

Greater Lincolnshire Food Board

13th August 2020 Agenda

The meeting will be held from 4.00-6.00pm via Microsoft Teams: [xx](#)

4.00pm	Welcome and introduction	Sarah Louise Fairburn
4.05	LEP Updates <ul style="list-style-type: none"> • Rutland, North and North East Lincolnshire • New Board Members • Local Industrial Strategy 	Ruth Carver
4.15	Impact of Covid-19 on the food chain - what happens next? Introductory remarks from: <ul style="list-style-type: none"> • Nick Downing, Commercial Director at the IGD • Rick Bourne, Scriven Green Food Consultants • Q&A with Nick and Rick • Feedback from members 	Sarah Louise Fairburn
5.00	National Food Strategy <ul style="list-style-type: none"> • Exec Summary (annex 1) • Feedback, Q&A 	Martin Collison
5.10	EFRA Select Committee Inquiry on Labour Supply <ul style="list-style-type: none"> • GLLEP response (annex 2) • Q&A 	Martin Collison
5.20	Priorities for the Future Growth of the Greater Lincolnshire Food Chain <ul style="list-style-type: none"> • Proposed focus of Covid Recovery and Growth Plan June 2020 (annex 3) • Discussion 	Sarah Louise Fairburn
5.40	AOB	Sarah Louise Fairburn
5.50	Future Meetings: <ul style="list-style-type: none"> • Format • Timing • Topics 	

Annex 1 - National Food Strategy, Part 1 Report July 2020 Executive Summary

(analysis by Martin Collison, July 2020)

On 29th July 2020, the first stage report for the independent review leading to a National Food Strategy was published by government. The review, chaired by Henry Dimbleby, lead Non Exec at DEFRA and restaurant entrepreneur, will publish a 2nd stage report in 2021 which will deal with the food chain and make recommendations for its development.

In launching the stage 1 report in July, Henry noted that Covid-19 has changed the context for the strategy, arguably has made it even more essential and has changed the issues he decided to focus on in his stage 1 report.

The stage 1 report focused on two main issues:

1. The link between diet and health:
 - This theme is focused on children and the dis-advantaged.
 - It is clear that Henry, as a previous review chair for school food, is passionate about the need to give all children a good start in life through access to a healthy diet.
 - At the launch Henry also noted that the Covid crisis has also reinforced this point, with evidence now mounting of a significant difference in the severity of the disease dependent on health and socio-economic group, with obesity a key risk factor.
 - 2 days before the launch, the Prime Minister had also committed the UK government to taking action on obesity.
 - Henry said that he expected to bring forward more detailed recommendations on these issues in the final report, in 2021.
2. What happens at the end of the Brexit Transition period:
 - Henry was very clear in the report and in his introduction on it, that he does not think it is tenable to do Free Trade Deals (FTAs) which disadvantage the UK industry by allowing in food produced to lower standards.
 - However, he noted that many current imports come from systems which use different standards on production systems, including some products imported from the EU. His message was therefore that we have to be very precise and nuanced in what we mean by standards.
 - However, his overall message was that consumers expect standards to be maintained and that the UK having regained its sovereignty should use this wisely and scrutinise all proposed Free Trade Agreements (in Parliament) to ensure that we protect UK standards and promote them in countries which wish to export to the UK.

Part 2 of the National Food Strategy will focus on the whole food chain, from farm to fork, based on detailed analysis of the food system. It will deal with issues such as jobs, climate change etc.

The full strategy and executive summary is available at: <https://www.nationalfoodstrategy.org/>

Pages 3-7 of the published National Food Strategy Part 1 Executive Summary (29th July 2020):

Executive Summary

WHAT you are reading is Part One of a two-part National Food Strategy. It does not present a comprehensive plan for transforming the food system: that will follow in Part Two.

Instead, it contains urgent recommendations to support this country through the turbulence caused by the COVID-19 pandemic, and to prepare for the end of the EU exit transition period on 31 December 2020.

Our food system has just endured its biggest stress test since the Second World War. As COVID-19 swept through the UK, the entire machinery of supply and distribution had to be recalibrated, fast. The fact that, after a wobbly start, there were no serious food shortages is a testament to the flexibility and entrepreneurialism of so many food businesses, and the resilience of the system as a whole.

There have, however, been heavy losses. Workers in the food production and retail sectors have suffered some of the highest death rates from COVID-19. Those in the hospitality sector have taken the biggest economic hit, with a higher proportion of furloughed staff (and expected redundancies) than any other profession. Across the wider population, the wave of unemployment now rushing towards us is likely to create a sharp rise in food insecurity and outright hunger.

At the same time, the virus has shown with terrible clarity the damage being done to our health by the modern food system. Diet-related illness is one of the top three risk factors for dying of COVID-19. This has given a new urgency to the slow-motion disaster of the British diet. Even before the pandemic, poor diet was responsible for one in seven deaths in the UK (90,000 a year).¹ That is vastly more than the death toll from traffic accidents (1,780 a year)² and almost as fatal as smoking (95,000)³. This is a medical emergency we can no longer afford to ignore.



My recommendations cover two main themes:

- Making sure a generation of **our most disadvantaged children** do not get left behind. Eating well in childhood is the very foundation stone of equality of opportunity. It is essential for both physical and mental growth. A poorly nourished child will struggle to concentrate at school.⁵ An obese child is extremely likely to become an obese adult,⁶ with the lifetime of health problems that entails. It is a peculiarity of the modern food system that the poorest sectors of society are more likely to suffer from both hunger and obesity.⁷ In the post-lockdown recession, many more families will struggle to feed themselves adequately. A Government that is serious about "levelling up" must ensure that all children get the nutrition they need.
- Grasping the once-in-a-lifetime opportunity to decide what kind of trading nation we want to be. The essence of **sovereignty** is freedom – including the freedom to uphold our own values and principles within the global marketplace. In negotiating our new trade deals, the Government must protect the high environmental and animal welfare **standards** of which our country is justly proud. It should also have the confidence to subject any prospective deals to independent **scrutiny**: a standard process in mature trading nations such as the United States, Australia, and Canada. If we put the right mechanisms in place, we can ensure high food standards, protect the environment and be a champion of free trade.

