STV Children's Appeal, encouraging schools, workplaces, families and communities across Scotland to host breakfast events and fundraise. Kellogg's matches every £1 raised, up to £50,000. More than £100,000 raised through last year's campaign was distributed to school breakfast clubs across Scotland at the start of this year, providing vital funding to support breakfast provision. Supported by TV, media, in-store and digital activity, the campaign demonstrates how cross-sector partnerships can mobilise communities and generate meaningful funding to support children and families. This year, Kellogg's surveyed 2,000 parents of primary school children to understand how breakfast clubs impact their lives. The research found that nearly half of parents would struggle to get to work on time without breakfast clubs, while one-third said they would have to reduce their working hours or flexibility.

Other more targeted approaches could include strengthening existing support for low-income households, improving access to affordable school and community food provision, supporting effective food redistribution, including consideration of reinstating funding similar to the Scottish Government's previous support for FareShare's Surplus with Purpose scheme, and working with industry to reduce the costs of energy, regulation, investment and production. These measures would target the causes and consequences of food insecurity more directly, without creating the supply-chain distortions associated with statutory price controls.

This approach is also supported by organisations working directly with people experiencing food insecurity. Trussell has warned that price caps could have unintended consequences, including shortages and price increases elsewhere, and has urged the Scottish Government to focus instead on measures that support households and put more cash into people's pockets.[2]

[2] https://news.stv.tv/scotland/would-capping-food-prices-help-struggling-families-and-businesses

Question 5
What do you consider to be the main benefits of food price caps? Please provide evidence where possible.

FDF Scotland recognises that food price caps may reduce the shelf price of selected products in the short term, offering some immediate relief to consumers, including lower-income households. However, these benefits would be limited and temporary, and would hold only if other prices did not rise at the same time. International experience suggests that any gains are likely to be narrow, short-lived and offset by distortions elsewhere in the food supply chain. As a result, price caps would not deliver a meaningful or sustainable improvement in food affordability.

Price controls are typically used during periods of high inflation, war or supply disruption. Where caps bind, they can generate unintended consequences, including shortages, reduced availability, and parallel markets.

Hungary introduced price caps on selected staples in February 2022, initially covering six products and later expanded to eight, including sugar, flour, sunflower oil, pork, chicken breast, milk, eggs and potatoes. Prices were frozen at October 2021 levels and retailers were required to maintain stock levels. The scheme ended in August 2023, after which Hungary moved towards mandatory discounts and retailer margin caps.

The Hungarian Central Bank concluded that the price caps did not help contain food inflation[3]. It found that retailers compensated for losses on capped products by raising prices elsewhere, while the caps distorted demand, competition and purchasing patterns across the food industry. The International Monetary Fund (IMF) reached a similar conclusion, finding that the caps were ineffective in slowing food inflation. There were also reports of intermittent shortages, quantity limits and wholesalers seeking to buy capped products from supermarkets.

Croatia introduced caps on selected staple foods in September 2022 and subsequently expanded the scheme. The European Commission found that the caps appeared to slow inflation temporarily in affected categories in 2022 and 2023, but that price increases in capped categories had converged with other categories from 2024. Croatian food inflation also remained above EU and euro-area levels for much of the period. Major retail boycotts in 2025, despite the continued operation of price controls, further indicate that the policy did not resolve concerns about food affordability. The Organisation for Economic Co-operation and Development (OECD) has recommended that Croatia phase out the cap as part of its journey towards membership.

[3] Specifically, the analysis by the Hungarian Central Bank found that food inflation in Hungary was not lower as a result of price caps, rather impacts were in line with theoretical effects. Specifically, it found that:

- **"***Price caps were of no help in containing food inflation. Price freezes had a market distorting impact instead while in force, and the gap between domestic and regional food inflation widened*."
- "*Companies were quick to compensate for the loss on food products with a fixed price by raising the prices of other products. The aggregate margin (net turnover relative to the cost of goods sold) of the retail trade sector calculated at sectoral level for all goods remained unchanged from 2021 to 2022*."
- *"Moreover, price caps had a knock-on effect in the entire food industry through the distortion of market demand and competition, and pushed up the cost of purchase in other sectors, notably the hospitality sector."*

In principle, a binding price cap can reduce the price of specific products, but it may also lead to shortages, reduced quality or availability, delisting, changes to product ranges, or higher prices for uncapped products. It may also weaken incentives to invest in production, logistics and retail capacity. Any reduction in the price of selected items would not necessarily reduce households' overall grocery bills.

Price caps would also be poorly targeted. Support would be available to all consumers purchasing capped products, regardless of income, rather than being directed towards households facing the greatest financial pressure.

In our view, targeted support for low-income households, alongside action to address the costs of producing and supplying food, would provide a more effective and proportionate response.

Question 6
What do you consider to be the main risks or unintended consequences of food price caps? Please provide evidence where possible.

Price caps would not reduce the costs of producing and supplying food. Unless government funds the difference, there is a significant risk that retailers seek to pass the pressure down the supply chain through lower supplier prices, increased contributions, changes to specifications or less favourable commercial terms.

This could make products unviable, reduce production and product choice, and weaken investment in sites, skills, innovation, reformulation and decarbonisation. SMEs would be particularly exposed because they have less capacity to absorb additional costs or withstand changes in order volumes.

Price caps could also encourage sourcing from lower-cost markets, with consequences for Scottish manufacturing, employment, local supply chains and food security. Higher prices on non-capped products, reduced promotions, smaller ranges, product changes and reduced availability could follow as businesses seek to recover unavoidable costs.

Croatia's experience demonstrates that caps may alter selected shelf prices, but do not remove underlying cost pressures and can create considerable operational complexity for businesses.

