

By John Giles, a Divisional Director of Promar International

The final outcome of Brexit, the impact of the US election and the ongoing challenges of COVID - 19. These are just some of the macro business issues facing fresh produce suppliers and buyers in the UK fresh produce market, as we start the build-up to the busy Christmas period.

Covid-19 & changing routes to market

In terms of the impact of COVID - 19, these have been seen more clearly in the rest of the supply chain, rather than at farm level, but can be summarised as follows:

- foodservice sales have all but collapsed. Even the re-opening of pubs, restaurants and hotels in early July did not guarantee a full return to normal of this route to market. COVID -19 restrictions are being reintroduced to some parts of the UK, as we move through the late autumn period, as reinfection rates soar again. The foodservice market once again looks vulnerable
- online selling has boomed in this period. This was something that had already begun to be a more prominent feature of the UK supply chain
- supermarkets that have invested in home delivery systems have done better than others, as have those who have a more “neighborhood/local” based structure to their store portfolio
- niche routes to market, such as farm shops, have also done well and up to 90% of them have reported significant increases in sales - although their overall share of the UK food market is still relatively modest, at around £2 billion per annum in total

In the latest developments in the UK retail sector, ASDA, the number 3 retailer has been bought from the US-owned Walmart after 21 years for £6.8 billion by the Issa brothers and TDR Capital. It is reported they will invest over £1 billion in the next three years to further strengthen Asda’s business and its supply chain and grow its convenience and online operations.

Supply chains - fragile or resilient?

Back at the start of the COVID outbreak in March, it was common to see supermarket shelves empty of key essentials, such as fresh produce, canned and dry goods. To some extent, this was due to a level of panic buying, but also demonstrated how fragile at times

UK supply chains can be, with a strong reliance on just in time delivery operations. Within a few weeks though, most products could be found on supermarket shelves without too much of a problem. This, in turn, is testament of how robust UK supermarket supply chains are as well. Because of COVID - 19 though, all suppliers and supermarkets will stress test the robustness and sustainability of their supply chains and we might well see the shortening of these in the future.

Issues that were important before March 2020 to the supply chain will not go away - these included areas such as the development of low carbon supply chains, plastics reduction, water usage, meeting the challenge and in some cases, the opportunities of climate change etc.

Brexit - three years and counting....now a UK/US trade deal too....

In terms of Brexit, it's a case of "one step forward" and "one step back". In the past week, the UK government has said unless there is further "give" from the EU Commission, there is no point in further talks. The EU has said, in return, the UK has been going back on past agreements and the chances of a deal are fading. The truth is that both sides probably still want a deal, even if it was what has been described, as a "skinny Brexit" covering only a limited number of points. But time is running out fast.

The situation is made more complicated by the US election due in just a few weeks' time and the discussions between the UK and the US on a free trade deal. The general view in the UK is that if President Trump is re-elected, the UK - US trade deal will be pushed on, at pace. If Biden wins though, he has stated that if Brexit compromises the security situation in Ireland, then a UK/US free trade deal is just not possible.

So - what is the supply chain impact?

It leaves the commercial supply chains in the UK often unsure as to what and when will happen next and how they respond. This is not good news, when the global economy still faces an uncertain 3 - 6 - 9 - 12 months and there is trade disruption in other key international markets.

The economic situation in the UK for the next 12 months looks very challenging indeed. As a result, companies need to be more agile and resilient than ever before and not all are going to make it through this uncertain period. In our experience, the full impact of supply chain shocks such as Brexit, new trade deals (or not) and COVID - 19 will be to speed up the industry trends already taking place.

COVID - 19 impacts and uncertainty over Brexit are something of a double challenge and are all accentuated by the threat of supply chain price pressures that seem likely to follow over the next 3 - 6 months and beyond.

This all points to a very different looking sort of fresh produce sector in the UK in the future. Will some thrive in this new environment and take advantage of new opportunities - yes. Will some struggle - potentially - quite a few. Will we need to be open to new ways of farming, packing and distribution - yes. The new political, economic and social climate in the UK over the next few years will also see the managers/owners of farm and fresh food businesses needing to be at the very top of their game.

John is a Divisional Director of Promar International, the agri food and sustainability consulting arm of Genus plc and has worked on fruit supply chain and marketing projects in some 60 countries around the world. He is also the current President of the UK Chartered Institute of Marketing's Food, Drink & Agriculture Group.