

Greater Lincolnshire Food Board

13th August 2020 Actions and Notes

Actions for Board Members include:

- Contribute to papers/studies on National Food Strategy, labour supply, trade, digital, freeports
- Which 3 key priorities /areas do we want to focus on with government to support food chain growth?¹

Top 3 priorities - Question to Members:

To respond to Covid, Brexit and other short and long term changes in the food industry:

- What are the top 3 priorities for food industry growth and development?

Food Chain companies can focus on:

1. Productivity and profitability
2. Digital transition
3. Supply chain resilience
4. Consumer value
5. Skills and workforce
6. Health and diet (including food access for all)
7. Sustainability including Net Zero, energy, water and waste

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

8. Trade deals which support UK food companies (including food standards)
9. Innovation support (skills, applied R&D and innovation)
10. Investment in physical infrastructure (roads, rail, ports, digital, affordable housing etc.)

Actions for the LEP:

- Update the Covid recovery and growth plan based on feedback from members of the Board on future priorities;
- Develop improved insight on food chain employment, especially for migrants and seasonal workers, by undertaking a study which goes beyond SIC codes² so that the true scale of the sector is understood to inform local actions and lobbying. To explore with the University using students to help undertake this study;

¹ To inform the Covid Recovery and Growth Plan, lobbying with government (e.g. National Food Strategy) and local project interventions

² To recognise that many workers who work in the food chain are recorded under non-food chain SIC codes e.g. contract labour from labour providers normally recorded as business services employees

- Develop a paper on how the needs of Food Sector companies relate to cross LEP priorities e.g. housing, education, transport, so that a more integrated strategy can be developed;
- Organise future Board meetings and Board meeting dates:
 - Future dates will be based on a suggested 4 meetings per year, with most meetings online to reduce travel needs;
 - Potential priority topics to include: DEFRA, NFU and the food industry on Food Standards and trade; National Food Strategy.

Notes of Discussion

The notes on the following pages detail the discussion which was held at the meeting after inputs by:

- Nick Downing, Commercial Director at the IGD
- Rick Bourne, Scriven Green Food Consultants
- Martin Collison, GLLEP agri-food advisor: National Food Strategy; EFRA Select Committee Inquiry on Labour Supply; Priorities for Future Growth of the Greater Lincolnshire Food Chain

Nick Downing IGD



Facing the Future: 5 Key Trends
Nick Downing, IGD
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10 big predictions



Society



Reversal of globalisation



More frequent business disruption



Kinder, more community engaged society

Shoppers



Revert to savvy shopping



Eating at home the new eating out



Seeking creative and social experiences

Retail



Increasing market consolidation



Prioritising operational efficiency



Agile and flexible store formats



Elevated online grocery penetration

Additional points:

- Countries turn inwards in crises
- JIT supply chains are under pressure
- Smaller product ranges especially in retailing are being seen
- Digital, convenience of the shopping experience is important

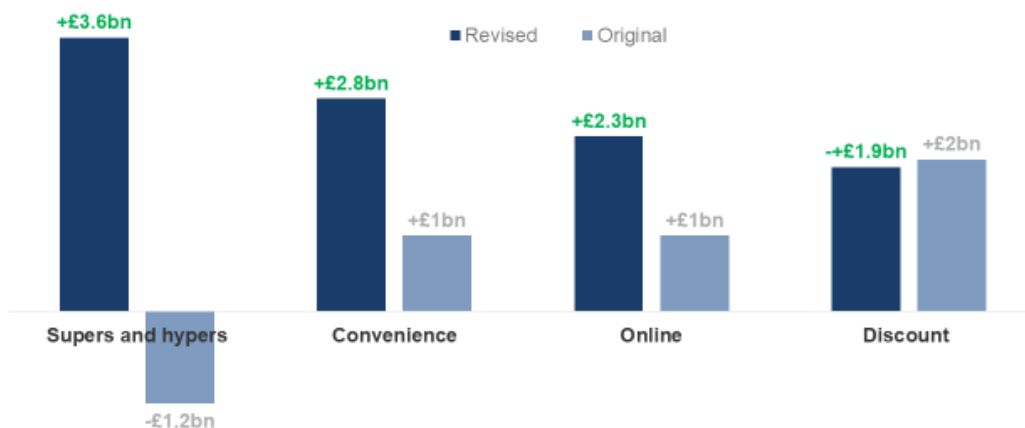
1. Be proud: Trust in the industry at a 7-year high



2. Big changes to where we shop. But what are the longer term trends?



UK channel sales in 2020 vs 2019, the impact of Covid



Additional points:

- Trust in the industry is high and has been rising
- The expected market trends have been severely disrupted by Covid: main shops in supermarkets and hypermarkets have grown substantially compared to the predictions
- Online and convenience have both done well, and online would have done even better if capacity had been available
- 1:4 online shoppers are over 65

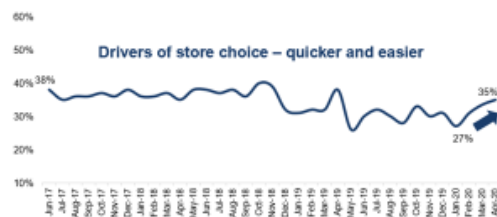
3. The key to short term success: delivering on main shop



May 2019 vs May 2020

- 1 As shoppers look to minimise trips, the big weekly shop is back. Delivering on this is top priority
- 2 Bigger baskets, fewer trips, demand for bigger pack sizes. 1 in 10 visits to convenience stores is for main shop
- 3 Range rationalisation: will we ever go back?
- 4 When will demand for experience replace more functional shopper needs?
- 5 Can the top 4 retain loyalty of newly won shoppers? What will the discounters do?