We have also heard directly from members that the additional pressure created by this policy could restrict their ability to invest in their people, skills, factories, innovation, sustainability and future growth. The member evidence presented in our responses to Questions 24 and 29 demonstrates that these risks are not theoretical: manufacturers can operate on extremely narrow product and processing margins, leaving very limited capacity to absorb further commercial pressure.

Question 7
Which model of price cap do you consider likely to be the most effective - An item level price cap, a category-based price cap, a basket-based approach, or an alternative? Please explain your answer, describing any proposed alternatives and considering the costs and benefits of a preferred approach.

FDF Scotland does not support an item-level, category-based, basket-based or any other alternative price cap model. Each approach would retain the fundamental problem that the costs of producing and supplying food would remain and would need to be met elsewhere.

Croatia's movement from a limited list of specific products to a wider category-based model does not provide a clear template for Scotland. Instead, it demonstrates the need for increasingly detailed rules on category definitions, product specifications, signage, availability and replacement products. It also leaves unresolved the central question of who absorbs the cost when the capped price does not reflect the cost of producing and supplying the product.

Question 8
Do you agree or disagree with the proposal that if a price capped item sells out, then the retailer should be required to sell an alternative at the capped price (if available and on sale to customers)?

☐ Agree

☐ Disagree

☒ Unsure

Question 9
The proposal is that retailers would not be required to stock price capped food items. Do you agree or disagree with this approach?

☐ Agree

☐ Disagree

☒ Unsure

Question 10
Please explain your answers to Questions 8 and 9.

FDF Scotland does not support a price cap scheme. These questions concern detailed retail stocking, availability and sales obligations. FDF Scotland represents food and drink manufacturers and is therefore not best placed to comment.

However, any approach must avoid transferring disproportionate costs, contractual pressure or additional administrative requirements to manufacturers and suppliers.

Question 11
Do you agree or disagree that price caps should apply to relevant products sold online?

☐ Agree

☐ Disagree

☒ Unsure

Please explain your answer.

FDF Scotland does not support a price cap scheme. This question concerns detailed retail stocking, availability and sales obligations. FDF Scotland represents food and drink manufacturers and is therefore not best placed to comment.

However, any approach must avoid transferring disproportionate costs, contractual pressure or additional administrative requirements to manufacturers and suppliers.

Question 12
Do you agree or disagree that a retailer should be able to meet their obligation to offer a food item at a capped price by offering a variety that exceeds the minimum requirements specified in Regulation? (for example, if the requirement related to 1 pint of milk, could the obligation be met by selling a 2 pint carton at the capped price?)

☐ Agree

☐ Disagree

☒ Unsure

Please explain your answer.

FDF Scotland does not support a price cap scheme. This question concerns detailed retail stocking, availability and sales obligations. FDF Scotland represents food and drink manufacturers and is therefore not best placed to comment.

However, any approach must avoid transferring disproportionate costs, contractual pressure or additional administrative requirements to manufacturers and suppliers.

Question 13
Should price capped foods:

a. Have specific branding
☐ Yes

☒ No

☐ Unsure

b. Have specific signage, labelling
☐ Yes

☒ No

☐ Unsure

c. be located or grouped together in-store (and online)
☐ Yes

☐ No

☒ Unsure

Please explain your answer to a, b and c, including any views on how this could be implemented.

FDF Scotland does not support a price cap scheme. If the proposal nevertheless proceeds, any means of identifying capped products must remain entirely a retail responsibility and must not require manufacturers to redesign product packaging or labels, create dedicated stock-keeping units (SKUs) or operate Scotland-specific production arrangements.

Product-specific packaging or label changes would create significant additional costs, lead times, stock-management challenges and potential waste, particularly if capped products, categories or prices were subject to change. Scotland-specific packaging would not be commercially viable, could potentially increase waste, and would create significant and unnecessary complexity for businesses operating UK-wide production and distribution systems.

A food label change is not a simple administrative exercise. It requires legal and regulatory interpretation, changes to product specifications and internal systems, packaging procurement, artwork redesign, multiple approvals, printing changes and updates to online and retailer systems. FDF evidence, based on anonymised cost and resource data provided by multiple UK food manufacturers, demonstrates the scale and complexity of this process. Even a simple label change can require 1 – 2 days of resource spread over 2 – 3 weeks for regulatory interpretation, while more complex changes can require several weeks of resource and £1,000 – £2,000 in external regulatory consultancy costs.

There are also significant costs and lead times associated with packaging and artwork. New packaging can have lead times of 4 – 20 weeks, while manufacturers may need to order approximately 16 weeks' worth of packaging at a time for it to be economical. Redesigning existing labels can require at least 8 weeks, with artwork updates costing £2,500 – £6,000+ each, depending on the complexity of the change. New printing plates can cost up to £3,500, while new printing cylinders cost around £10,000.

Successive changes that cannot be effectively managed can also result in manufacturers having to write off existing packaging. FDF evidence indicates that write-off costs for redundant labels and packaging components can range from £3,000 – £14,000 per SKU. Sufficient transition periods are therefore critical to allow existing packaging and products to be used and sold through, minimising both cost and environmental waste.

Evidence provided by one FDF member further illustrates how this could affect manufacturers in practice. The member identified that creating dedicated price-cap SKUs could require new packaging artwork and origination, dedicated labels or sleeves, additional packaging inventory, separate production scheduling, minimum production runs, additional stockholding and production changeovers. It could also increase forecasting complexity, administration and the risk of packaging and food waste.

This demonstrates the risk that a mechanism intended to reduce the price of food could itself introduce additional manufacturing costs and complexity. If a price cap scheme proceeds, identification of capped products should therefore remain a retail responsibility and should not require manufacturers to create dedicated SKUs, packaging formats or labels.

