



Business Forum Report, May 2022

Crunch time

How can we navigate the cost-of-living crunch in ways that are fair for people, animals and the planet?

Food price inflation

The cost of food is rising. Over the past year, retailers have experienced burgeoning pressure from suppliers to increase prices, as costs involved in production, manufacture, packaging and transport have all risen. This pressure is being felt throughout the whole supply chain, with some manufacturers facing 20-30% price inflation in the cost of raw materials. Whilst this inflation is happening on the back of the Covid-19 pandemic and the war in Ukraine, some businesses are concerned that the worst is yet to come, and that price volatility connected to the conflict might continue for another 18 months.

“We’ve had suppliers come to us and say, ‘If you don’t accept a 15% cost increase by Friday, we’ll stop supplying you on Saturday’.”

Businesses are in a difficult position of balancing the need to pay producers a fair price and pay their own staff a fair wage, whilst still ensuring that the public is able to afford the price of products.

“It’s impossible for us to square off that balance between input price rises that our producers are facing, versus the fact that all our competition’s doing everything they can to keep costs low.”

Food insecurity and public health

Food price inflation - coupled with the cost-of-living crisis in which rent and energy bills are ballooning – is driving increasing numbers of people into food insecurity. In June to July 2022, of the 91% of adults in Great Britain who reported an increase in their cost of living, 95% saw the price of their food shopping go up, and 44% had started spending less on essentials including food¹. Food insecurity has concurrent health impacts, with poor diets leading to dietary-related complications and malnutrition.

It is often cheaper for financially insecure families to buy less healthy food in supermarkets or other food outlets. Research into consumer behaviour by the Centre for Food Policy at City, University of London has

shown that families on low incomes will wait until items are on promotion before purchasing them. Marketing strategies such as ‘buy one get one free’ (BOGOF) are disproportionately targeted on less healthy products that are high in fat, sugar or salt (HFSS). Highly processed, non-perishable foods also tend to be cheaper due to longer shelf lives.

Food outlets have a responsibility toward the health of their customers and changes could be made to the availability and visibility of HFSS foods. However, businesses stress that unless these changes are regulated, people will just ‘go to someplace else down the road’, and businesses would therefore lose out on customers. The UK government was due to bring in new restrictions to multibuy deals on HFSS products in October 2022 - however, this has been delayed for a year. Restrictions on the placement of less healthy products did come into force then, meaning retailers can no longer promote HFSS products in key locations such as checkouts, store entrances, and aisle ends.

Food banks and food waste – products of a broken system

The issue of food insecurity and poor health can be unintentionally perpetuated by food banks, where most of the food provided to service-users is tinned, highly calorific, and ultra-processed. In March 2020 there were just two food banks in Tower Hamlets, London. This had increased to 67 by May 2022².

Some working in the charity sector shared concerns that food banks create dependency, rob service-users of their dignity and agency, and do little to tackle the root causes of food insecurity. Furthermore, food banks are unable to provide the fresh, nutritious and varied diets necessary for those living in poverty. Food insecurity should be treated as a symptom of wider poverty, not a cause.

“Food does not solve food poverty... we can’t keep giving out long-life food expecting it to solve the problem.”

A further problem is that often those who are most in need will not access food aid (for many reasons, including stigma and embarrassment), and the structures that underpin a lot of emergency food aid

¹ <https://commonslibrary.parliament.uk/research-briefings/cbp-9209/>

² Figures shared by First Love Foundation

can create as many problems as they solve. Surplus food can and does go towards making sure hungry people are fed, but the way it is administered can cause great logistical and ethical issues for the organisations in receipt of it.

Whilst 7.3 million adults experienced food insecurity in April this year,³ almost a third of all food goes to waste. This irony is symptomatic of a 'broken system'. With food aid projects proliferating during the Covid pandemic, the surplus food movement has continued to grow, with charities basing their models off this surplus food that is 'built into the system'. Sometimes, charities are left with so much surplus food that it is given out to anyone, again not reaching those most in need.

Importantly, food waste should not be seen as a solution to poverty and household food insecurity. Businesses and Government should be working to tackle the root causes of food waste, for example by reducing regulations around 'wonky' yet edible produce. There is also little transparency around food waste and businesses could do more to publicly track their waste, to support a better understanding of the system.