4. Store choice: this is not 2008



2008

Rising gas, petrol and electricity prices
Rising food prices
Shopping around more
Big 4 retailers vulnerable

2020

Low inflation
Speed and ease of shop
Availability also driving store choice
Shopping around less

Additional points:

- Retailers don't make money online
- Retailers need to make the instore shopping experience fun again
- The current crisis is not a repeat of 2008, as conditions for many consumers are very different

5. Retailer-supplier relationships: future prospects



"Driving penetration, frequency and basket size is more profitable to a retailer than us just giving them money. What are the things that retailers cannot do themselves?"

"Supply chain is a massive opportunity. Our 95% service level is seen as a target, not the floor by our colleagues"

"We shouldn't go chasing the glamour of new routes to market at the expense of existing, profitable ones. That said, we don't understand new channels (e.g. kerbside pickup and micro fulfilment) well enough to make good decisions."

1

Follow the shopper: focus discussions with retailers on changes in **channel usage** and **missions** and the implications for your category

2

Get ready for recession and on the front foot across your **total organisation**

3

Look for joint value creation. But how well do you understand your customers?

4

Understand the new routes to market and the profitability challenge for online



Thank you for listening
Nick Downing, IGD
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Additional points:

- A key future trend is likely to be the fusion between online and offline

Questions raised	Answer/discussion
Will friction due to Brexit increase costs and how do companies cope with this at the same time as a recession encourages consumers and the supply	Supermarkets will undoubtedly be under pressure to squeeze prices to appeal to income pressured consumers. Discounters maybe willing to take margin pressure themselves in the short term to help build market share, but other retailers are well aware of this and will try to avoid a repeat of 2008 when they

chain to keep prices low?	lost out to discounters.
Consumer behaviour has changed, what happens next?	<p>We will not go back completely to how the market was before Covid, but the question is how much of the change we have seen will remain and what will swing back to 'normal', IGD view is:</p> <ul style="list-style-type: none"> • supermarkets want consumers back in store to increase margins and will seek to incentivise this; • people will continue to shop around more; • food service will take a long time to rebuild lost volumes.
Will consumers stick with cooking from scratch rather than ready meals?	<p>Cooking from scratch has increased and food waste has gone down. This is likely to remain the case, but as consumers lives return to normal and they become busier we can expect some return to more convenience options.</p>
We have seen a lot more volatility during Covid in consumer purchasing, what happens next?	<p>Most consumers are still employed and those that have been able to work from home have more disposable income than ever, due to less travel, fewer holidays etc. Consumers are likely to become more polarised into those with high disposable income who want something special and those who are struggling. There is an opportunity to help those with higher income trade up.</p>
Which players in the market will win and who may lose?	<p>This is a difficult question to answer at this stage, but it will be driven by changes in consumer demand. As discussed earlier the market is likely to polarise and significant segments will be price sensitive, whilst other parts will be looking for added value.</p>
What potential do Amazon have to impact the market?	<p>Amazon have not cracked fresh food and food more generally yet, but clearly they have been very successful in other retail markets. They do face regulatory risks and the Whole Foods acquisition does not provide a firm platform yet to take on the majority of the food market. However, if they bought a major player in the retail sector this would give them the footprint to potentially have a big impact.</p>

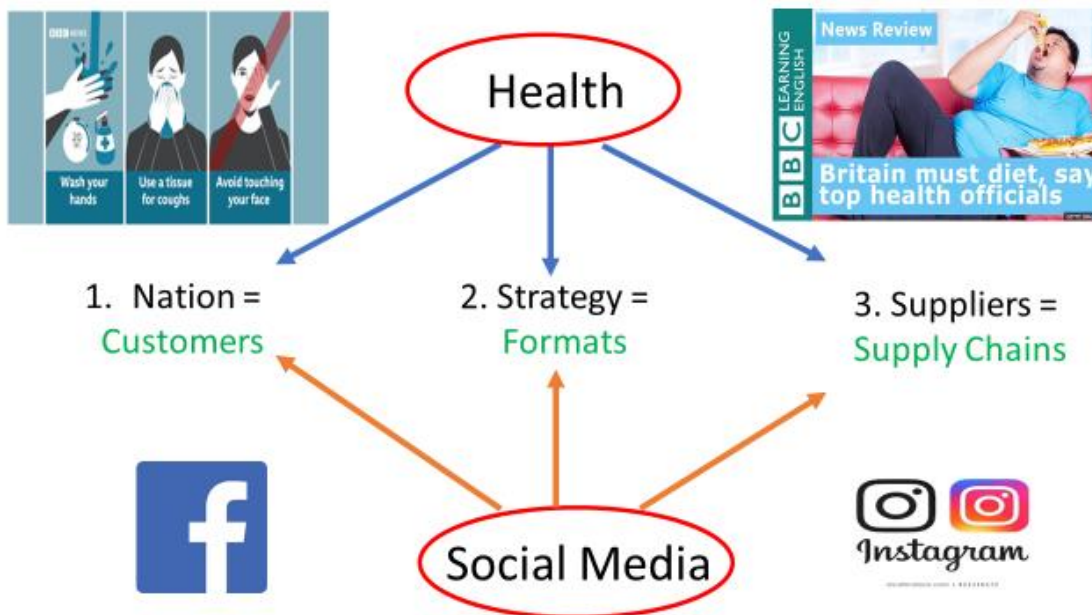
Rick Bourne, Scriven Green Food Consultants

