

Response by Tesco Northern Ireland

We are pleased to take this opportunity to set out to the Committee our strong support for agriculture and food manufacturing in Northern Ireland. We know that the current economic climate is an important issue for our customers, as well as a difficult time for the agricultural industry. Northern Ireland has a fine heritage of a rich larder. We are investing heavily in raising customer awareness of local suppliers in our stores and working closely with producers across Northern Ireland to grow their businesses through Tesco both in Northern Ireland and through exports.

Tesco is one of the world's largest retailers employing over 500,000 people and serving millions of customers every week in Asia, America and Europe, including Great Britain and Northern Ireland. We have a proud record of investment and job creation in Northern Ireland and employ 9000 colleagues across 51 stores. This year we have opened a new store in Belfast Castlereagh Road and Newry is under construction, combined creating hundreds of jobs in store and in construction phases.

We know customer shopping habits are changing, both in response to more difficult economic times and to technological advances in the digital age. We are working hard to help our customers navigate the tough economic climate. Food inflation at Tesco consistently tracks significantly below CPI. Through our ranges such as the launch of Everyday Value, regular promotional activity including on fuel, and the innovative, personalised use of Clubcard rewards, we are helping our customers save money and are bearing down on inflation.

In this paper we have set out a brief overview of our work with suppliers in Northern Ireland. We treat our suppliers fairly and take our obligations to comply with the Groceries Supply Code of Practice (GSCOP) very seriously. We believe GSCOP is working well. We are in dialogue with Government to minimise any burden the new Adjudicator may have on our customers. Only by working collaboratively with our suppliers can we offer the best possible range and quality of produce to our customers.

Tesco is committed to Northern Ireland

As a major supporter of Northern Ireland producers we spent more than £520m every year on local products and now stock around 1200 items from 90 Northern Ireland suppliers. These figures continue to grow year on year as either new companies are taken on and others grow their business through Tesco. Our suppliers tell us they see Tesco as a gateway to growth, with many starting supplying a small number of stores and building up. For example Mash Direct, who started in 35 stores just in Northern Ireland have grown to also now stock Tesco in Scotland and England. Mash Direct now have sales through Tesco in excess of £750,000 per year.

A good example of how supporting local suppliers can have continued knock on benefit includes this Halloween, when a special apple tart from **Magherafelt bakery, Genesis** went on sale in Tesco. Sales value in Tesco in the week leading up to Halloween account for £60,000 for this single seasonal product and facilitated the purchase of 9,000 kilos of Northern Ireland-grown Bramley apples. Genesis also provides our award-winning Tesco Finest wheatens, sodas and scones.

Working locally

As part of our Northern Ireland HQ in Newtonabbey we have a dedicated local sourcing office. This helps ensure that we are able to build strong, long-term, mutually-beneficial partnerships with our suppliers, helping ensure that our customers have a reliable supply of goods, and new and better products through investment and innovation. Our team of buyers, marketeers and technical experts understand both what our customers want in Northern Ireland and have tremendous knowledge of local suppliers. It's this local knowledge that helps ensure that we have the right range of local products for our customers and we can respond quickly to changing customer needs, while giving tailored support to our suppliers or those who want to become suppliers.

We enjoy long standing and long term relationships which put the Agri food sector at the heart of our Northern Ireland business. These include partnering with Dale Farm in dairy, Voin in pork, Moy Park in poultry, Wilson Country in potatoes, Oliver McCann in apples, Gilfresh in produce and Foyle meats in red meat.

New products going on sale in Tesco stores are supported with PR activity as well as shelf-edge signage which will help them stand out to customers – to help them to achieve awareness in store and thereby a good sales start. Since March this year alone, we have introduced more than 200 new local lines, with many more in the pipeline. Recent new products launched in Tesco Northern Ireland include our Finnebrogue sausages, which replaced our GB Tesco Finest sausage range, with a specially developed NI recipe which has seen our business with Finnebrogue increase by 600% since 2010. Our new season Comber potato convenience pack in conjunction with Wilsons Country launched into stores to great customer feedback.

