

FDF briefing: Supply chain disruption

January 2022

Food is one of 13 key sectors that make up the UK's Critical National Infrastructure which are essential for the country to function and upon which daily life depends. The Government should act as a safety net ensuring the successful functioning of food and drink supply chains to help us avoid the risk of serious disruption to food and drink in shops, restaurants, hospitals, schools and prisons.

We welcomed the Prime Minister's appointment of Sir Dave Lewis as the Government's supply chain adviser and are fully engaged with the Supply Chain Advisory Group. This paper sets out an overview of the key challenges they must consider, with 10 actions for industry and UK Government to address supply chain disruption.

Our industry is experiencing unprecedented challenges that are undermining the production and distribution of food and drink across the UK. The COVID-19 pandemic, uncertainty around changing trading relationships with the EU and Northern Ireland and global price/supply difficulties affecting ingredients, energy and shipping have affected resilience and are undermining the viability of the just-in-time supply chain model.

We have always said that the UK will not run out of food and drink. This remains the case. However, it is clear that supply chains are struggling to cope and consumer choice on shop shelves is reduced, while food price inflation is increasing significantly.

There are serious shortages of available workers to staff our farms, factories, warehouses, distribution hubs, shops, restaurants and hotels. We don't have the required qualified HGV drivers to ensure supply chains can function. Wages are already increasing as businesses seek to attract workers, but in many parts of the country there isn't a pool of available staff. Costs and prices are rising as our sector's productivity declines.

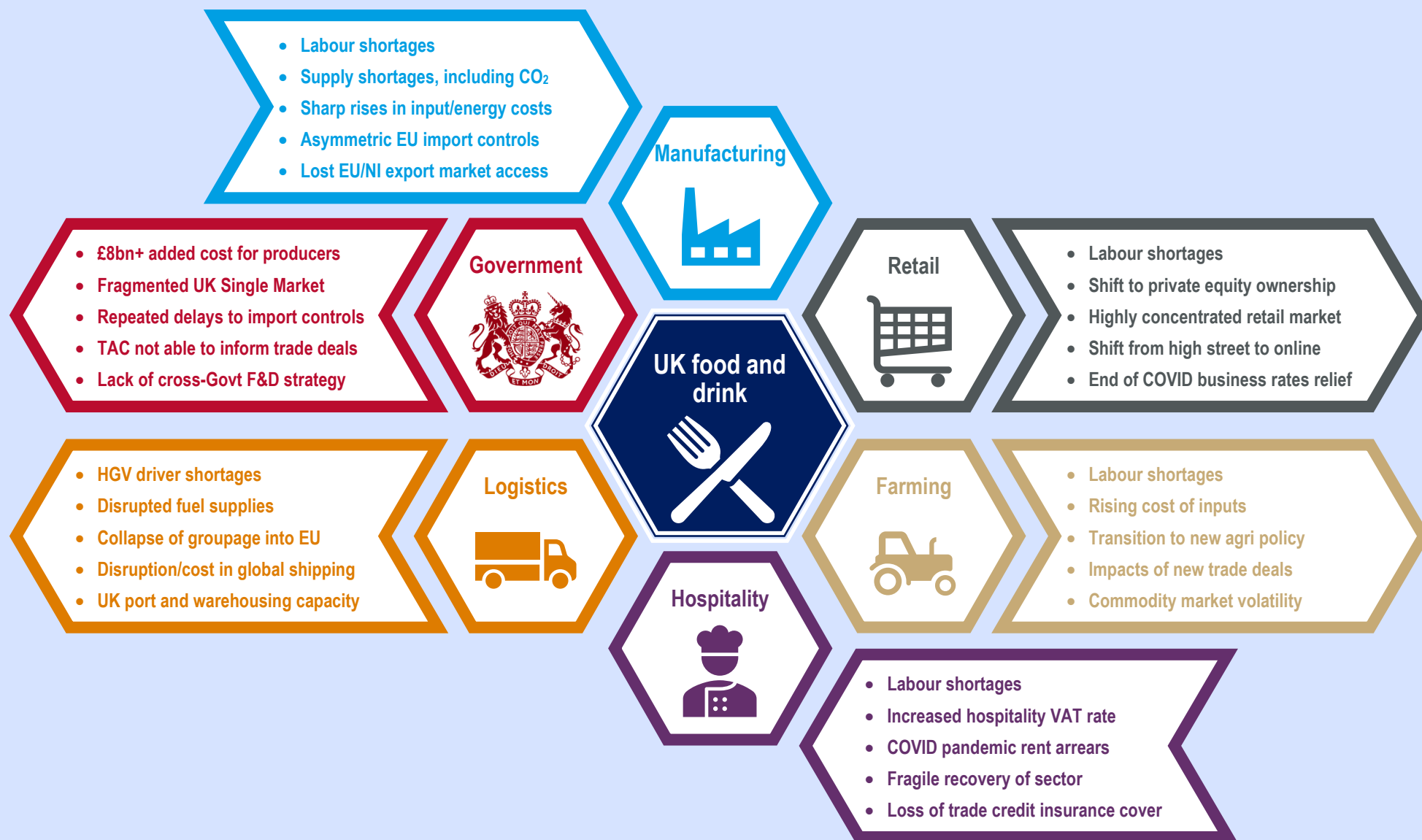
Industry and the UK Government must work together to address these problems. Most immediately, action is required from the Government to address short-term difficulties to ensure the situation doesn't escalate into a real crisis that forces UK retailers to move away from sourcing from UK producers. At the same time, industry must take responsibility for building long-term resilience and driving productivity in a food system that can cope with any new challenges and thrive in the years ahead.