Greater Lincolnshire Food Board



Food Industry Beyond Covid-19 and Brexit

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Additional points:

- UK has 45m facebook users
- Instagram has 26m users, concentrated in the 25-34 age group, 30,000 followers is worth £750 per post, Jenner's posts can be worth £750,000/post



We have inspired over **1.6 MILLION** young people to eat healthy by 2020

Health and Social Media ...Nation = Customers

- Calories and Exercise
 - tax and reform
 - healthy products vs reformulation
 - resurgence of "home cooking"



Health and Social Media Strategy = Formats


- Complexity and Opportunity
 - bricks and mortar and on-line = Omnichannel
 - discounters
 - new entrants

Additional points:

- Average adult consumes 28kg of added sugar per year, or 300 calories per day
- Teenagers only achieve 1.8 portions a day of fruit and veg towards their 5 a day target, older people 4.1
- Home cooking has increased
- If a store has over 8% of its sales online it is unprofitable
- Speed and convenience is popular e.g. Just East and Gousto
- Amazon will make it work eventually

Health & Social Media Suppliers
= Supply Chains

- Resilience and Transparency
 - alignment vs vertical integration
 - british first
 - on farm / in factory standards

Summary Check your

1. Health
2. Social profile
3. Customer risk

Additional points:

- Retailers will want more than price
- 'British First' creates opportunities for brands and PDOs

Questions raised	Answer/discussion
What about the importance of productivity?	Automation and cost reduction will be critical. Range reduction may well stay as the supply chain seeks to reduce costs through reduced complexity. Less costly packaging is likely to be in demand.

The fish sector	The Grimsby seafood sector produced £1.5bn of fish a year. In a sector with an ambition to go from 1.1 portions per consumer per week to 2.0 this is a big economic opportunity.
Will we have joined up supply chain partnerships or will the relationship be more transactional?	Brands are likely to be more transactional as retailers will seek to keep costs down. In contrast commodities provide more scope for longer term and deeper relationships to share risk and drive improvement.
Will retailers pay extra to account for increased labour costs?	Retailers typically now have a 12 week process to review labour cost pressures and re-pricing, but you will have to work hard to justify costs rises. Retailers are also facing the same pressures.
Is sustainability as important now as it was before Covid?	Sustainability and the mega trend of health are well aligned. Consumers are becoming more savvy about cheap food and long term will have to be able to show you are sustainable.
What are consumers thinking now?	The market is splitting into haves and have nots, so there is a divergence. However, health is important to everyone and as well as consumer pressure we can expect to see regulation on diet and health increase.

Martin Collison, GLLEP agri-food advisor

Feedback following presentation of the papers in the agenda was:

National Food Strategy:

- Standards are important to trade and Lincolnshire should argue for them, but it is important to understand the nuances;
- The supermarkets understand that consumers are concerned about standards and, even if allowed by law, products produced to lower standards are likely to be very hard to sell;
- PGOs, PDOs and brands can help to protect the position of UK producers.

EFRA Select Committee Inquiry on Labour Supply:

- Does government understand the true picture on seasonal and full time jobs in the industry?
The sector is very seasonal both on farms and in the supply chain and government understanding is limited;
- A major challenge is that available labour is not geographically where the workforce demand is;
- It would be very helpful to do a study, potentially using students, to understand how much use the industry makes of migrant and short term labour.

Priorities for Future Growth of the Greater Lincolnshire Food Chain:

- Infrastructure is not simply physical, digital infrastructure needs are growing and need more investment;
- The priorities need to consider how future funding will change and promote change which helps the industry address future challenges;
- Affordable housing for the workforce is a major constraint on the food chain;
- There is a need to stress transport more in the plan for the future as logistics costs are continuing to rise and are a key competitiveness issue;
- It would be very useful to link the needs of the food sector explicitly to actions in other sectors e.g. on housing, education, transport etc.;
- The list of priorities for the food chain should be only 3-4 items.

Agreed to:

- Consult with Food Board to seek their top 3 priorities for sector growth