Question 14

14. To what extent do you think the following factors should be taken into account when selecting items that would be subject to a price cap? (0 – not important; 5 – very important):

- general affordability (particularly as regards persons on low incomes)

  0 1 2 3 4 5.

- healthy eating policies

  0 1 2 3 4 5.

- nutrition guidance

  0 1 2 3 4 5.

- impacts on producers, retailers and other impacted businesses

  0 1 2 3 4 5.

- consumer preferences

  0 1 2 3 4 5

- food security

  0 1 2 3 4 5.

Please explain your answers.

FDF Scotland has not assigned numerical scores to these factors. All are relevant to food policy, but none can resolve the fundamental problems associated with setting food prices administratively. Providing scores could therefore create a misleading impression that a different weighting of these factors would make a price cap workable.

Our comments below instead explain how each factor should be considered and highlight the trade-offs and unintended consequences that could arise under a price cap scheme.

Affordability, nutrition and consumer preferences are important policy considerations, but they do not determine whether a product can be sustainably supplied at an administratively set price.

Ministers would also need to assess production and supply costs, supply-chain structure, contractual arrangements, seasonality, availability, investment, domestic production and the cumulative impact on manufacturers and producers.

These wider considerations are also reflected in Food Standards Scotland's (FSS) advice to the Scottish Government, which identifies the implications for food manufacturers, retailers and Scottish producers as an area requiring further analysis, including whether category definitions could unintentionally advantage or disadvantage particular sectors of Scottish food production. FSS also identifies potential effects on product range, availability and consumer choice, and consequences for supply chains, including risks relating to shortages or substitution.

While improving access to affordable, nutritious food is an important objective, price caps are unlikely to address the underlying drivers of food insecurity and affordability and could reduce the range of products available to consumers.

Consumer preferences should also be considered in the context of supporting healthier diets. Access to a broad range of healthier products matters, rather than focusing solely on the price of a limited selection of products. Research from Nesta highlights that consumers' purchasing decisions are influenced by the range of healthier options available to them, alongside their existing preferences and habits. It also points to reformulation as an important way of improving diets without requiring consumers to make significant changes to their usual shopping choices.

Maintaining the availability and commercial viability of reformulated products is therefore important. Further research from Nesta highlights the role of consistent availability of reformulated products across a wide range of outlets in helping healthier choices become the norm, while recognising that different approaches to reformulation are needed to reflect different products and consumer preferences.

There is already significant work underway in Scotland to support this. FDF Scotland's Reformulation for Health Programme, funded by the Scottish Government, supports small and medium-sized food and drink businesses to make their products healthier through reformulation. This includes reducing calories, fat, sugar and salt, as well as increasing fibre and making other nutritional improvements. The programme has directly supported 92 Scottish SME manufacturers with more than £374,000 of externally sourced funding towards costs including nutritional testing, recipe trials, process changes and technical support.

This demonstrates the importance of creating the right conditions for manufacturers to invest in healthier products and ensure those products remain commercially viable and available to consumers. A price cap that does not fully reflect the costs of developing, producing and supplying these products could work against these existing policy objectives, particularly for SMEs, for which the costs and risks of reformulation can be proportionately greater.

Food and drink manufacturers are making substantial investments in bringing healthier options to the market, including to support the promotional restrictions for food and drinks high in fat, sugar or salt (HFSS) which came into force in Scotland from 1 October this year. A new report by Argon & Co sheds light on the significant costs associated with this work which can reach up to £5m per project – including costs for product trials, consumer testing, and skilled staff time. Food and drink manufacturers work hard to bring these healthier options to consumers at affordable price points. Applying price caps to these products could make them commercially unviable, risking their delisting, discouraging future innovation and reducing consumer choice of healthier options.

Question 15
Which food items or product types should be prioritised for inclusion in any future price cap scheme?

FDF Scotland does not believe any food or drink products should be included in a statutory price cap scheme.

Question 16
Are there any food items or product types should that you think should not be included in any future price cap scheme?

FDF Scotland does not believe any food or drink products should be included in a statutory price cap scheme. It would therefore be misleading to identify particular products for exclusion, as doing so could imply that price caps would be appropriate for the remaining categories.

Question 17
How should the Scottish Government take into account the seasonality of food when applying price caps to essential food items?

As set out throughout our response, FDF Scotland does not support the introduction of price caps on food products. Seasonality would add further complexity and risk to an already unworkable policy.

Seasonal changes in supply, yields, energy, storage and transport costs make a fixed or infrequently adjusted cap particularly difficult to operate. These variations do not occur uniformly across products or businesses and may be influenced by harvest timing, weather, contracted supply arrangements and periods of concentrated seasonal demand.

A cap that does not reflect changing seasonal costs could increase the risk of reduced availability, product substitution, changes in sourcing or pressure being passed back to manufacturers and primary producers.

Question 18

How should the Scottish Government take into account the issue of applying price caps to products that come in different sizes, weights, quantity, etc.?

FDF Scotland does not support the introduction of price caps on food products. Variations in pack size, format, recipe, specification and manufacturing process mean that apparently similar products may have very different production costs.

A standardised cap could distort competition, encourage changes in pack size or product specification and disadvantage products with higher-quality or more costly ingredients. A more detailed system attempting to account for every variation would create substantial administrative complexity.

Question 19
How should the Scottish Government reflect the varying nutritional requirements of the population for example due to health needs, religious requirements, cultural, social or other preferences?

FDF Scotland does not support the introduction of price caps on food products. We believe it would be extremely difficult to determine a list of individual foods that adequately reflects the nutritional needs of Scotland's population. Nutritional adequacy is determined by an individual's overall diet and dietary pattern, rather than by individual foods in isolation. A price cap scheme focused on a defined list of 'essential' products risks oversimplifying this.