I was intending to include recommendations on limiting the advertising and promotion of unhealthy foods. But just as I was about to press "send", the Government unilaterally proposed the same policies as part of its New Obesity Strategy. I am delighted to have been pipped to the post. And because these policies are liable to cause protests in some quarters, I have kept the supporting arguments for them in Chapter 3.

Furthermore, I welcome the Government's invitation to consider ways to improve public sector procurement of food and drink. This is long overdue. In Part Two, I will include a comprehensive recommendation on what the government can do to ensure that the food the state pays for directly – for example in schools, hospitals, prisons, and in government offices – is both healthy and sustainable.

In Part Two of the National Food Strategy, to be published in 2021, I will examine the food system from root to branch, analysing in detail the economics and power dynamics that shape it, the benefits it brings

and the harms it does. There will be much, much more on health and on the interwoven issues of climate change, biodiversity, pollution, antimicrobial resistance, zoonotic diseases and sustainable use of resources.

The Government has committed to publishing a White Paper six months after I publish Part Two, and has asked me to review progress six months after that.

But the crisis we face right now requires immediate action.

These recommendations are urgent, specific and carefully targeted. In this period of acute crisis they could save many thousands from hunger, illness and even death. They will also help shape a more sustainable future for this country through enlightened trade deals.

Collaboration with Scotland, Wales and Northern Ireland

MOST of the governance of food and health falls under the aegis of the devolved administrations. Scotland, Wales and Northern Ireland each have their own food strategies (see Appendix D). My remit is predominantly to create a strategy for England.

However, the food systems of the UK are so tightly interwoven as to be indistinguishable in many ways. Almost 600 farms straddle the borders of Scotland and Wales to take one small example¹.

Collectively, we face many identical challenges. In addition, trade policy is not devolved, so the trade recommendations I have made would – if adopted – apply to every member of the union.

Throughout this process I have shared my thinking with the teams working on food strategy in the devolved administrations. I am thankful for their time and have learned a great deal from the dialogue. I look forward to much more of it as I move on to Part Two.

Summary of Recommendations



Our Most Disadvantaged Children

One of the miserable legacies of COVID-19 is likely to be a dramatic increase in unemployment and poverty, and therefore hunger. The effects of hunger on young bodies (and minds) are serious and long-lasting,⁹ and exacerbate social inequalities. The Government must move quickly to shore up the diets of the most deprived children using existing, proven mechanisms.

1. Expand eligibility for the Free School Meal scheme to include every child (up to the age of 16) from a household where the parent or guardian is in receipt of Universal Credit (or equivalent benefits).
2. Extend the Holiday Activity and Food Programme to all areas in England, so that summer holiday support is available to all children in receipt of Free School Meals.
3. Increase the value of Healthy Start vouchers to £4.25 per week, and expand the scheme to every pregnant woman and to all households with children under 4 where a parent or guardian is in receipt of Universal Credit or equivalent benefits

I am delighted that in the last week the CEOs of the Co-op and Waitrose have agreed, in principle, to supplement these vouchers with additional free fruit and vegetables. Most of the other major supermarkets and convenience stores (with support from the Association of Convenience Stores) are keen to follow suit and we are in discussions with them to explore mechanisms for delivery.

4. Extend the work of the Food to the Vulnerable Ministerial Task Force for a further 12 months up until July 2021. It should collect, assess and monitor data on the number of people suffering from food insecurity at any time, and agree cross-departmental actions, where necessary, to support those who cannot access or afford food.

In Appendix B we have also devised and evaluated a set of food guidelines for those school caterers who are supplying free school meal parcels over the summer. This will help them ensure they provide the nutrition that our children require.



Sovereignty, Standards, Scrutiny

Britain's exit from the European Union means that, for the first time in nearly half a century, we can – and must – decide for ourselves how we want to trade with the rest of the world.

UK farmers and food producers have some of the highest environmental and animal welfare standards in the world. This is something to be proud of. There is justifiable concern about opening up our markets to cheaper, low-standard imports which would undercut our own producers and make a nonsense of our progressive farming policies.

But negotiating trade deals is hard. Any blanket legislation requiring other countries to meet our own food guidelines would make it nigh-on impossible. We already import many food products from the EU that don't meet UK standards. A blanket ban would make it impossible to continue trading even with this most closely aligned of partners.

There is a subtler mechanism we could use to put in place specific trading standards¹, without requiring a universal ban.

5. The Government should only agree to cut tariffs in new trade deals on products which meet our core standards.¹¹ Verification programmes – along the lines of those currently operated by the US Department of Agriculture to enable American farmers to sell non-hormone-treated beef to the EU – should be established, so that producers wishing to sell into the UK market can, and must, prove they meet these minimum standards. At a minimum, these certification schemes should cover animal welfare concerns and environmental and climate concerns where the impact of particular goods are severe (for example, beef reared on land recently cleared of rainforest). The core standards should be defined by the newly formed Trade and Agriculture Commission.

6. The Government should adopt a statutory responsibility to commission and publish an independent report on any proposed trade agreements. The Government should decide whether this impact assessment function requires the establishment of a new body – similar to those which exist in many mature trading nations, including Australia, Canada and the USA – or whether it could be performed by an existing body or by independent consultants (as is the case in the EU).

