

By John Giles, Divisional Director, [Promar International](#)



As we begin to look back on 2022, we are currently facing a combination of global, regional and local challenges which impact, directly and indirectly UK and international farming and food: the strength of the US\$; conflict in Ukraine; climate change; energy issues; the ongoing impact of Brexit, COVID and then our own UK economic/food policy, local food culture and industry capacity/capabilities. We have also experienced unprecedented political change with 3 prime ministers since the summer. This could change again if the government succumbs to pressure to hold a general election before too long sand who says it wont ?

Uncertain times

This all makes for an unusually high degree of uncertainty in the agri food supply chain. In some cases, we could be feeling the effects of these for up to 5 - 10 years from now. These are not short term issues we are facing or dealing with. As a result, the “new normal” we are experiencing is probably here to stay for some time. Food inflation is currently running at 14% - a level not seen for a generation.

Input costs for the last 12 months have continued to soar in all areas, from labour, energy, packaging, transport, seeds, fertiliser, crop protection products, machinery and equipment. They are likely to stay high for the next 2 - 3 years, unless a resolution to the situation in the Ukraine is found soon.

If these cost increases are not passed on to customers, then some farmers and food companies will cut production in the future if they have not already, maybe reduce the number of SKUs being provided, switch to other crops where returns are felt to be better (i.e. oilseeds and wheat) and/or in extreme circumstances, will stop production altogether.

Changing routes to market

The good news is that for producers and exporters to the UK, there are now more ways of

getting fresh food to consumers than ever before. This might be via the leading supermarkets, the discount chains, convenience stores, e-based systems of commerce and home delivery, farmers markets and farm shops. The foodservice sector beginning to recover from the worst excesses of COVID. Fruit consumption in the UK is still on the increase. The marketplace to supply it though is fiercely competitive. Producers and exporters wherever they are based will need to be at the top of their game to access the opportunities that exist.

Promotional activity will be an important part of the overall export mix, but it is not always how much you physically spend on this. Its often just as much about the thought and planning process that has gone into these efforts and how you implement them over time.

And the structural change seen in the UK retail sector continues. The German based discount chains, Lidl and Aldi now account for around 15% of the overall market. This would have been almost unimaginable a few years ago. Both ASDA and Morrisons have had changes of ownership in the last year with the injection of private equity funding into the business. This all make for a dynamic market going forward.

The role of CSR and sustainability

And, as well as well as high levels of technical competence in production and post harvest technology, all suppliers will need to develop a strong degree of credibility in the CSR area and in the all round sustainability credentials that they have and will develop in the future. All international suppliers to the UK/EU market claim to be “sustainable” but some have to be more so than others. Simply saying “we are sustainable” is not good enough - it is important to be able to prove it too.

Brexit is done - or is it ?

It is clear that the market in the UK post Brexit is full of change and change will bring new opportunities for both domestic producers, as well as international suppliers What it needs now is the development of a mid to long term plan for the UK market and the buy in of growers, exporters, logistics and shipping companies as well as relevant trade associations and all the key players in the supply chain. Everyone needs to be pulling in the same direction in order to produce the success that potentially exists in the UK market.

Trade friction between the UK and the rest of the EU still exists. The question of the trade relationship between the UK, Northern Ireland and the Republic of Ireland is still unresolved. Trade deals have been struck with the likes of Australia and New Zealand, but

still remain to be done with the so called mega economies such as India, the US and even China (this looks a long way off). This verdict on whether Brexit has been a success to date is still firmly out. One would be hard pushed to say it has so far, and it looks as if we will have to wait longer to see if this is eventually the case, or not.

The need for change in face of changing priorities

Supply chain margins are (still too) thin and so the ability to withstand further shocks as we have experienced in the last few years (Brexit, COVID, the situation in the Ukraine etc.) in a way that sees business confidence still open to question. It is clear that farmers need better/fairer prices going forward.

But it seems clear that we have already probably reached something of a tipping point on this with the supply chain shocks we have seen in the last few years. The UK and international supply chain is still often very 'transactional' and/or commercial in its nature, but is increasingly being required to consider issues around sustainability which test the ability and willingness to invest just not for profit, but also for resilience.

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