Dietary requirements also vary considerably across the population, including according to age and health status. The Scottish Government would also need to consider the wide variety of dietary choices and practices within households, including religious and cultural dietary practices and vegetarian and vegan diets. A basket of products considered essential for one household may therefore be unsuitable or irrelevant for another.

The scheme would also need to account for consumers who require allergen-free or other specialist products for medical reasons. These products may have different ingredients, production controls, manufacturing runs and supply arrangements from standard alternatives, making a single capped basket particularly difficult to define fairly.

Food Standards Scotland (FSS) similarly highlights the need to consider consumers with medically required dietary restrictions, including food allergies, coeliac disease and lactose intolerance. Importantly, FSS acknowledges that specialist products are unlikely to be represented across all categories within a capped basket and says that the potential impacts on these groups should be considered through the policy development process and relevant impact assessments.

Existing dietary patterns further demonstrate the complexity of this challenge. The Scottish Health Survey 2024 found that only 3% of adults met the Scottish Dietary Goal for fibre of 30g or more per day, while average adult intake was just 15g per day. It also found that only 11% of adults consumed the recommended five or more portions of fruit and vegetables per day. These findings demonstrate that supporting nutritionally adequate diets is about the balance and composition of the overall diet, rather than simply the affordability of a limited number of individual products.

Attempting to develop and continually update a price-capped basket that takes account of nutritional adequacy, different dietary requirements and the diversity of consumer preferences would therefore introduce significant complexity. There would also be a risk that focusing support on a limited number of capped products could distort consumer choice rather than support access to a varied and balanced diet.

Question 20
Do you agree or disagree with the proposal that any price cap scheme would apply to large supermarket chains only?

☐ Agree

☐ Disagree

☒ Unsure

Please explain your answer.

FDF Scotland disagrees with the principle of price caps, but there is no clear way to represent this in the answer to this question. FDF Scotland represents food and drink manufacturers and is therefore not best placed to determine which categories of retailer should fall within the scope of the scheme.

However, it will be important to assess the impact of the proposed scope across the entire supply chain and ensure that any costs or commercial pressures are not passed back to manufacturers and primary producers.

Question 21
Do you agree or disagree with the proposed definition of qualifying retailers that would be in scope, as outlined in the consultation?

☐ Agree

☐ Disagree

☒ Unsure

Please explain your answer, particularly with reference to any alternative definitions you may wish to provide.

FDF Scotland disagrees with the principle of price caps, but there is no clear way to represent this in the answer to this question. FDF Scotland represents food and drink manufacturers and is therefore not best placed to determine which categories of retailer should be excluded from the scope of the scheme.

However, any exemptions should be assessed not only by retailer size or business model, but also by their potential effect on competition and the distribution of costs through the supply chain. An exemption at retail level would not necessarily protect manufacturers supplying both exempt and non-exempt businesses.

Question 22
Should the price cap policy be applied to any of the following?

- Independent convenience stores.

☐ Yes

☐ No

☒ Unsure

- franchise convenience stores.

☐ Yes

☐ No

☒ Unsure

- symbol group convenience stores.

☐ Yes

☐ No

☒ Unsure

- specialist retailers (e.g. bakeries, butchers, greengrocers, fishmongers).

☐ Yes

☐ No

☒ Unsure

- locations that do not sell groceries as their primary purpose (e.g. coffee shops, petrol stations).

☐ Yes

☐ No

☒ Unsure

- Smaller retailers selling supermarket brand goods.

☐ Yes

☐ No

☒ Unsure

- other (please state)

☐ Yes

☐ No

☒ Unsure

Please explain your answers.

FDF Scotland disagrees with the principle of price caps, but there is no clear way to represent this in the answer to this question. FDF Scotland is not best placed to define which retailers should be within scope or exempt. However, applying the scheme only to large supermarkets could also create pricing and competitive effects for independent convenience stores, specialist retailers and other businesses outside the formal scope. These effects could also influence product demand and supply arrangements, with indirect consequences for manufacturers supplying different retail channels.

Question 23

What exemptions, if any, should apply?

Please explain your answer.

FDF Scotland disagrees with the principle of price caps, but there is no clear way to represent this in the answer to this question. FDF Scotland is not best placed to define which retailers should be within scope or exempt. However, limiting the statutory obligation to large retailers would not prevent commercial pressure being transmitted to manufacturers, processors and primary producers, including SMEs. An exemption at retail level would therefore not necessarily protect businesses elsewhere in the supply chain from the effects of the scheme.

Question 24
What factors do you think the Scottish Government should take into account when deciding the level at which a price cap is set for any essential food item?

FDF Scotland does not support setting a statutory price cap. If ministers proceed, they would need to account for the full and changing cost of production and supply.

This would include ingredients, energy, labour, packaging, logistics, storage, finance, regulation, seasonality, reasonable business margins and the investment required to maintain future production.

Evidence from one Scottish manufacturer illustrates the range of costs that sit behind the price of making and supplying a relatively simple food product. For one pizza product, ingredients account for 28.5% of the manufacturer's cost price, direct labour 26.9%, overheads 26.9%, packaging 7.7%, energy 4.6% and distribution 3.8%, leaving profit of just 1.5%. In other words, 98.5% of the manufacturer's cost price is accounted for by the costs of making and supplying the product. This demonstrates both the complexity involved in determining a sustainable price and the very limited capacity that may exist to absorb additional costs or commercial pressure.