Scrutinised decisions are likely to be better decisions. The scope of the impact report should include: economic productivity; food safety and public health; the environment and climate change; society and labour; human rights; and animal welfare. The report would be presented alongside a government response when any final trade treaty is laid before parliament. It is important that government decisions – especially those with such profound consequences as new trade deals – should be properly scrutinised.

7. The Government should adopt a statutory duty to give Parliament the time and opportunity to properly scrutinise any new trade deal. It must allow time for relevant select committees to produce reports on any final deal, and allow a debate in the House of Commons.



Annex 2 - EFRA Select Committee Inquiry into Food Chain Labour Supply - submission by Greater Lincolnshire Food Board, June 2020

Agri-food is Greater Lincolnshire's largest industry, with high location quotients and growing employment in multiple sub-sectors across the LEP area. The Greater Lincolnshire pre-consumer (i.e. not including food retail and food service), food chain supports 56,000 direct employees in agriculture, food processing, marketing and logistics¹, with a GVA of over £3.5billion.

The industry is represented by the Greater Lincolnshire Food Board who report that migrant labour has been a major source of workers for over 20 years, with many farms relying on migrants for half or more of their workforce (up to 90% for seasonal harvest work). Food industry leaders who started careers in the 1980s report that, before EU migration, companies constantly struggled for staff and the growth seen in the last 20 years to create what one board member has described as the best food sector in Europe, has been enabled by 'keen, dedicated, well qualified European staff'.

Packhouses and food processors typically have over half their workforce from migrant communities and over half of lorry drivers in the industry are migrants. Greater Lincolnshire's fresh produce, ornamental and potato sector had a farm gate value of £600m in 2018 and supports substantial additional value in processing, marketing and distribution, with total output more than treble that on farms. This sector is critically dependent on seasonal labour as most crops are seasonal. Seasonality is also a key factor for meat processing, Greater Lincolnshire has 16% of this market, with employers reporting that seasonal workforce needs can increase by 20-75%. All these employers report long term recruitment challenges and shortages of skilled production workers.

The sector generates 18% of local GVA, against 3% nationally and employs 13% of local workers compared to 3.6% nationally. This makes Greater Lincolnshire the LEP with the greatest dependence on food production, processing and distribution. This focus is supported by its knowledge base, with 29.3% of Innovate UK grants in Greater Lincolnshire from 2014-18 focused on food and agri-tech.

The industry contains just over 6,000 companies². Whilst agriculture is dominated by SMEs, the post farmgate food chain has a diverse mix from start-ups and specialist micro producers to over 70 large food companies, including multi-nationals. Greater Lincolnshire is different from other LEPs in having significant strength at every stage of the food chain. Our agriculture produces over £2billion of crops and livestock, 11% of the English total. It has particular strengths in fresh vegetables with 30% of English production, 20% of sugar beet, 19% of poultry and 19% of ornamentals and flowers³.

Lincolnshire is the UK centre of the seafood industry with a cluster of 65 fish processors, including the largest companies, and this cluster contains 5,000 jobs, which doubles with those in the wider

¹ ONS, Business Register and Employment Survey (2018)

² GLLEP (2018), Annual State of the Economy Report 2018

³ DEFRA (2018), Structure of the agricultural industry in England and the UK at June

supply chain. The LEP has 7,500 staff employed in meat and poultry processing, 12% of the GB total and 5,000 employed in vegetable, fruit and potato processing, 16% of the GB total.

The LEP area has the UK's greatest concentration of food logistics companies with an estimated 30% of national food shipments passing through South Lincolnshire. The Spalding area dispatches between 1,000-1,200 finished lorry loads of food per day. The south bank of the Humber has a major food logistics sector for fish and added value foods.

The LEP has focused on food chain investment since its 2014 agri-food sector plan which created the Food Board. The Food Board took the lead on a 2017 sector plan review to respond to Brexit, the National Living Wage and development of technology. The Food Board has consistently stressed the need to focus on labour productivity and automation.

Response to the Inquiry Questions

1. *What impact will the Government's proposed points-based immigration system have on labour in the food supply chain? Which sectors will be most affected by a reduced ability to recruit from abroad?*

The industry welcomes the new proposed lower salary and qualification thresholds⁴, but these don't go far enough, as most jobs do not meet the proposed salary or qualification thresholds. Most food chain seasonal jobs, by their nature as manual roles, do not require a degree and do not command high salaries. If wages were increased to meet the proposed salary threshold, the industry would be uncompetitive internationally and UK production would reduce or cease. Local employers who have tried to use the Tier 2 sponsor route report it is prohibitively expensive and the application process is seen as too long, complex and unviable in most cases.

Migrants are a key part of the workforce at every stage of our food chain and companies report that typically 90%+ of the workforce for harvesting vegetables are migrants. Locally food storage and logistics employs 7,500 staff⁵ and our food companies report 50% of this workforce are EU migrants. Brexit had already led to some migrants leaving and, at the start of Covid-19, the highest level of vacancies in Lincolnshire was for drivers, over 500 unfilled posts.

During Covid, labour shortfalls have been met mainly by redeployment of furloughed workers from other sectors. As the economy returns to 'normal', this short term solution is unlikely to be available as these workers return to other sectors.

Technology providers and our strong food technology academic and research base employ skilled workers with higher salaries. We therefore do not expect this to present so much of a challenge with a points based system, but we are finding that overseas workers are essential in

⁴ <https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement>

⁵ Analysis of BRES 2018 Nomis data

sectors such as food robotics because of a lack of suitable UK staff to fill all the roles in a rapidly growing sector.

2. Will investment in staff retention, productivity, technology and innovation compensate for the Government not implementing an immigration route for “lower skilled workers”?

