

FDF Response to the House of Commons EFRA Select Committee inquiry into fairness in the food supply chain

Introduction

1. This submission is made by the Food and Drink Federation, which represents the UK food and drink manufacturing industry. We are the largest manufacturing sector in the country, with a footprint in every parliamentary constituency. Our industry has a turnover of more than £142 billion, accounting for 23% of total UK manufacturing, and Gross Value Added (GVA) of more than £138 billion. Food and drink manufacturers directly employ over 490,000 people across every region and nation of the UK. Small and medium-sized businesses make up 97% of our industry.
2. Food and drink manufacturers want to create a world-leading food system to strengthen our food security, tackle climate change and health inequalities, and boost investment and productivity. However, this requires a supportive regulatory environment across the food supply chain that is open to trade, incentivises increased private investment and upskilling. Although our sector has weathered some turbulent and volatile times over the past few years, these pressures have eroded the resilience of the industry. There are levers the government can pull to improve the food security, fairness, and affordability of the supply chain.
3. Building on [FDF's submission](#) to this committee's prior inquiry into fairness in the food supply chain, we have outlined below our support for the work of the Groceries Code Adjudicator and the effectiveness of the current Groceries Supply Code of Practice, while also highlighting some areas for consideration as part of a broader review of the Code.
4. Key priorities that should be addressed as a matter of urgency by the UK government include:
 - i. Delivering a more coherent and joined-up approach across government to ensure regulation doesn't add unnecessary complexity to businesses and costs to consumers, undermine UK food security or impede essential investment to boost growth and resilience across food and drink supply chains.
 - ii. Recommend the CMA open a review of the Groceries Supply Code of Practice (GSCOP) to take into account new challenges that have emerged in the nearly 14 years since it was created and boosting the resources and operational flexibility of the Groceries Code Adjudicator (GCA) to ensure that it can effectively oversee GSCOP compliance.
 - iii. Putting in place a tariff policy that is responsive to industry needs, including a predictable, transparent, and efficient duty suspension process that can respond effectively to global supply issues and deliver ongoing reform to the UK Global Tariff to ensure it meets the needs of UK producers, shoppers, and consumers.
 - iv. Working with industry to support low-income households and our efforts to shift consumers towards affordable, healthier, and most sustainable choices. This would include supporting innovation and R&D in UK food and drink to ensure industry can respond to the challenges of the future.

Effectiveness of the Groceries Code Adjudicator to enforce the Groceries Supply Code of Practice

5. The Groceries Code Adjudicator (GCA) has had an important and positive impact on relations in the groceries market, often giving support to suppliers that have previously had no recourse when faced with unfair practices from powerful grocery retailers. Feedback from our members and the results of the GCA's annual survey¹ both clearly demonstrate that the GCA has driven noticeable behavioural change since its creation, helping to curtail a wide range of unfair and abusive practices that were previously utilised regularly by the major retailers.
6. For those designated retailers that are doing the right thing by the suppliers, the presence of the GCA to enforce the Groceries Supply Code of Practice (GSCOP) acts as an essential tool to deliver a level playing field in ensuring fair practice more broadly by major retailers.
7. The presence of a powerful, independent, and proactive GCA has been key to driving positive trends in retailer behaviour during the ten years since its formation. In 2014, 79% of suppliers surveyed reported experiencing Code-related issues over the previous 12 months, but by 2024 this had dropped to 33% of suppliers. A substantial improvement, but a clear indication of the continued need for the GCA.
8. A clear example of the significant impact of the GCA and the Code on the relationship between retailers and suppliers is the recent addition of Amazon to the list of designated retailers in 2023. In the 2024 survey, 53% of suppliers who responded to the survey reported that Amazon was rarely or never compliant with the Code, this is in stark contrast to the other retailers under the code who average 94.16% consistently or mostly compliant according to their suppliers. The presence of an active and independent GCA serves as a highly effective deterrent that strongly encourages designated retailers to be Code-compliant even before the GCA has to take more formal action through arbitration, investigation or issuing recommendations.
9. The best available indication of the GCA's effectiveness is demonstrated by the volume of issues raised by suppliers that are resolved without needing to go to arbitration. The steady decline of suppliers reporting issues since the creation of GSCOP is indicative of the GCA's success and we must not take for granted the important role it plays as a deterrent discouraging the use of unfair practices. The network of Code Compliance Officers (CCOs) and the GCA's outreach to businesses across the sector has ensured there is a greater understanding of fair practices by both retailers and suppliers, and this has led to a fundamental and positive shift in the groceries market.
10. Our members have shared uniformly supportive views on the important role performed by the GCA. Some find that even having the 'implied' ability to go to the GCA provides additional protection when negotiating with designated retailers. Others have found the GCA and CCOs to be an invaluable resource to find practical resolutions when situations arise during interactions with buyers. They typically help to ensure a swift solution is found before a situation escalated that might otherwise require more formal intervention that would be more costly and crucially could undermine future commercial relations.