“Food price inflation can be a good thing if it means we no longer have business models with one third waste built in.”

Cheap food and hidden costs

Supermarkets are under competitive pressure to drive prices down. On the one hand, this downward pressure forced by the market economy has encouraged efficiency and cost-cutting, and has enabled prices to be low enough for *some* on low incomes to afford it. To take a long-term view, food has been getting considerably cheaper. In the 1950s, households spent an average of 30% of their income on food – today this is closer to 10%⁴. However – and particularly under current inflation – food is still out of reach of many.

³<https://www.foodfoundation.org.uk/press-release/millions-adults-missing-meals-cost-living-crisis-bites>

“The cheap food paradigm is a cheap labour paradigm.”

'Cheap' food is often enabled by the exploitation of seasonal labour overseas. An example was shared of farmers in South Africa producing grapes for the UK market. With prices being driven down in the UK, some producers in South Africa are forced to cut costs in order to stay in businesses. One mechanism to do this is by employing seasonal, low-paid labour, to bypass labour laws. Seasonal workers tend to be immigrant women – from Zimbabwe, in the case of South Africa. Many of these workers face racism, precarious living conditions and labour abuses. Cheap food has also come at the expense of the environment. It is therefore necessary to ask, 'affordable for *whom*'?

“Competition devalues food.”

In East Anglia – the breadbasket of the UK– it can sometimes be more profitable for farmers to install solar panels on their land than it is to grow food. Businesses feel they are caught in a trap. On the one hand, there are large numbers of people unable to afford a healthy diet, whilst at the same time, there is widespread recognition within the retail sector that the cost of food needs to rise in order to ensure that it is produced sustainably, with high animal welfare standards and that producers are paid a fair price.

Structural causes of food insecurity

Food insecurity is a complex, structural problem, rooted in wider financial insecurity and poverty, and there is no 'sticking plaster' solution such as food aid. An example that was shared during the meeting was the Benefit Cap, which limits the amount of Universal Credit, Child Benefit, Housing Benefit and other types of benefit that people can receive. This was implemented in 2013 with an original cap of £26,000 per year and was reduced to just £20,000 per year in 2015. Families on benefits facing skyrocketing rent and energy bills have very little money left to spend on food.

⁴[https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/april2020tomarch2021#:~:text=Households%20spent%20an%20average%20of,%2C%20and%20transport%20\(13%25\).](https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/april2020tomarch2021#:~:text=Households%20spent%20an%20average%20of,%2C%20and%20transport%20(13%25).)

Government has a responsibility to ensure that citizens are able to afford housing and food. It was suggested that benefits should rise to a level that at least meets inflation. Since 2013, the Benefit Cap has fallen, despite inflation. The example of Brazil's successful social welfare scheme was shared – the 2003 Programa Bolsa Familia – which provided cash transfers to low-income families, normalising benefits and supporting people out of poverty. The scheme was also designed to generate demand, a model that also benefits businesses.

As employers, food businesses also have a large role to play in improving people's financial security, as large numbers of people working in the food system are themselves facing food insecurity. Surely businesses should commit to providing employees with secure employment contracts and paying a real living wage?

Supporting people out of poverty

Those experiencing financial insecurity are all but severed from the food system. It is vital to support meaningful ways of engaging with food and participating in the system, to enable dignity and a sense of belonging. It is therefore more transformational to support people out of poverty than it is to give out free food.

The First Love Foundation provides a holistic service for those in real crisis. Service-users are triaged by an interdisciplinary team – from expert welfare rights advisors to those skilled at working with vulnerable people – and are supported to become financially independent. The charity operates on an intentionally short-term food provision model, providing a maximum of four donations of food. Service-users are encouraged to volunteer for them, thus gaining new transferable skills, meeting new people, and fostering a sense of belonging in a community.

Another model is The Bread and Butter Thing, a subsidised food scheme and charity in Manchester. Members sign up to become part of a 'mobile food club', which provides three bags of food worth £30 for just £7. The food is 'quality calories over quantity' and the small amount of cash exchange provides members with a sense of dignity. The charity aims to make life more affordable for people on low incomes, build stronger communities and reduce food waste.