Ultimately there is a large potential to adopt new approaches to work in the sector which will compensate in part for the lack of an immigration route for ‘lower skilled workers’.

However, the necessary changes are impossible to implement by January 2021, given the size of the migrant workforce who have met the industry’s labour needs for 20-30 years.

Our industry members question the term ‘low skilled workers’, our employers report migrant staff are typically 20% more productive than UK staff who have not done this work before. However, the market dictates wages cannot be much higher than similar roles in other countries if the UK wishes to be competitive. If the UK fails to meet labour demand the industry will decline, capacity and profits will be lost and the UK will import more food. Our Food Board believe the UK has the potential to substantially grow its agrifood economy post Brexit and post Covid but, to do this, a sustainable labour supply at all levels of the industry is needed.

Staff retention

Table 1 - Comparison of National Minimum Wage (NMW)⁶

Countries and global rank	Date	NMW	NMW in \$US
1. Luxembourg	2020	2,142.0 €	2,406.3 \$
2. Australia	2019	3,163.3 \$	2,228.9 \$
3. Ireland	2020	1,656.2 €	1,860.6 \$
4. Netherlands	2020	1,635.6 €	1,837.4 \$
5. United Kingdom	2020	1,360.2 £	1,804.8 \$
6. Belgium	2020	1,593.8 €	1,790.5 \$
7. Germany	2020	1,584.0 €	1,779.5 \$
8. France	2020	1,539.4 €	1,729.4 \$
14. Spain	2020	1,108.3 €	1,245.1 \$

⁶ <https://countryeconomy.com/national-minimum-wage>

Food chain companies work hard on staff retention and, even with seasonal harvest labour, report most migrants return to work over multiple years i.e. they are retained even if working seasonally. Skilled migrants are vital as they have higher productivity. The industry is committed to working hard on retention, but this alone will not meet future labour demand.

The move to the National Living Wage since 2016 has been very expensive for the industry, and whilst higher wages are welcomed by workers and should help with retention and the ability to attract UK workers, the UK minimum wage is already much higher than in many of the countries we import food from. The UK is ranked 5th for the level of its national minimum wage in \$ terms (2020), with a 45% higher rate than in Spain (table 1) where large numbers of migrant workers are used to harvest crops to export to the UK.

Productivity, Technology and Innovation

There is potential to increase labour productivity in the food chain, but this is critically dependent on the need to invest in technology and innovation. Greater Lincolnshire is leading on this process through the Lincoln Institute for AgriFood Technology (LIAT), now the World's largest agrifood robotics centre and the National Centre for Food Manufacturing (NCFM).

The Holbeach Food Enterprise Zone is a partnership between industry, Lincolnshire County Council, South Holland District Council, University of Lincoln and Greater Lincolnshire LEP focused on food chain productivity. An internal 2020 review⁷, which consulted with 80 industry and public sector stakeholders, concluded: 'Given the existing expertise regionally and future needs of the industry it is recommended that initially this [FEZ] should focus on: Food chain automation and digitalisation to deliver productivity gains, including a focus on agrifood logistics and warehousing technology'.

As we have seen during Covid-19, when demand for food spiked by 20%, the short term solution was to recruit more staff. Ocado, which relies on fully automated warehousing, took much longer to respond to Covid than retailers who recruited staff. The Tesco CEO in late April 2020⁸ reported: 'Tesco has achieved an increase in online capacity of 103% in the space of a few weeks, growth which would normally take years to achieve' by increasing staff numbers. However, the Grocer⁹, reported that the crisis will ultimately accelerate the move toward automation and Brittain Ladd have forecast that by 2024, labour productivity in grocery stores and warehouses will have doubled as staff are replaced with/augmented by automation. However, it is vital to recognise, as this report does, that this transformation will take a further 4-5 years and require substantial investment in new technology.

⁷ Unpublished, (February 2020), Developing & Refreshing a Joint Vision for the Ambition & Delivery of Holbeach Food Enterprise Zone

⁸ BBC online (28th April 2020), Coronavirus: The weekly shop is back in fashion, says Tesco boss

⁹ <https://www.thegrocer.co.uk/supermarkets/how-coronavirus-will-herald-a-new-era-of-automation-in-grocery/605200.article?>

The UK Government's (2017) Made Smarter Review¹⁰ looked at how digitalisation will impact the UK economy. Starting with 11 sector based case studies, the review concluded that the UK should focus its digitalisation strategy on four sectors, including food (Lincolnshire helped lead this case study). Digitalisation was estimated to be worth £55.8 billion in additional GVA in the food chain from 2017-'27. The Food chain had the second largest percentage increase in economic value (aerospace was first) predicted: 'Automation could increase productivity growth in food processing and wholesaling from 1.4 percent to 3.0 percent per annum'.

A June 2020 paper by the University of Lincoln et al¹¹, argues that whilst the fresh produce sector has responded well to Covid-19, this has largely been done by increasing staff resources but that it has not begun to 'exploit more radical innovations', such as automated supply chains.

The long term need for labour saving technology means continued capital investment is needed by industry and in applied research.

3. *What impact has the Seasonal Workers pilot scheme had on agriculture and horticulture? What should be the future of the scheme, including whether it should cover more, or different, agricultural and horticultural sectors?*

The Government trial of the Seasonal Agricultural Workers Scheme (SAWS)¹² is welcome, but our industry members are concerned that the numbers proposed in SAWS, even if fully rolled out, will be much lower than industry demand.

At present the impact on the industry of SAWS, with 10,000 workers in 2020, has been limited as this number is much lower than the labour needs in the industry which are 7-8 times this level for seasonal harvest labour alone. Other needs across the agri-food industry add tens of thousands to the true need. 'Seasonal agricultural workers' are also needed in meat processing, vegetable packhouses and food processing to meet seasonal demands (e.g. Christmas).