The workers and businesses in UK food and drink were rightly lauded by the Government for their heroic efforts to keep the country fed during the depths of the COVID pandemic. We are now seeking the Government's help to address serious problems that are undermining our industry and creating significant barriers to our economic recovery. Some Government action in the short-term is essential to provide the space our industry needs to adapt, invest and rebuild, while limiting potentially serious impacts for UK shoppers and consumers.

In the absence of short-term measures from the Government, much will depend on the resilience of individual company supply chains and on the behaviour of consumers in stores. Shoppers may find that individual products and brands are not available, and this increases the risk of panic buying as we witnessed at petrol stations in September 2021. That would mean the outcome of what is and isn't available on shop shelves would be highly unpredictable.

Given the continued problems affecting the distribution of food and drink due to shortages of available HGV drivers, it may be that products aren't in short supply but that they can't be effectively distributed to retailers. In communities that are located further away from distribution hubs, where a single lorry doesn't arrive at the local supermarket that could mean the absence of hundreds of products.

Key challenges facing UK just-in-time supply chains



Our recommendations

UK Government		Industry	
1	Introduce F&D Skills Bootcamps to build up sector-specific skills and extend the Lifetime Skills Guarantee.	1	Increase investment in automation and digitalisation to boost productivity and upskill our workforce.
2	Ensure a joined-up cross-Government approach to food and drink and reform regulatory architecture.	2	Focus on enhanced recruitment and retention methods including wage increases.
3	Agree permanent NI solutions, implement planned UK import controls and boost 2025 innovative border focus.	3	Ensure business readiness for implementation of full UK border controls on EU imports.
4	Develop a UK freight strategy and initiate CMA market study into potential profiteering in global shipping.	4	Deliver practical commercial solutions to improve the volume and reduce the cost of trade into EU/NI.
5	Introduce more flexibility into the Apprenticeship Levy to help businesses upskill their workforce.	5	Invest in delivering industry's commitment to reach net zero emissions through low carbon technology.
6	Deliver a more hands-on approach to support industry's adoption of automation and digitalisation.	6	Drive further investment into the industry's world-leading reformulation programme.
7	Develop a joined-up, cross-Government Labour Market Strategy that works for food and drink.	7	Deliver a smooth transition in consumer prices to compensate for long-term producer costs increases.
8	Convene a National Security Council on Food Security to consider private equity ownership of grocery retailers.	8	Support closer collaboration with the Department for Education on skills and apprenticeships.
9	Task CMA with revising GSCOP to ensure continued relevance, taking into account latest sector developments.	9	Drive a collaborative approach to pre-competitive research to address key industry-wide challenges.
10	Incentivise investment in new sources of domestic food grade CO ₂ production to ensure future security of supply.	10	Deliver an industry plan to build increased resilience and alternatives to the use of CO ₂ in manufacturing.