Published evidence from the Competition and Markets Authority (CMA) reinforces this picture. Its 2023 study of food and grocery manufacturing, covering more than 30 branded and own-label manufacturers across ten commonly purchased product categories including bread, found that for most products own-label manufacturing margins were low and had generally fallen in the most recent financial year examined. Two-thirds of own-label suppliers experienced declining margins from 2021. The CMA also found that own-label suppliers compete to win and retain retailer contracts. Evidence from the bread sector further illustrates the competitive dynamics within individual categories, with a shift in volumes between branded and own-label products over time. This demonstrates why an observed shelf price cannot be assumed to contain a substantial manufacturer margin that could readily absorb a price cap.

The impact would also vary significantly according to business size and business model. Smaller manufacturers generally have less capacity to absorb additional costs or recover them elsewhere in their business. Recent research by Argon & Co in collaboration with FDF found that the burden of healthier product innovation is particularly acute for SMEs, consuming a much larger share of their limited resources, technical capacity and management time. It found that 83% of SMEs typically undertake between zero and five healthier product innovation projects per year, investing under £100,000. Requiring businesses to absorb further costs as a result of price caps could therefore have wider unintended consequences, including reducing the resources available for healthier new product development and nutrition-led reformulation.

A cap based only on historic or observed retail prices would not capture the complexity of costs and contractual arrangements throughout the supply chain.

Question 25
Should Ministers set initial price caps below observed market prices in order to deliver an immediate affordability benefit?

☐ Yes

☒ No

☐ Unsure

Please explain your answer, considering any benefits or risks to this approach.

No. Setting an initial cap below the observed market price would deliberately create a financial shortfall without reducing any of the costs incurred in producing, processing or supplying the product. Unless that

shortfall were funded by government, it would inevitably have to be absorbed or recovered somewhere in the supply chain.

This risk is particularly acute where prices are already highly competitive and manufacturers have little capacity to absorb further pressure. Published CMA evidence found that, for most products it examined, own-label manufacturing margins were low and had generally fallen. Setting a statutory cap below the observed market price could therefore create or deepen a financial shortfall without reducing any of the underlying costs of producing and supplying the product.

Member analysis demonstrates that even apparently small reductions in shelf prices can create substantial costs within high-volume categories. Analysis provided to FDF Scotland estimates that reducing the retail price of milk by 1p per litre would represent a cost of approximately £3.1m to retailers. Member evidence also highlights that retail milk prices do not necessarily move in line with changes in underlying costs, in part because intense competition between retailers constrains movements in shelf prices. A price cap could therefore lock in an already highly competitive price rather than correct an excessively high one. The underlying costs of producing, processing and supplying that milk would not have changed. This illustrates the fundamental question that any price cap must answer: where does that shortfall ultimately fall, and how will government ensure that it is not transmitted to processors and primary producers?

This could intensify pressure on manufacturers and producers, discourage supply and investment, and increase the likelihood of costs being recovered through other products, changes to specifications or reduced promotions.

Question 26
What approach do you think Ministers should take when setting the initial capped price of a food product? Please consider the benefits and risks to any approaches detailed.

FDF Scotland does not believe there is a reliable administrative method for setting a capped price across products, businesses and supply chains with different costs and contractual arrangements.

A historic price may no longer cover current costs, while an average market price could disadvantage higher-cost producers, smaller businesses and more specialised products.

Question 27
How should the price of a price capped item change over time? Please consider the benefits and risks to any approaches detailed.

FDF Scotland does not support the introduction of price caps. If a scheme proceeds, any cap would require frequent and transparent review against actual product and supply-chain costs.
A fixed cap or adjustment linked only to a broad measure such as CPI would not capture product-specific changes in commodities, energy, labour, packaging, logistics, exchange rates or regulatory costs.

Recent member evidence demonstrates how quickly individual input costs can move independently of general inflation. In October 2026, one Scottish manufacturer was advised that market prices for oats had increased by approximately £50 per tonne and barley by £35 per tonne, translating into proposed supplier increases of £45 per tonne for oat products and £25 per tonne for pearl barley products. Existing contracted cover was temporarily cushioning some of this increase, but this delays rather than removes exposure to higher commodity costs. A general inflation measure would not necessarily reflect movements of this nature at the point when individual manufacturers experience them. This creates a

timing problem as well as a measurement problem, as changes in input costs and the point at which manufacturers are exposed to them will not necessarily align with movements in a general inflation index.

Croatia demonstrates the challenge. Its regulations were repeatedly amended and replaced as the policy expanded from a narrow list of specific products to wider product categories. This illustrates how quickly a capped-price framework can become administratively complex and how difficult it is to keep product definitions and prices aligned with changing market conditions.

Any adjustment process would also need to respond quickly where a price became unsustainable. However, frequent changes would reduce certainty for businesses and increase administration for government, retailers and suppliers.

Question 28
Do you agree or disagree that the level of price caps should be the same for all businesses in scope and across all parts of Scotland?

☐ Agree

☐ Disagree

☒ Unsure

Please explain your answer.

FDF Scotland does not support a statutory price cap, whether applied uniformly across Scotland or differentiated between businesses or locations. Costs can vary according to product, specification, supply route, store format, location and distribution requirements.

A single cap would risk ignoring those differences, while differentiated caps would add further administrative complexity and could distort competition.

Question 29
What impacts, if any, do you think a food price cap scheme could have on producers and other businesses within the food supply chain? Please provide any evidence or examples to support your answer.

Price caps would not remove the costs faced by manufacturers, processors or primary producers. There is a material risk that retailers would seek to recover the cost through commercial negotiations, increased supplier contributions, changes to product specifications, reduced ranges or different sourcing decisions.

Manufacturers could face reduced margins, delayed investment, less innovation and reformulation, discontinued product lines, lower production volumes and weaker business confidence. Smaller companies may be particularly exposed because they generally have less ability to absorb costs, spread overheads or withstand changes in orders.

If a product could no longer be supplied viably at the expected price, manufacturers might need to change the pack size or specification, reduce production or withdraw the line.