Lincolnshire is a major producer of ornamental crops, with 19% of England's production, worth over £200m. This sector grew by 18% from 2015-17¹³ and is a UK and regional success story. This production is, as with many fresh produce food crops, very seasonal and requires large teams of harvest workers as most crops cannot be picked by machine (the technology does not exist). It is important that any scheme covers this sector.

We have local fresh produce growers who are looking to reduce production or leave the industry from 2021 if a solution cannot be found to their labour challenges. This includes companies who are actively investing large sums in working with partners on automation R&D.

¹⁰ HMG (2017), Made Smarter Review 2017

¹¹ Rebecca Mitchell, Roger Maull, Simon Pearson, Steve Brewer and Martin Collison (2020), The impact of COVID-19 on the UK fresh food supply chain, <http://arxiv.org/abs/2006.00279>

¹² <https://www.gov.uk/government/publications/seasonal-workers-pilot-request-for-information/seasonal-workers-pilot-request-for-information>

¹³ Defra, Horticultural Statistics 2017 (October 2018)

No developed country, we are aware of, manages to have a thriving horticultural sector without a seasonal workforce to meet harvest needs. During Covid, France and Germany, who use 3-4 times the number of seasonal migrant workers used in the UK, have ensured this supply of seasonal labour is maintained to harvest crops. Anecdotal evidence from industry members show that restrictions on the supply of US migrant labour is leading to growth of Mexican horticulture, as companies move crop production from the US to where labour is available.

4. How many seasonal workers are required in agriculture and horticulture each year, and how can this demand be reasonably met from 2021?

Of the two million EU nationals¹⁴ working in the UK, 20% currently work in the food chain. By sub-sector, these 400,000 workers are distributed as follows:

- 30% of the food and drink manufacturing workforce and 18% of food wholesaling workers;
- 5% of the food retailing workers and 12% of the food (and drink) service sector workers;
- 9% of the permanent agricultural workforce and a further, estimated, 75,000 seasonal staff.

Technology and innovation can help address the labour supply challenge through automation, but substantial further progress is needed and many solutions cannot be delivered by 2021. This is not because of a lack of initiative from UK industry, technology companies or researchers, but simply that more work is needed to develop, test and deploy the technology. Nowhere in the World yet has technology which works reliably and cost effectively for many food industry jobs.

A meaningful impact on labour demand is possible over the next 3-5 years, but to deliver this a 'moonshot' approach is needed, supported by government. In March 2020, the University of Lincoln, supported by the LEP and national partners proposed a project to BEIS and DEFRA to accelerate this process to help meet labour supply challenges from Covid and Brexit. We found widespread industry support, offers of technology from other sectors (many with furloughed engineers) and clear evidence that investment could accelerate technology development and deployment.

The delivery of the cross-government priority to increase R&D and innovation from 1.7% of GDP to 2.4% by 2027¹⁵, signifies a welcome uplift in the resources invested in UK innovation. If even a fraction of this was focused on food chain automation the impact on technology uptake could be substantial and long lasting. As this is a global challenge, investment in technology would create substantial export potential for UK companies.

Without sufficient technology investment, the industry will be forced to rely on seasonal migrant labour, the unemployed or to reduce production. The experience in 2020 of the Pick for Britain campaign, which Greater Lincolnshire actively promoted, is that most UK workers (unemployed,

¹⁴ ONS, Annual Population Survey, ad hoc report released June 2017

¹⁵ <https://www.gov.uk/government/news/record-boost-to-rd-and-new-transport-fund-to-help-build-economy-fit-for-the-future>

furloughed or students) are less skilled and productive than migrants and commit to fewer hours, meaning more staff are needed. This means labour costs have risen, by about 20% per unit of output¹⁶, but without any corresponding increase in product prices, UK production is now less competitive.

In 2021, as the economy recovers, furloughed staff return to their old jobs and students resume their studies, industry is concerned that without access to sufficient migrant workers it will not be able to sustain harvesting, processing and marketing operations.

Key local stakeholders share these concerns, e.g. Mark Suthern¹⁷, Barclays Head of Agriculture, lives in Lincolnshire and knows our agriculture well. Mark was interviewed for Roythornes '1-2-3 series' in June 2020 and reported that the two biggest challenges for the agricultural sector are: navigating the uncertainty of Brexit; meeting the demand for labour, in particular for harvesting.

Nature Food in June 2020 published a paper by the University of York¹⁸ which concluded: 'we need a new strategic plan to re-orientate the UK food system to grow more food sustainably in the UK. This will require new thinking and investment in British horticulture ... COVID-19 has also exposed the UK's vulnerability in terms of labour shortages, hence there needs to be an investment in skills and training for farming combined with investment in digital automation.'

Greater Lincolnshire is keen to develop its intensive crop sector and food chain, but to do this a secure supply of labour is needed for at least the next 4-5 years until automation is available. If this workforce is not secured it will be impossible to deliver the large growth in the industry we believe is possible post Brexit.

¹⁶ Andersons Midlands (June 2020), The Potential Implications of Covid-19 for the Costs of Production of UK Fruit and Vegetables in 2020, NFU, BGA, British Summer Fruits, British Apples and Pears

¹⁷ https://www.roythorne.co.uk/site/sectors/food-and-drink-solicitors/123food/mark_suthern/

¹⁸ Garnett, P., Doherty, B. & Heron, T. Vulnerability of the United Kingdom's food supply chains exposed by COVID-19. *Nat Food* (2020). <https://doi.org/10.1038/s43016-020-0097-7>

Annex 3 - Greater Lincolnshire Covid-19 Recovery and Growth Plan for the Food Sector

Executive Summary (June 2020)

Covid-19 is the biggest change in the food chain in generations and is likely to lead to changes in consumer food demand, industry structure and focus and the policy framework used by government, at a time when substantial change was already expected due to Brexit.

