

Call for Evidence - Fairness in the food supply chain  
*Evidence from the Sustainable Soils Alliance*

**The Sustainable Soils Alliance (SSA) was launched in 2017 to address the current crisis in our soils. Its aim is to campaign to restore UK soils to health within one generation by seeing soil health elevated to where it belongs as a priority alongside clean air and clean water. The SSA is a non-profit organisation (CIC number 10802764).**

**Structure and operation of the food supply chain**

*2. How could structural relationships between farmers and fishers, food producers and manufacturers, handlers and distributors, retailers and consumers be improved for both domestic and foreign foods?*

- As the EFRA committee knows from its ongoing inquiry into soil health in England, soil degradation (carbon loss, erosion, compaction), is leading to a nationwide decline in our soil's health, and with it the services we depend upon for soils to deliver – carbon sequestration, water storage, biodiversity.
- The food supply chain is an important, but unknowing cause of much of this damage, particularly via the contractual pressures it puts on suppliers. Informal feedback from Environment Agency inspectors indicates that these are among the critical indirect causes for soil compaction, erosion and loss. Specifically, farmers knowingly damage their soils (e.g. by harvesting in wet weather) because they fear breaching the delivery terms of a customer agreement.
  - [Research](#) carried out by the Sustainable Soils Alliance in 2021 revealed that there is very low awareness within businesses as to whether or how their formal/contractual relations with suppliers might directly or indirectly impact upon soil health.
  - There seems to be little or no consideration of how these relations – either company-by-company or on a system-wide basis - might inadvertently lead to farming practices that damage the soil - e.g. contract lengths or requirements to sow/harvest crops in adverse conditions.
  - No companies reported safeguards or procedures to understand or prevent this. An example suggested by the SSA was to embed government regulations (e.g. 8 Farming Rules for Water) into contracts to ensure farmers weren't put in a position where they might have to choose between breaking the law and breaking the terms of a commercial agreement.
  - Similarly, there was no knowledge of whether such assessment/safeguards were in place between intermediary suppliers and the farmers they source from.
- This represents a clear gap in the 'structural relationship' between farmers and their customers. Food businesses are unaware of a critical environmental externality that their supply chain structures might be causing. Farmers are not empowered – and lack the mechanisms - to raise the problem either directly or via intermediaries with their customers. The regulators (Environment Agency) only have a mandate to hold the farmers – and not the supply chain (where much of the power and influence lies) - accountable for any harm caused.

- **As it stands, this analysis is based on anecdote/insight rather than hard evidence, however given the importance of soil and the level of risk, we urge Defra to investigate further – to understand this aspect of upstream financial and contractual operations. As a starting point, this might include:**
  - **Including a question about supply chain relations/contracts leading to soil damage in the annual farm survey.**
  - **Empowering the Environment Agency to inquire about supply chain influence when it identifies soil damage or regulatory breach (erosion greater than over a 1 ha area). Where appropriate, expand the EA’s mandate to influential supply chain players.**

### **Market power and regulation**

*4. Is existing regulation appropriate, for example the Groceries Supply Code of Practice and the Groceries Code Adjudicator for supermarkets’ direct suppliers, as well as the Secretary of State’s powers under Part 3 of the Agriculture Act 2020?*

- No. As explained above, the Farming Rules for Water is the principal regulatory mechanism in place for protecting English soils. They should also be seen as a legal mechanism for protecting farmers against undue pressure from customers - i.e. when a contractual requirement might cause them to be in breach.
- Farmers should be able to point to the rules to justify land management decisions (harvesting, ploughing) that minimise soil damage – even if that results in a delay in delivering produce. Protecting and improving soils comes at a cost, and with a degree of financial risk for farmers which their customers should share. Note that the Certification schemes (LEAF, Red Tractor) can help drive a consistent and transparent approach but should not be used as a substitute for regulation.
- As the Committee heard, Defra is planning a Regulatory Review of the protections in place for soils in England. We urge this to identify all the underlying causes and factors behind soil degradation – including upstream financial and contractual influences, as well as crop, soil type, climate and geography specific risk factors, and for this to be reflected in future regulatory design.
- **We urge Defra to explore new ways to use regulations to provide protection to farmers and the soil. Specifically:**
  - **Protection could come from embedding the Farming Rules and other environmental protections into the new supply chain codes of practice (promised in the 2020 Agriculture Act) which are crucial to tackling problems of unfairness and poor trading practices by large food businesses. In addition, the Government must retain the Groceries Code Adjudicator (GCA), which has had some success in addressing the worst examples of unfair and poor practices, and not amalgamate it into the Common Markets Authority.**
  - **Defra (via the Environment Agency) should invest in ensuring the widespread knowledge and understanding of the Farming Rules through their improved**

**communication and dissemination to all audiences, including purchasing businesses. This communication should be accompanied by a clear explanation of what the rules are intended to achieve and generate awareness among all supply chain players to ensure they are fulfilling their respective responsibilities.**