If domestically produced products could not be supplied viably at the capped price, the policy could create an incentive to source lower-cost alternatives from elsewhere, with implications for Scottish production, employment, resilience and food security.

Price caps could also undermine investment in innovation, healthier product development, reformulation, automation, skills and decarbonisation. These investments depend on businesses retaining sufficient confidence and resources to invest for the future. This exposure is particularly significant in Scotland, where 97% of food and drink manufacturing businesses are SMEs. These businesses generally have less scope to spread fixed costs, absorb losses across a wider portfolio or finance prolonged periods of margin pressure.

Any assessment must therefore examine the effect on manufacturers and processors as well as the immediate effect on retailers and primary producers.

Evidence from FDF members demonstrates that these risks are not theoretical. Manufacturers are already operating with significant input costs and, in some cases, very limited margins. As outlined above, one Scottish manufacturer's cost breakdown for a pizza product shows that 98.5% of the manufacturer's cost price is accounted for by ingredients, labour, overheads, packaging, energy and distribution, leaving profit of just 1.5%. These pressures matter because manufacturers do not make a healthy margin on every product they produce. Some products operate on extremely narrow margins and businesses can make a loss on individual lines. These products may continue to be made as part of a wider customer relationship or product range, but there is a limit to how long those losses can be absorbed. A price cap that adds further pressure could therefore turn a marginal product into an unviable one, ultimately putting its continued production at risk.

Evidence from the dairy sector similarly illustrates the limited capacity that can exist within manufacturing to absorb additional pressure. One major dairy processor estimates fresh milk processor margins at around 1.3%. The same business reports that its cost of doing business in 2026 is £12m higher than in 2023 as a result of costs including Extended Producer Responsibility, nutrition-related reformulation and employer National Insurance Contributions. That £12m figure does not include increases in energy, shipping or fuel costs.

Member evidence also highlights that the impact would not necessarily fall immediately or exclusively on processors. Depending on existing commercial arrangements, retailers could initially absorb some of the pressure, potentially reducing the resources available for strategic investment, sustainability programmes and category innovation. This reinforces the need to assess impacts across the whole supply chain rather than assuming that a reduction in shelf price can be absorbed at a single point.

There are also direct implications for investment and growth. One Scottish manufacturing group has identified approximately £452,000 of manufacturing, technical, staffing and operational investment that could be required to support a potential major-retailer chilled-meat opportunity. The group directly employs 162 people across its two Scottish manufacturing businesses. This demonstrates the relationship between sustainable manufacturing economics, the confidence and resources to invest, and the employment and growth supported by that investment.

Taken together, these examples demonstrate why manufacturers cannot simply be assumed to absorb the financial impact of a price cap. Persistent pressure on already constrained margins risks affecting product viability, investment and the capacity of businesses to grow and maintain employment.

Question 30
What mitigation measures should be considered to minimise any potential adverse impacts on primary producers and other actors across the food supply chain?

The most effective mitigation would be not to introduce the scheme.

The Scottish Government is proposing unspecified non-legislative ways to support primary producers. Without any detail it is difficult to assess suitability but we would have no confidence that any measures could account for the complexity set out in this consultation.

In addition, there has been no specific mention of support for manufacturers and processors. If the Scottish Government proceeds, manufacturers and processors must be explicitly protected alongside primary producers. Safeguards would need to prevent costs and commercial pressure being transferred down the supply chain, rather than simply monitoring the impact after it has occurred.

The Scottish Government would also need transparent monitoring of supplier returns, investment, product availability, sourcing and production. There should be an immediate route to remove a product, raise an unsustainable cap or end the scheme where harm is identified.

These safeguards could help identify and respond to harm, but they could not remove the scheme's fundamental problem: the underlying costs would remain and would still have to be met somewhere.

Question 31
To what extent do you think it is possible to trace profits and margins throughout the supply chain for a variety of goods? Please provide any evidence or examples to support your answer.

Tracing profits and margins throughout the supply chain would be possible in principle, but in practice it would be extremely complex for most food and drink products.

For goods with little or no processing, such as eggs or apples, it may be somewhat easier to follow costs and margins from producer to retailer. Even here, however, the picture can vary significantly depending on factors such as farm type, grading and packing, transport arrangements, contracts, promotions and retailer terms.

For most manufactured products, the task becomes considerably more difficult. A finished product may contain multiple ingredients and involve several suppliers, production stages, packaging inputs, logistics arrangements, retailer terms and shared business overheads. Margin information may also differ by product, customer, contract, promotional period, production site and business model.

In addition, turnover, gross margin and net profit are not interchangeable measures. A product that appears to have a positive gross margin may make only a very limited contribution once labour, energy, finance, regulation, investment and shared business costs are included.

Member evidence illustrates this complexity. In the pizza example cited above, overheads alone account for 26.9% of the manufacturer's cost price. These include non-direct staff salaries, rent, rates, insurance, IT, property repairs and maintenance, management charges, equipment rental, engineering, laundry, cleaning, laboratory services and capital depreciation. A simple comparison between ingredient costs and selling price would therefore provide an incomplete picture of the actual economics of manufacturing the product.

Cost and margin information is also commercially sensitive. Any request for data would need robust protection, clear definitions and a proportionate methodology.

Question 32
Please detail any other issues you want the Scottish Government to take into account for primary production when considering a price cap scheme and how risks could be mitigated.

Manufacturers and processors must be considered explicitly alongside primary producers.

Manufacturers are the essential link between raw materials and the final product and face significant costs relating to processing, energy, labour, packaging, storage, transport, regulation and food safety.

Protecting primary producers will not be effective if unsustainable pressure is instead placed on the manufacturing stage. The Scottish Government should examine how costs and commercial pressure could move through every stage of the supply chain.