One example of our broader support our local team can provide new suppliers is Bryan Boggs, General Manager of Clandeboyne Estates Yoghurts who said:

“Tesco agreed to list our products shortly after our launch in 2008 and this provided a fantastic lift to our business. They have been very supportive and offered us a lot of guidance on how to promote our products and also, being able to deal with Tesco people based here in Northern Ireland, has made a huge difference.

“Working with Tesco gave us fantastic leverage when dealing with other customers. Just to be seen to be able to supply and work with a major retail giant like Tesco helps show that your company is a reasonable size and quality. Tesco are so easy to

work with. You just make one delivery to their depot and they handle the job of distribution throughout their stores.”

Buying and selling our products responsibly is a key responsibility for Tesco.

This means ensuring everyone in our supply chain is treated honestly and fairly, and that care is taken to minimise the impact our products have on the environment.

That includes how we:

- treat our suppliers and how those working for our suppliers are treated
- work with communities where we source our products
- establish and monitor animal welfare
- work to ensure products come from sustainable sources wherever possible

We encourage long-term constructive relationships with our suppliers – over 1,500 have been with us more than 5 years. Long-term relationships provide the certainty which allows suppliers to innovate and invest for future growth in products which can take years to produce commercially viable volumes.

Having good relationships with suppliers is crucial to our business. Our supplier base is diverse and varies from over 2,000 suppliers with turnovers of less than £5 million, to large international suppliers with turnovers of tens of billions of pounds. We encourage open and honest relationships with our suppliers large and small and have an annual anonymous Viewpoint survey.

Understanding the customer and understanding the market is very important. We run a project with Kent Business School and Dunnhumby (the company behind Tesco Clubcard) which allows local suppliers and producers to better understand the market. Suppliers are given access to market research which we carry out and allows them to think long term about how they can market their product successfully.

Responding to challenges and looking at new, innovate ways to support suppliers

This year, the driest March in 59 years, followed by the wettest June on record and autumn’s storms and flooding, have reduced fruit and vegetable harvests by more than 25%, making this a difficult year for growers. In response, we have relaxed our product specifications for certain products (e.g. potatoes, cauliflower, swede, turnips, courgettes, apples, pears, peppers and tomatoes) to support growers at this challenging time for the sector.

Sustainable Farming Groups

Tesco is the first retailer in the UK to work directly with beef and pork farmers following a new £25 million annual investment. Farmers have faced a number of

pressures recently, including rising feed prices; so we will be creating two new groups, run by committees of farmers, which will guarantee beef farmers an above market price for their meat and a price linked to the cost of feed for pork farmers.

In an industry first, farmers in the groups will be given direct contracts and in response to requests by the farming community, these will last for up to 36 months, giving livestock farmers more security, the ability to plan ahead and a guaranteed fair price for their meat. Not only will our customers enjoy even more high quality, high welfare meat in our stores, the Tesco Sustainable Farming Groups will guarantee farmers a fair price for their meat and allow them to invest and plan for the future.

Across GB and NI, we will work directly with around 140 pig farmers and 1000 beef farmers who will supply the majority of our own brand fresh pork and Tesco Finest brand beef. With feed prices liable to fluctuations outside the control of farmers, the scheme will see prices for meat reviewed on a monthly basis with feed taken into account.

Supply Chain Finance

We have close working relationships with our suppliers and work with smaller, local businesses across the UK. As part of this commitment, we are pleased to offer Supply Chain Finance to all our suppliers. This is a programme of freeing up working capital for Small and Medium sized businesses where bigger companies like Tesco vouch for them when they approach banks for funds. The guarantee from us can allow banks to lend with more confidence and at lower rates of interest.

So far we have approached around 100 suppliers about the scheme, with 40 suppliers already going live. We know some suppliers and SMEs can struggle to raise funds. The scheme therefore means closer working relationships with smaller suppliers and a higher degree of confidence throughout the supply chain that goods and products will be available as expected.

Celebrating 'Taste Northern Ireland'

Central to growth in the NI agricultural and food manufacture sector is building customer awareness and sales growth for local suppliers. Through our 'Taste Northern Ireland' campaign, we encourage our customers to get to know the people and places behind their favourite local food and drink products. Taste Northern Ireland is a campaign Tesco has been running for many years – encompassing a wide range of activities including instore signage, advertising, and sponsorship, all geared to promoting food and drinks grown, sourced and produced in Northern Ireland. This year it has been designed to complementing the NITB's "Celebrate 2012 Our time Our place" campaign with our own campaign called "Celebrate 2012 – Taste Northern Ireland".