This report:

- Reviews the challenges created by Covid-19 for the Greater Lincolnshire food chain;
- Evaluates the medium to long term impact on the food chain of Covid-19;
- Makes recommendations for actions which industry and its partners need to take to facilitate recovery from Covid-19.

Greater Lincolnshire has a large, thriving and dynamic agrifood sector and is the LEP with the most dependence on the sector, with broadly a 1/5th of the economy and workforce in the food chain. With over 6,000 companies from SMEs to global companies the sector has strengths in multiple areas. The LEP has been active on agrifood policy since 2013 and has clear sector plans in place. It has worked closely industry and the University of Lincoln to develop national and international expertise in innovation for the industry. Nationally before Covid-19 struck, agrifood policy was already entering a period of major change due to Brexit, market changes, the drive for Net Zero and an ambition to deliver sustainable growth through the UK Industrial Strategy. Environmental issues such as food and packaging waste, energy and water were also coming to the fore. Health and concerns over dietary choices were impacting policy and leading to changes in the market and regulatory frameworks.

Short Term Impacts of Covid-19

Since the Covid-19 pandemic began to impact the food chain in early March 2020 in the run up to and since lockdown started, the food chain has seen a period of major change, unlike anything seen before in a short period of time. However, the experience of food industry companies has been very diverse, from companies which were forced to close, to others who have seen a major increase in businesses.

Across all parts of the industry major changes have been seen in relation to:

- Labour supply - from at one extreme food service companies who have furloughed all their staff, to many companies in the food retail chain who have had to recruit additional staff to meet demand;
- Cost and margin pressures - companies which closed had severe cashflow problems after income collapsed and, despite government help, costs continued. Companies which remained

operational or expanded have seen costs rise faster than income leading to short term cashflow issues;

- Trade - the UK food chain is reliant on international trade for nearly half of UK food, but has also had great success in growing exports in the last decade. Covid-19 has disrupted trade and whilst most imports have still arrived, costs have risen. Unfortunately initial data shows more challenges with exports with Q1 exports down by 12% and Q2 expected to be much worse.

Agriculture in the main has been relatively unaffected by Covid-19 in the short term, apart from a few products such as some milk and potato producers who were focused on the food service market. Farmers with B2C sales, e.g. online or farm shops, have in general seen a big increase in sales. There are growing concerns about access to labour later in the year as harvest labour demands need to be met.

The food service sector has been badly impacted by Covid-19 with nationally 83% of all food service staff furloughed by May as most sites closed. There are concerns many sites, industry suggests 30-50%+, may not re-open. In Lincolnshire alone this could result in 10,000+ jobs being lost. Some fast food, pubs and restaurants have re-opened for take away or delivery sales, but much of the sector is still closed.

The food retail sector has in total seen a big uplift in sales which after initially being up by 24% in March, fell back to a 9% year on year rise in April as people ran down in home stock from panic buying, but by May sales were up by 20% year on year. Online sales have grown by 50-200% or more, constrained only by the ability to find the vehicles and staff needed. Initial stock shortages in March have been largely addressed, but most retailers continue to have more out of stock lines than normal.

Food and drink processors and distributors have in the main seen business increase, apart from companies which were dedicated to food service markets which have closed. Online distributors in both the B2B and particularly in B2C markets have seen big rises in sales. For companies which have seen sales rise the big challenges have been on labour supply, distribution capacity, rises in costs and thus downward pressure on margins.

The UK ornamental sector, 19% of the production of which is in Lincolnshire, has lost millions of plants with the Horticultural Trades Association estimating losses at a £1/4 billion. The closure of garden centres at the start of their spring season left a lot of stock unsaleable and many companies are fearful that they will not be able to finance future production.

Future Changes Anticipated in the Supply Chain

Looking forward the expected changes in the commercial supply chain include both generic, industry wide impacts as well as sector specific change.

At the agri-food industry level there are concerns that the impact of the crisis and continued uncertainty both from Covid and longer term changes such as Brexit and policy change, combine to

create a difficult investment climate and may impact the industry and its financial backers' appetite for risk. Many companies are also looking in detail at the resilience of their supply chains and, at company level, their own resilience in the face of future pandemics and shocks and thus whether they should specialise or diversify their portfolio of products and customers.

The future health and direction of the economy will have a major impact on the food chain as, whilst people will continue to have to eat, previous recessions have shown that economic downturns lead to major changes in the food choices consumers make both in terms of what and how they eat. It is anticipated that the market may become even more polarised and diverse.

To address the productivity and cost challenges the industry was already facing, but which Covid-19 has intensified, companies right along the chain are expected to have a growing appetite for innovation and technology adoption which can deliver cost savings. Changes to trade and supply chain structures are also likely as companies seek to mitigate risk and take cost out of the supply chain e.g. by having fewer steps in the chain.

Sustainability is expected to increase in importance as consumers, industry and policymakers all try to deliver better growth post-Covid. This is expected to focus on areas such as packaging waste and plastics, food waste, energy and water.

Changes in consumer demand are likely to mean that the physical infrastructure needed by the food chain changes, with fewer pubs, hotels and restaurants, but more warehouses and fulfilment centres as consumers buy more products on line.

Agriculture seems broadly confident that Covid-19 impacts will be relatively limited as long as future labour supply and trade deals don't adversely impact the industry.

Food processing and distribution is expected to see more change as companies seek to reconfigure production and the supply chain responds to new ways to get food and drink products to consumers. Online retail and online food service deliveries are expected to continue to grow as consumers embrace a new environment. The challenge for online services will be how to deliver growth cost effectively.