## **Food prices, security and fairness**

*7. What are the consequences of current relationships in the supply chain for:*

### *a. risk-sharing*

- The government's own 'State of the Environment' report for 2023 highlights the risks faced by soils in England and Wales. Although a clear, holistic picture is still lacking, highlights include:
  - Almost 4 million hectares of soil are at risk of compaction
  - Over 2 million hectares of soil are at risk of erosion
  - Intensive agriculture has caused arable soils to lose about 40 to 60% of their organic carbon
  - Soil degradation was calculated in 2010 to cost £1.2 billion every year
- These factors translate into a material risk for the environment, society and the economy, as well as the businesses that depend on productive soils to maintain food supply. Depleted or failed harvests in England make these businesses and the country dependent on imports.
- This risk is increasing, and the droughts of 2022 highlighted the vulnerability of the nation's soils. However, this risk is not adequately quantified by either the government or corporations. The £1.2bn figure is now 13 years old and will be significantly greater to reflect our now more sophisticated understanding of public goods, more extreme weather and the economic consequences of climate change.
- As it stands, there is no mechanism for systemic, strategic thinking capable of aligning corporate, farmer and government interests. The proposed Soil Health Action Plan for England could have provided this framework, but was abandoned by the government in 2022 because, according to the Minister giving evidence to the Committee, a two-page overview and series of bullet points in the Environment Improvement Plan was 'quicker and better' than a genuine strategy.
- The consequence is a situation where farmers and land-owners will be held solely accountable – and carry all the risk - for the state of their soils, and yet many of the critical underlying factors are out of their control. Examples of this include:
  - Short-term supply contracts mean that farmers don't have the opportunity to invest in their soils by building rotations or fallow periods into their system. Non-productive years don't pay and cover crops represent a cost.
  - A fragmented approach to the 'marketplace' for improved soil. For example, farmers know which crops will help restore their soils, improve soil structure and sequester carbon, however if there is no market for those products, improvement alone is not sufficient impetus.
  - Disjointed thinking: Aside from acute high-impact cases, soil degradation tends to be the sum of a full rotation – rather than one season's practices in isolation. As a result, there needs to be a clear understanding of its cause, effects, long-term impact and remedy by all the businesses sourcing from a particular land parcel. However, lack of

interest and understanding between and among food and drink businesses makes strategic, joined-up thinking a challenge. Local schemes (e.g. catchment based approaches) are good examples of different stakeholders aligning around a particular action/outcome, but these are rare and not system-wide.

- **To address this situation and ensure that the economic and environmental ‘risk’ of soil degradation is understood and shared by all stakeholders, including corporations, we urge the government to revisit its intention to publish a Soil Health Action Plan for England. The revised plan should include a clear recognition of the vital role played by the supply chain in delivering soil health, and provide the framework to enable systemic, strategic thinking between all players. This should include:**
  - **A commitment to develop and promote consistent, universal soil health metrics that can be used by different stakeholders to assess the soil health of a particular land parcel and to track trends in soil health across brands.**
  - **Highlighting of best practice of supply-chain collaboration in a particular area, especially where they achieve long-term, planned out rotations that build soil health.**
  - **Regular review of the ELM and SFI schemes to ensure they complement the food supply system and fill financial gaps left by customer businesses (e.g. the need to build in ley periods).**

*f. animal welfare and the environment*

- The food industry is under growing policy, shareholder and consumer pressure to measure and reduce their Scope 3 GHG emissions - those emissions they are indirectly responsible for, up and down its value chain. Much of this relates to agriculture and land use and includes both emissions reductions, and the process of land-based GHG removals, including afforestation and soil carbon sequestration.
- This new factor has the potential to alter the dynamic of farmer-supply chain relations, and dramatically influence ‘fairness’ between the supply chain and farmers when it comes to environmental protection and restoration, since Scope 3 can account for up to 90% of all emissions for a typical business (Wrap, 2022). The journey to Net Zero can unlock new revenue streams for farmers through the process of insetting, whereby supply chain businesses pay for the implementation of practices, technologies etc. that reduce the carbon footprint of a given product. However, it can also lead to undue pressure as buyers use Net Zero as a point of leverage over their suppliers, and there is already evidence of it being used as a pre-condition of any contract.
- A fair supply chain is one where the cost of reaching Net Zero is spread evenly, accurately and transparently between all the businesses involved – especially those that benefit from reductions and removals through their own carbon accounting and declaration. An equivalent ‘market’ will be needed for biodiversity where external targets and accounting mechanisms are introduced.
- The ‘market’ for ecosystems services between supply chain players will increasingly run alongside that for products, and needs to be just as fair and transparent. This market will also overlap with public incentive schemes and private income from elsewhere – other eco-system beneficiaries (water and insurance companies), and the offsets market (carbon).

- Some of these elements are the responsibility of the land-manager/customer, others will require some degree of external government oversight as part of the government's framework for eco-system services, which is currently focusing on the voluntary carbon marketplace (VCM, i.e. offsets), and the creation of BSI Standards to govern it.

**As part of this process, we urge the government to consider:**

- **The need to establish a regulatory framework for the market for ecosystem services within the supply chain (carbon for scope 3, biodiversity resilience etc.) that reflects:**
  - **The need for high integrity Measuring Reporting and Verification (MRV) and principles including leakage, additionality etc. in line with those being established for the VCM through the development of BSI Standards.**
  - **Differences with the VCM – i.e. where environmental and financial benefits remain within the supply chain, and where long-term collaborative relationships (farmer and business) that go beyond carbon are the objective.**
- **The need among farmers for independent, authoritative advice about the emerging marketplace, and in particular safeguards to ensure they have control over their land, the ecosystem services they deliver (especially carbon) and the data that is generated. This advice should be incorporated into Environmental Land Management and Countryside Stewardship schemes where possible.**
- Finally, UK food businesses have a vested interest in soil health for long-term food production, and many have invested in soil research, measurement and improvement alongside their suppliers, as was highlighted through [research](#) carried out by the Sustainable Soils Alliance in 2021.
- A dedicated [Soil Health Industry Platform \(SHIP\)](#), made up of major food businesses, is exploring ways to collaborate and so scale up this work under the commitment: *“By participating in the Soil Health Industry Platform (SHIP) we commit to knowledge exchange, identification and sharing of best practice and the adoption of proportionate and impactful actions that will contribute to the goal of sustainably managed soils in the UK by 2030”.*
- **We urge Defra to recognise the potential of the food supply chain to act as an important driver of best practice, data and high standards and a source of innovative research, especially when it is aligned and collaborative.**