¹ [GCA Annual Survey 2024](#), YouGov

11. Our SME members believe the GCA is an important body that gives voice to smaller businesses that are otherwise powerless to advocate on their own behalf given the power asymmetry with the major retailers. The GCA plays a key role in enabling smaller suppliers to compete fairly in a very challenging market. Our larger members increasingly also find great value in the GCA's guidance and support.
12. Over the past few years as the sector has been rebuilding from the supply chain shocks from Covid-19 and the Ukraine war, the GCA has used his influence to foster stronger relationships between Code-complaint retailers and their suppliers. This includes encouraging retailers to take a longer-term view with their supplier contracts which builds long term business stability and stimulates greater investment and innovation.
13. A recent report by Newton, 'Future Factory'² identified a huge investment potential for food and drink manufacturers which could unlock £7-14bn of extra value for the UK economy. However, a key obstacle to achieving these gains is the current commercial environment which can disincentivise innovation for many businesses. Mid-sized food and drink manufacturers who supply private label products directly to retailers on short-term, open-book contracts are the most affected. The short-termism forced onto SMEs created an unpredictable environment which makes it difficult for many businesses to commit to capex investment on new technology and automation that would improve productivity.

Expanding the scope of the GSCOP

14. We would recommend the CMA consider reopening the Groceries Market Investigation, specifically looking at the scope of the Groceries Supply Code of Practice (GSCOP). The groceries market landscape has undergone dramatic changes since the GSCOP was created, especially during the COVID pandemic which triggered dramatic shifts in the retail landscape and consumer behaviour. The nature of the groceries market is changed dramatically over the past few years with the rapid growth of online retail, the impacts of the rising market share of discount retailers and the entry to the market of powerful new operators like Amazon. This impacts both the behaviour and the transparency of the designated retailers.
15. These changes make the landscape facing direct suppliers even more complicated and we believe a review of GSCOP and therefore the remit of the GCA would be well-timed to ensure the GCA is equipped to tackle future challenges. Suppliers face a new set of challenges that GSCOP may not adequately address and reopening the investigation can provide a useful opportunity to explore changes to ensure that Code remains fit for purpose to protect shoppers and supply chains for the next decade or more.
16. One area of growing concern relates to the increasing amount of reporting requirements being placed on suppliers without any standardisation from across the retailers. This includes audit requirements and growing sustainability data reporting which can result in creating bespoke reporting data for each of the retailers, taking up considerable time and effort. There is currently ongoing work between government and industry looking at standardising the approach of sustainability data reporting across the retailers to lessen the burden on suppliers, so we would advise that this be reviewed in relation to the GSCOP once that work has been completed.

² [Future Factory](#), Newton, November 2024, pg5

17. However, the burden of audit reporting is an area that should be considered in relation to the Code. Food manufacturers, particularly SMEs producing own-label products for multiple retailers, face significant challenges in meeting the demands of food safety and quality compliance. These manufacturers typically have their own food safety management systems in place and are often certified under one of the Global Food Safety Initiative (GFSI) schemes, such as BRCGS, which includes set requirements and annual audits by BRCGS auditors. However, the complexity increases when they must also comply with the bespoke standards set by each retailer they supply. These retailer-specific standards often combine food safety with additional quality and traceability requirements. This would require a supplier to meet the unique standards of each retailer that they supply.
18. As a result, these manufacturers are subjected to frequent audits—sometimes multiple times a year—from various retailer auditors to ensure they meet each retailer's specific expectations. These audits can be time-consuming, resource-intensive, and costly, especially for SMEs with limited staff and budgets. The financial burden of these audits, coupled with the costs of maintaining compliance with multiple, overlapping standards, places significant strain on smaller businesses.
19. For SMEs, the continuous cycle of audits often diverts attention and resources from other vital business activities, hindering growth and innovation. While these audits are essential to ensuring product safety and quality, the cumulative impact of compliance costs and operational disruption can be overwhelming. As a result, many smaller food manufacturers are forced to absorb these costs rather than pass them on to retailers, further exacerbating the financial pressures they face.
20. Reviewing the scope of GSCOP would be well timed to ensure the GCA's remit remains fit for purpose and that there is sufficient oversight on the growing burden of food and drink manufacturers. Standardising these different reporting requirements would allow businesses to put greater resource towards innovation and investment which will unlock productivity and growth for the UK food and drink manufacturing sector.

The UK Food and Drink Manufacturing Industry

The Food and Drink Federation (FDF) represents the UK food and drink manufacturing industry, the largest manufacturing sector in the country. Our industry has a turnover of more than £142 billion, accounting for 23 per cent of total UK manufacturing, and Gross Value Added (GVA) of £39 billion. Food and drink manufacturers directly employ 490,000 people across every region and nation of the UK. Exports of food and drink make an increasingly important contribution to the economy, exceeding £24 billion in 2023, and going to over 220 countries worldwide. The UK's 12,515 food and drink manufacturers sit at the heart of a food and drink supply chain which is worth £153 billion to the economy and employs almost 4.5 million people.

The following Associations actively work with the Food and Drink Federation:

ABIM	Association of Bakery Ingredient Manufacturers
BCA	British Coffee Association
BOBMA	British Oats and Barley Millers Association
BSIA	British Starch Industry Association
BSNA	British Specialist Nutrition Association
CIMA	Cereal Ingredient Manufacturers' Association
FOB	Federation of Bakers
GFIA	Gluten Free Industry Association
PPA	Potato Processors Association
SSA	Seasoning and Spice Association
UKAPY	UK Association of Producers of Yeast
UKTIA	United Kingdom Tea & Infusions Association

FDF also delivers specialist sector groups for members:

Ice Cream Group
Organic Group
CBD Group