What can food businesses do?

The 'social supermarket' model was suggested as one approach that might have a part to play, whereby

retailers offer discount cards for those on a low income or benefits, similar to the way in which a membership card to Costco works. This would allow people greater dignity and agency to buy food – especially fruit, vegetables, egg and dairy products that cannot be provided by food banks – and would stimulate demand, getting food-bank users back into stores. There was debate as to whether this would be viable, and how it would be funded. The Healthy Start scheme was discussed as a precedent, albeit this scheme has seen some issues with eligibility and adoption, as well as stigma.

Businesses can also support social mobility and increased financial security through Community Programmes and Employee Programmes. It was suggested that the Apprenticeship Levy be used experimentally, for example to take existing staff on short courses to support upskilling. The Co-op's Apprenticeship Levy Share Scheme tackles unused levy funds and brings funding together to support thousands of apprenticeships. These apprenticeships can be targeted at those from low socio-economic backgrounds.

More inclusive Recruitment Policies (such as not requiring a Full UK Driving License) can also support more people from financially insecure backgrounds into work.

Innovation and investment

Some participants stressed that there has been a lack of investment necessary to drive higher productivity within the UK food system and support the production of healthy, high quality, affordable foods – from automation and equipment to highly skilled, long-term jobs. Businesses have been hesitant to invest due to the associated costs and risks, and Government should do more to support investment and innovation. There are new funding partnerships to support better knowledge-sharing and innovation within the food industry. The Biotechnology and Biological Sciences Research Council (BBSRC) has partnered with others to launch six innovation hubs as part of a new Diet and Health Open Innovation Research Club (OIRC), with funding of £15 million to help address shared barriers to innovation in the food and drink sector.

Clear Government strategy

Businesses feel that successive Governments have failed to invest in the food system and take the food system seriously. Individual businesses cannot tackle

these multifaceted, complex issues of inflation, poverty and financial insecurity alone, particularly within the constraints of competition. A clear Government strategy and brave, long-term decision-making is necessary to support businesses. As food policy is inextricably linked with trade policy, housing policy, transport policy, energy policy and health policy, there needs to be joined-up, in-the-round thinking of this deeply embedded system.

It was suggested that there be a Minister for Food, with a clear working knowledge of the complexities of the food system and the ability to engage effectively with industry.

Concluding comments

The cost-of-living crunch became a lived reality for many millions in the UK even before the crisis in Ukraine, with food price inflation pushing large numbers of people into food insecurity, hunger, and dependence on emergency food aid. However, food aid and 'cheap' food are not the long-term answer. A more holistic approach is necessary, that tackles the root causes of poverty – from benefit increases to better employment opportunities. Changes can also be made to the *type* of foods that are available to people on lower incomes, moving away from discounted multibuys on HFSS foods, for example. Businesses have a large role to play, but ultimately, Government is responsible for setting a clear agenda and supporting businesses to make the right decisions.

What next?

Selected key questions:

- In the absence of Government regulation, how can businesses work together to make the right decisions and overcome the 'competitive trap'?
- As employers, how can businesses improve the financial security - and thus household food security - of their own staff?
- How can businesses ensure that healthy, high quality foods are affordable, without compromising fair pay for producers or environmental standards?

Further resources

Other relevant Business Forum reports:

- **A Fair Pay Food Sector** [see [here](#)]
- **Food charity and the boardroom** [see [here](#)]
- **Beyond food charity** [see [here](#)]
- **The beginning of the end of cheap food** [see [here](#)]

This is a report of the Business Forum meeting on 20th May 2022. Speakers were **Professor Corinna Hawkes**, Director, Centre for Food Policy at City, University of London, and **Denise Bentley**, Co-found and CEO of First Love Foundation, a charity based in Tower Hamlets that helps people facing crisis get their lives back on track. **Dan Crossley**, Executive Director of the Food Ethics Council chaired the meeting. The views expressed in this report do not necessarily represent those of the Food Ethics Council, nor its members. For more information on the Business Forum, contact Dan Crossley dan@foodethicscouncil.org +44 (0) 333 012 4147.