Key highlights this year include:

- Our www.tasteni.com website which includes information about our Celebrate 2012– Taste NI events, local products, and community events.
- **Tesco's family cook-off competition**, supported by James St South and U105fm. It is NI – wide where families are asked to prepare a meal using local ingredients; county finals are followed by a grand final at James St South's cookery school. This is supported with point of sale in store, advertising and PR activity.
- **Tesco car park community fairs**, involving artisan producers, entertainers and community groups took place in 8 Tesco car parks across the summer. The fairs are designed to celebrate "localness", give exposure to small food producers, and are supported with point of sale, advertising and PR activity.
- **Tesco's 40FT Taste Northern Ireland demo truck** will visit 8 stores for a weekend each, to promote locally sourced food by preparing and sampling delicious recipes using local ingredients. The tour is supported in store with point of sale, advertising, and PR activity.
- **At least 50 Tesco instore sampling days** take place over the year to promote awareness of locally produced food through sampling.
- **Instore signage which denotes local products**. We are currently trailing concepts in a number of stores (most recently Lisburn, Dungannon and Newcastle) to improve the prominence of local produce. This incorporates photography of growers, farmers and suppliers.
- **Tesco at agricultural shows** – This year Tesco is supporting, by way of sponsorship, 10 agricultural shows across the province over the summer months.
- **Tesco supporting artisan producers** – small producers whose products aren't currently listed in Tesco are being offered the opportunity to display, sample and sell their products in the foyer of a large Tesco store for a weekend in addition to participating in the community fairs mentioned above. Our objective is help develop awareness of these producers amongst our customer base, increase sales, and if demand indicates, start a discussion about listing their products in Tesco.
- **Taste Northern Ireland Festival at Custom House Square** – This year was our 4th annual 2-day celebration of local food and the people behind it, complemented by entertainment, with free admission to the public. Its NI's biggest and only FREE celebration of local food to an urban consumer audience.
- **Seasonal aisle events which promote local products** – this gathers key local products in the main promotion aisle customers see when they enter our stores. It happens for 3 weeks in Spring and Autumn, and in addition to the exposure local companies get by being located in this busiest area of our store, it can result in sales increases of up to 1000% for participating suppliers

Tesco own brand is a great supply chain opportunity for Northern Ireland

As well as branded goods, we are bringing local Northern Ireland suppliers into our Tesco branded range. For example:

- **Tesco Milk - 100% from Northern Ireland.** We work with Dale Farms and buy 27.5m litres per year from Northern Ireland.
- **Tesco Finest Aberdeen Angus Beef** from the meat counter - 100% from Northern Ireland. A long standing scheme in partnership with Foyle meats. We are working with Primacy meats who operate the meat counters in five of our stores.
- Since April we have been working with **Kettyle Foods, Finnebrogue** and **Cookstown** with the introduction of pork products will be sold in the Tesco Finest livery and the Tesco-brand - the combined value of the contracts is worth more than £2 million p/a. New additions to the Tesco Finest range supplied by Kettyle include - Thick Cut Sweet Dry Cured Honey & Maple Back Bacon Rashers and Thick Cut Peat & Heather Dry Cured Back Bacon Rashers. New Tesco Finest sausage range from Finnebrogue include: Traditional Pork, Pork and Bramley Apple, Pork and Spring Onion, Cumberland, Beef and Black Pepper and Pork and Venison.
- On finalising the contracts we worked with the **Ulster Pork** and **Bacon Forum** to carry out a sampling tour of selected stores across the province.
- **Punjana** Ltd, local tea supplier, was awarded a second UK Great Taste Award for its Tesco Finest tea, which is blended exclusively for the Tesco premium own-label in NI and RoI. The blend brings together the highest quality tea gardens in East Africa, Assam in India and Ceylon. As with all Punjana tea, it is rigorously tasted and blended by Belfast tea tasters, Ross and David Thompson.