Food service is expected to take a long time to recover and may even see a lost decade. This assessment is based on the likelihood that many outlets will close, social distancing rules will restrict capacity, changes in how much consumers travel as opposed to being at home and changes in work patterns, all of which put pressure on the sector. Many providers are expected to focus resources on developing their online presence and delivery services to offset a decline in eat in occasions.

Potential Changes in Agri-Food Policy

The impact of Covid-19 is likely to lead to changes in food policy. Whilst many of the expected policy consequences were already in place, Covid-19 has placed more emphasis on some areas and accelerated others.

Internationally there are concerns that the Covid-19 crisis will turn into a food security crisis in many countries. The need for more resilient supply chains which can respond to climate change, which reduce environmental impact and deliver healthier diets are all expected to continue to be prioritised.

One area where policy may become more supportive of the food chain is in relation to economic growth, given that with the exception of food service, the food chain is the one major sector which has seen large, commercially driven growth during the pandemic.

Much of the focus of the new UK Agriculture Bill and National Food Strategy responds to these themes, but the focus on food production, secure, resilient supply chains and the factors which support this such as labour supply is likely to grow as a result of Covid-19.

The New Normal in the Food Chain

It is likely that the Covid-19 crisis will lead to many changes, but at the same time many predictions will prove to be too extreme. As working and home life begins to return to 'normal' it is likely that old habits and norms will start to re-assert themselves, but unlikely that conditions will revert to how they were in February 2020 given the economic and lifestyle changes which are likely to result from the crisis.

The 'new normal' for the food chain is linked to many external factors in terms of how the economy is impacted by Covid-19, how consumers and industry react and how successful government measures to moderate the worst impacts of the pandemic prove to be. At present these are all uncertain. There are also considerable uncertainties about whether the UK (and wider World economy) will be impacted by a 2nd or even multiple lockdowns if further waves of Covid-19 occur.

One certainty is that the experience of consumers and industry will not be homogeneous. Many employees will see their incomes sustained but other consumers will either lose their jobs or be fearful of doing so and thus can be expected to substantially change their spending on food.

Another certain is that the pandemic has caused major shifts in the way food is consumed and, coupled to economic damage, this is likely to lead to structural change in the food industry, both short and longer term, as the economy changes and people make choices about their future lifestyle. Potential characteristics of the new normal include:

- Price pressure for producers as consumers and politicians resist higher prices in a recession;
- A challenge for all businesses in the food chain to rebuild productivity and margins through focusing on supply chain and production efficiency;
- Consumers will embrace pre-Covid mega trends including convenience, provenance and traceability, sustainability and health after the pandemic ends, with potentially even more focus on healthy diets and sustainability as society and government tries to 'rebuild better';

- Retail sales will remain elevated for a considerable time period, at least 2-3 years, as food service takes a long time to rebuild and consumers spend more time working from or at home for leisure;
- Online sales increases will be sustained as consumers shun the high street and seek convenience;
- Large format supermarket sales will be higher in the short term, but will fall back, as convenience outlets and online take a larger share of the market;
- Food service sales will remain subdued for years and there is a prospect of a lost decade as sales take 5-10 years to return to pre-Covid levels;
- Fast food sales will rebuild faster than the rest of food service, particularly in drive through and online ordering formats. Many pubs, restaurants and hotels will close as extra costs and lower sales combine to force many out of business. Once closed these venues will remain shut until confidence returns.

These predictions are presented as a starting point to engage the industry in discussing its future direction.

Greater Lincolnshire Response

Based on this assessment of the likely changes in the food chain post-Covid, the following 10 priorities for industry development are proposed.

Commercially food chain companies will need to focus on:

1. **Productivity and profitability** - every food company will have to focus on productivity and costs to enable them to deliver long term profitability in a market in which prices will be under pressure.
2. **Digital transition** - every food company will have to have a digital strategy which uses digital tools to improve productivity, embrace new supply chain models and to work with customers and suppliers in a society with less face to face contact.
3. **Supply chain resilience** - all food companies will have to have a portfolio of routes to market which respond to changing consumer lifestyles and work patterns and which prioritise developing more resilient supply chains encompassing input suppliers (e.g. packaging, transport) and food itself.
4. **Consumer value** - every food company will need to ensure consumers feel that the value proposition justifies the price for food. For physical retail and food service, except fast food and top up shopping, face to face experience will have to justify the added time and cost compared to online purchases by providing unique or pleasurable experiences through 'food theatre'.

Socially food chain companies will need to focus on:

5. **Skills and workforce** - given the major changes which will impact the food chain, every company will need to deliver a clear workforce and skills development plan to help them meet future demands.
6. **Health, diet and food access** - the pressure for the food chain to meet the needs of all consumers for access to nutritious and affordable food will grow and proactive action by the food chain is important to avoid regulation or taxation.

Environmentally food chain companies will need to focus on:

7. **Net Zero** - the drive for Net Zero will accelerate and all food companies will have to work with their supply chain to demonstrate how they are reducing the carbon footprint of the supply chain.
8. **Energy, water and waste** - the pressure to reduce environmental impact from the food chain means all businesses will have to address their energy efficiency, water use and reduce their waste arisings.

The Public Sector should support food chain companies by focusing on:

9. **Innovation** - the public sector should support the development of technologies which address industry challenges, with a focus on addressing the digital, automation and environmental priorities all food chain businesses are having to respond to.
10. **Physical infrastructure** - the future food chain will need new types of buildings, in new places and to embrace new supply chain structures and environmental priorities. A proactive planning and business support system is needed to restructure the food chain's property assets.