Any impact assessment and monitoring framework must therefore treat manufacturing and processing as distinct stages of the supply chain, with their own costs, risks and investment requirements.

Question 33
Do you believe local authorities are best placed to deal with the issue of compliance and enforcement for any price cap scheme?

☐ Yes

☐ No

☒ Unsure

Please explain your answer, detailing any alternatives you wish us to consider.

FDF Scotland is not best placed to determine the detailed retail compliance and enforcement model.

Question 34
Do you believe the approach to offences outlined in the consultation is the correct one?

☐ Yes

☐ No

☒ Unsure

Please explain your answer, detailing any alternatives you wish us to consider.

FDF Scotland is not best placed to determine the detailed retail compliance and enforcement model.

Question 35
Do you believe a fine imposed by the courts is the most appropriate penalty for the offence of failure to comply with a compliance notice?

☐ Yes

☐ No

☐ Unsure

Please explain your answer, detailing any alternatives (including fixed penalty notices) you wish us to consider.

FDF Scotland is not best placed to determine the detailed retail compliance and enforcement model.

Question 36
What information, if any, should qualifying businesses be required to provide or retain to demonstrate compliance with a food price cap scheme?

FDF Scotland is not best placed to determine the detailed retail compliance and enforcement model.

Manufacturers should not be required to disclose commercially sensitive information unless it is clearly necessary, proportionate, securely protected and defined through a consistent methodology.

Question 37
What are likely to be the burdens, costs or practical implications of ensuring compliance with a food price cap scheme for:

- Qualifying businesses
- Local authorities

FDF Scotland is not best placed to determine the detailed retail compliance and enforcement model.

Question 38
What other issues should be taken into account when considering the question of compliance and enforcement of sales taking place online?

FDF Scotland is not best placed to determine the detailed retail compliance and enforcement model.

Question 39
Is no fewer than 4 years, no more than 6 a suitable length of time for a statutory review period?

☐ Yes

☒ No

Please explain your answer.

A statutory review after four to six years would be far too late for an intervention that could quickly affect business viability, investment, product availability and supply-chain resilience.

Adverse impacts could become embedded long before the legislation was formally reviewed. Businesses should not be expected to absorb potentially damaging consequences for several years before action is taken.

The legislation should require early, regular and evidence-led review from the outset, alongside continuous monitoring and a clear mechanism to respond immediately where harm is identified.

FDF Scotland therefore strongly disagrees that a four-to-six-year statutory review period would provide an adequate safeguard.

Question 40
What should Scottish Ministers consider when reviewing the effect of the legislation, and what evidence would be required to support the review?

Please explain your answer.

FDF Scotland does not support the introduction of food price cap legislation. The legislation risks significant unintended consequences for manufacturers, producers, investment and supply-chain resilience.

If the legislation proceeds, any review must assess total household grocery expenditure, including prices of non-capped products, rather than looking only at the shelf price of capped items. It should also consider product availability, range, quality and pack sizes; impacts on manufacturers and producers; business investment; jobs; sourcing and imports; food waste; and administrative costs.

The review must be independent, transparent and based on robust product-level evidence. It should assess whether costs or commercial pressure have been passed down the supply chain and whether lower-income households have received a meaningful overall benefit.

The review should also compare outcomes against what would otherwise have been expected to happen, rather than assuming that any change in the price of capped products was caused by the policy. This would be essential to distinguish the effect of price caps from wider movements in commodity, energy, labour and other supply-chain costs.

A lower price on a limited number of selected products should not, on its own, be treated as evidence that the legislation has succeeded.

Question 41
Should interim reviews be conducted before the statutory review?

☒ Yes

☐ No

Please explain your answer.

FDF Scotland does not support the introduction of food price cap legislation.

If the legislation proceeds, interim reviews should begin shortly after implementation, within 6 months, and take place at regular intervals. This would allow emerging impacts on availability, supply-chain costs, sourcing, investment and consumer choice to be identified before they become entrenched.

Question 42
Do you agree with the proposal to include a sunset clause in any future legislation?

☒ Yes

☐ No

Please explain your answer.

Again, FDF Scotland does not support the introduction of food price cap legislation.

If the legislation proceeds, the legislation should contain a clear and automatic sunset clause. Continuation should require fresh parliamentary approval, supported by independently assessed evidence that the scheme has produced a net benefit and has not caused disproportionate harm elsewhere.

Question 43
Should Ministers have flexibility to amend elements of a food price cap scheme in response to changing circumstances?
☐ Agree

☒ Disagree

☐ Unsure

Please explain your answer.

FDF Scotland does not support the introduction of food price cap legislation. If the legislation proceeds, Ministers should not have broad powers to alter or expand the scheme without parliamentary scrutiny, consultation and a published impact assessment.

Any powers should be tightly defined and used only to reduce or prevent harm, such as removing products, raising an unsustainable cap, suspending requirements or ending the scheme.

Ministers should not be able to expand the products, businesses or obligations covered without fresh evidence, consultation and parliamentary approval.

Question 44
Please outline the detail of any other groups, communities or businesses that might be affected by a price cap scheme that is not considered elsewhere in this consultation.

Food and drink manufacturers and processors must be treated as a central affected group, not an incidental part of the supply chain. The proposals could also affect packaging suppliers, logistics and storage businesses, wholesalers, importers and exporters, ingredient suppliers and businesses providing specialist or culturally appropriate foods.