The response to Covid-19 in the Greater Lincolnshire food chain will need to build on the existing work to grow the industry, but Covid means that some new areas need to be added and other development areas need to be accelerated. As well as actions which can be taken by industry directly, the plan includes action for the public sector and areas in which Greater Lincolnshire will need to seek national support. Actions already being taken include:

Future Agri-Food Industry Policy:

- The LEP is adopting a pro growth post Covid policy for the food chain, through the Food Board, to provide a clear set of priorities to feed into national policy for the industry.

Automation & Workforce:

- Promoting Pick for Britain, the Land Army and Student Land Army to help meet employer labour needs - the LEP is part of the national Pick for Britain campaign and work has been in place since April 2020 on labour supply.
- Supporting the University (LIAT) led initiative with NFU, MTC, Agri-EPI and LEP to develop a UK agrifood automation programme to meet 2020-'21 industry needs - continued lobbying is needed to get government support and is being led by the University of Lincoln.

Trade & Investment:

- Contributing to national food and drink export policy, through the Food and Drink Sector Council Exports Working Group - the LEP participates in the FDSC Exports Working Group.
- Working with DIT to support both exports and inward investment into the sector - a High Potential Opportunity (HPO) proposal is currently with DIT to support food sector inward investment in Holbeach FEZ and Lincolnshire. This action is being delivered by the County Council, LEP and LIAT at the University working with DIT.

Garden Centres and Nurseries Recovery:

- The early need during Covid-19 to re-open garden centres has been delivered with garden centres in England re-opening from 13th May following lobbying by the industry, the LEP and many others.
- The LEP is also pressing government for help to compensate nurseries for lost plant stock to ensure that they can compete in future with overseas nurseries, notably the Netherlands who have supported their nurseries with a €600m fund. This is being delivered by the LEP and SHDC through writing to the Treasury, BEIS, DEFRA, DIT and DoH, led by South Holland District Council and being supported by MPs.

Additional Proposed Actions, include:

Priority 1 - Digitalisation of the Food and Horticulture Supply Chain

Additional support is needed to ensure that business support programmes and skills programmes accelerate the move to online business, through:

- Automation & Workforce: Ensure that the business support and skills system (for students and the workforce), embraces the need to deliver online services;
- Online Retail for Horticulture: Help the ornamental plant industry to develop online sales capacity, both to respond to longer term consumer market trends and to help it manage future risks if non-essential retail is again forced to close (due to future Covid or similar crises).

Proposed leads: ESB, Colleges and University on skills; Growth Hub, working to directly support businesses and to signpost them to specialist NCFM and LIAT technical programmes where appropriate.

Priority 2 - Holbeach FEZ and Riseholme

The Joint Vision for the Holbeach Food Enterprise Zone report (February 2020), established a clear plan for the actions needed in 2020-2024 and beyond to deliver the vision for the Holbeach FEZ. Covid-19 has reinforced the need for this development.

The total development requires £150m of investment and partners are agreed this requires both public and private sector investment. During 2002-'21 there is a need to complete the land assembly, develop a fully costed delivery plan, source a commercial JV partner and promote the site commercially. The opportunity to develop a costed government ask also needs to be taken, as a key aspect of Covid-19 recovery and the LIS delivery.

The proposed action will focus on developing the Holbeach FEZ and Riseholme campus as a technology cluster, built around NCFM and LIAT, to act as the national centre for:

- AgriFood chain development, automation and robotics.
- NPD and new supply chain models to ensure the food industry responds to changes in demand (this requires commercial investment and innovation support services).
- Investment in online and digital service innovation in the food chain through LIAT, NCFM and the Lincoln Business School (growing expertise in food chains), building on the Internet of Food Things Network+ and other regional and national programmes run by the University of Lincoln.

Priority 3 - Food Service Sector Survival and Re-structuring

There are two short to medium term strategic issues for the food service sector:

- Food Service Sector re-opening, with a focus needed on:
 - Marketing campaigns are needed to encourage customers to return, including on the Coast where many of these companies are clustered as part of the visitor economy.

- Short term business advice on best practices to deliver social distancing whilst remaining economic, so they can plan their physical and operational environment to allow them to safely and successfully re-open.
- Proposed lead: Business Lincolnshire Growth Hub.
- Food Service Sector Development, with a focus needed on:
 - Medium term need to create more value for the regional economy by promoting the local and regional food offer in food service. This will benefit the food chain and visitor economy through a higher value more distinctive offer. Proposed lead: Visit Lincolnshire, local DMOs and Town Deals teams working with local food producers and producer groups (e.g. Select Lincolnshire).
 - Short and medium term priority to provide business support to help companies develop new routes to market and embrace digital platforms. This needs to be developed into a support package to help food service and visitor economy companies develop more resilient business plans enabling them to cope with future shocks. This can include re-orientating their companies to support food retail and/or alternative, e.g. online delivery, routes to market. Many SMEs lack the web platforms to move online and need advice and/or grant aid to do so effectively. Proposed lead: Business Lincolnshire Growth Hub.

Priority 4 - Future Sector Policy and Re-structuring

In addition to work which is already underway on the LIS Strand on Future Proofing the Agri-Food Industry and this overarching agri-food sector recovery plan, more detailed work is needed on two areas:

- Horticulture Development Plan: the development of a (national) horticulture development plan led by Greater Lincolnshire to set out how growth of this sector could be supported, with the aim to report by Easter 2021 at the latest. Lincolnshire could lead this process, potentially with other LEPS in which this sector is important (80% of this sector is in 4-5 LEP areas in East/SE England) working alongside central government.
- Vacated Food Service Sector Buildings: a review needs to be established of the need to proactively repurpose vacated food service commercial space into new uses, so that a proactive policy is in place for this commercial space if it becomes vacant. This needs to be led by the LEP working with Council EDOs and planning departments and should align with work on the future of the high street and visitor and wider economy (including potential conversion to housing in high streets if the food service sector declines as much as some expect).