The effects could extend beyond the businesses directly involved to their employees, local supply chains and the communities in which they operate. Food and drink manufacturers support employment, skills development, investment, innovation, sustainability and community initiatives across Scotland. For example:

- Mackie's of Scotland works with Robert Gordon University to provide placements across food technology, marketing and human resources, alongside engineering apprenticeships delivered with North East Scotland College.
- Rowan Glen has invested more than £1m in its Palnure dairy, including £400,000 through the Scottish Government's Food and Drink Processing Scheme Scotland, enabling the business to modernise its facility and expand into new products.
- Devro secured £1m of Scottish Enterprise support towards a £2.9m capital investment programme at its Moodiesburn site, aimed at increasing productivity and reducing carbon emissions.
- Macsween Allan Food Group has a long-standing partnership with FareShare. In 2025, it redistributed 23 tonnes of surplus food through FareShare's network, equivalent to 54,800 meals, supporting 399 charities and community organisations across the UK. It also supports the Social Bite Village Community in Edinburgh, including by donating food and organising a traditional Burns Supper for residents and staff.

These examples demonstrate that the impact of price caps would not be confined to product prices or individual commercial relationships. Pressure on manufacturers' margins and investment could have

wider consequences for employment, apprenticeships, local suppliers, site investment, healthier product development, decarbonisation and businesses' ability to support their communities.

Question 45
Are there any wider social, economic, practical, regulatory or supply chain considerations that should inform future development of this policy?

The Scottish Government should consider cumulative regulatory costs, food security, investment, innovation, reformulation, sustainability, waste, competition, contractual relationships, UK-wide supply chains, SME resilience and the interaction with nutrition and public-health policy. It should also assess whether universal price reductions represent an effective use of resources compared with targeted support for households in need.

These considerations must be viewed cumulatively. One major food manufacturer reports that its cost of doing business in 2026 is £12m higher than in 2023 as a result of costs including EPR, nutrition-related reformulation and employer National Insurance Contributions, before increases in energy, shipping or fuel are taken into account.

The policy must also be assessed against its interaction with existing UK-wide commercial arrangements and regulatory requirements. Many manufacturers operate integrated production, packaging and distribution systems across the UK. A Scotland-specific intervention could therefore create costs and operational consequences beyond the products formally selected for a cap, including changes to ranging, packaging, sourcing and investment decisions.

Question 46
Do you foresee any impacts on the ability of businesses to trade either within the UK market or internationally from any of the proposed measures?

Yes. Manufacturers operate and distribute products across the UK using the same packaging, pricing, production and logistics systems. Scotland-specific price and product requirements could add complexity and cost, influence sourcing decisions and affect the viability of supplying particular products in Scotland.

The Scottish Government should publish a full legal and economic assessment of how the proposals would interact with the United Kingdom Internal Market Act 2020, competition law and the UK's international trade obligations before introducing legislation.

Question 47
Please provide any comment here about the partial Business and Regulatory Impact Assessment referred to above and published separately to this document.

We welcome the recognition that the proposals could affect businesses and the wider supply chain. However, the partial assessment does not yet demonstrate that the full direct, indirect and cumulative impacts on manufacturers, processors, SMEs and investment have been understood. A full BRIA should be completed and published before any legislation is introduced, supported by quantified business evidence and consideration of alternative policies.

More fundamentally, the proposals remain insufficiently developed to allow businesses to assess their likely costs, benefits or practical implications with confidence. Key questions about the products that would be covered, how capped prices would be set and adjusted, how the scheme would operate in

practice and how impacts across the supply chain would be mitigated remain unresolved. A meaningful assessment of proportionality and deliverability requires a much more developed policy proposal.

This should quantify implementation and compliance costs, impacts on investment and employment, effects on SMEs, potential changes to sourcing and product availability, and the implications of any Scotland-specific packaging, labelling, systems or distribution requirements. It should also assess the costs and benefits of targeted alternatives to price caps.

The need for this comprehensive assessment is reinforced by Food Standards Scotland's own identification of areas requiring further analysis. These include the implications for food manufacturers, retailers and Scottish producers, potential effects on product range, availability and consumer choice, consequences for supply chains and the risk of shortages or substitution, and potential responses such as reformulation, changes to pack sizes or product substitution. The fact that these significant areas require further analysis reinforces FDF Scotland's concern that the evidence base is not sufficiently developed to justify proceeding with legislation.

The Scottish Government should also demonstrate how the development of these proposals is consistent with its New Deal for Business and Better Regulation commitments, including meaningful engagement with affected businesses and proper consideration of alternative approaches before regulation is pursued.

Question 48
Please provide any comments on this proposal not covered elsewhere in this consultation.

FDF Scotland supports action to improve food affordability and wants to work constructively with the Scottish Government and the Scottish Parliament.

However, price caps risk treating the symptom rather than the underlying causes of food inflation. International experience, including Croatia, does not provide clear evidence that caps sustainably reduce households' overall grocery bills without wider risks or significant administrative complexity.

FDF Scotland does not believe the Scottish Government should proceed with food price caps. At a minimum, before taking forward any legislation, it would need to demonstrate with clear evidence:

- Who will bear the cost of the policy.
- How manufacturers, processors and primary producers will be protected.
- How supply, product choice and quality will be maintained.
- How pressure will be prevented from moving down the supply chain.
- How effects on non-capped products will be measured.
- How the policy compares with more targeted alternatives.
- What the exit strategy will be if the policy causes harm.
- How the scheme would affect investment, innovation, reformulation, employment and food security.

If the Scottish Government nevertheless decides to take the policy forward, there should be further consultation once a detailed policy model, draft legislation and implementation arrangements are available. Businesses should have the opportunity to assess the practical and financial implications of a developed proposal before decisions are taken, rather than being expected to respond to significant elements of the scheme that remain undefined.

The priority should instead be to reduce the costs driving food prices and target support towards the households that need it most.

For further information, please contact: Kirsty.Tinsdale@fdfscotland.org.uk.