

DEBATE ON THE “FARMING CRISIS” IN NORTHERN IRELAND – SAINSBURY’S SUBMISSION TO THE COMMITTEE FOR AGRICULTURE AND RURAL DEVELOPMENT

Executive Summary

1. Sainsbury’s welcomes the opportunity to contribute to this inquiry into the current situation in the farming sector. Sainsbury’s is proud of our commitment to Northern Ireland in terms of our stores, our colleagues, the communities we serve, our contribution to the local economy and the quality products we source here.
2. Sainsbury’s makes a positive contribution to the Northern Irish agri-food industry and the economy as a whole, employing around 3,000 colleagues and sourcing in the region of £250 million worth of products from around 180 local suppliers. We are effectively a net exporter of around £210 million worth of NI products to GB.
3. Sainsbury’s *20by20* Sustainability plan, particularly the commitment to double the amount of British (i.e. GB and NI) food we sell by 2020, offers further opportunities for local suppliers.
4. We are investing in and building sustainable supply chains through our Livestock Development Groups and Crop Sustainability Groups which are practical working partnership between our farmers and growers and Sainsbury’s colleagues. We are committed to offering local products at their best, when in season and when the quality meets customers’ expectations.
5. It needs to be borne in mind that the non-retail sector has a significant impact on the agri-food industry too.
6. We enjoy a strong and balanced relationship with a diverse set of suppliers of both branded and own-label goods.

About Sainsbury’s

7. Sainsbury’s was founded in 1869 and today operates over 1,000 stores, about half of which are supermarkets and half are smaller convenience stores. We employ 150,000 colleagues, have over 2,000 direct suppliers, serve almost 22 million customers a week and have a market share of about 16 per cent - making us the 3rd largest supermarket in the UK.
8. We opened our first store in Northern Ireland in Ballymena in 1996 and now have 13 stores in Northern Ireland, employing nearly 3,000 colleagues. All of our stores in Northern Ireland are supermarkets offering around 30,000 products (around half of which are own-brand). We also sell complementary non-food products and services in our stores.
9. Each of our stores supports a local charity which is selected by our colleagues and customers. Our stores in Northern Ireland have raised over

£70,000 for local charities and community organisations in the last year. We have also donated over £1.3 million worth of sports equipment and experiences to schools in Northern Ireland since 2005 through our “Active Kids” scheme which promotes active lifestyles in children.

Sourcing from local suppliers

10. Sainsbury’s is a net exporter of Northern Ireland products. We currently source around £250 million worth of products each year from around 180 Northern Ireland based suppliers. Approximately £40 million of this is sold in our NI stores and the remainder is sold across the rest of our GB estate.

11. Since 2005 Sainsbury’s has had a dedicated regional buying team in Northern Ireland who are committed to sourcing quality local products and developing strong long-term relationships with our Northern Ireland suppliers and farmers. For example, we run supplier “surgeries” at the Royal Balmoral Show where we invite prospective suppliers to discuss their locally sourced products with us. In the past year alone we have increased our local range by 10%, introducing six new NI suppliers and 100 new local lines helping to support local suppliers and the NI economy.

12. We recognise that our customers want to support local producers. In addition to our wide range of grocery and fresh food offerings, we have been running a “Shop local” campaign. As part of this project Sainsbury’s “Try Team” has been visiting towns and cities across Northern Ireland cooking with local produce and allowing people to taste dishes made using local ingredients. We are also running a supplier development programme in conjunction with Invest Northern Ireland, which will assist 11 Northern Irish companies currently supplying or hoping to supply our stores. The programme runs through to February 2013, and is part of a drive by Sainsbury’s to raise the profile of locally sourced produce.

13. This scheme will also help businesses to understand what is required to help them grow within the Sainsbury’s network. The suppliers will attend workshops to help them understand how supermarkets buy produce and to identify gaps in the market. They will also work to improve packaging, product and promotions to maximise opportunities. Part of this process is to work with our suppliers to help them grow their range with Sainsbury’s and achieve the highest standards of product delivery. A number of our Northern Irish suppliers have been very successful across the UK, including Doherty & Gray, Fivemiletown Creamery and Mash Direct. We hope to grow the number of Northern Ireland businesses supplying Sainsbury’s right across the UK.

Working in partnership with farmers

14. In October 2011, Sainsbury’s launched our *20by20* Sustainability Plan which sets out 20 ambitious commitments we intend to meet by the year 2020, including doubling the amount of UK food we sell. At the heart of the plan is recognition of the need to build resilient, sustainable supply chains that

ensure long term security of supply. For us this means building mutually productive partnerships with our suppliers that help them raise environmental and social standards, and move towards genuine sustainability.

15. One of the most important ways in which we are making progress towards sustainable supply chains is through our Livestock Development Groups and Crop Sustainability Groups which bring together 2,500 farmers, growers and producers from across the UK in 10 producers groups across the main agricultural commodities. These groups are practical working partnerships where producers meet with the Sainsbury's agricultural team on a regular basis to pool knowledge and work together to help them become more efficient and work towards a more sustainable future.

16. Established in 2007 with a £15 million investment, Sainsbury's Dairy Development Group (SDDG) was the first Development group we set up. In September 2009 the Group was extended to include nine dairy farmers in NI. These farmers now produce all of Sainsbury's own-brand liquid milk for Northern Ireland and in return receive a 2.1p per litre premium over the market price. They also receive other support including a free laptop and printer, fully funded veterinary visits and a free carbon foot-printing assessment. To date we have invested over £50m in our SDDG to help our farmers deliver significant advances in quality, yields, herd health and environmental standards on our dairy farms, in turn saving them around £30,000 on average. Issues such as herd health, husbandry and the impact on the environment are important issues for our customers.

17. We have since rolled out our Development Group model to all primary agricultural supply chains covering beef, lamb, pork, eggs, chicken, milk, cheese, wheat and produce. For example over 50 Northern Ireland farmers in our Egg Development Group, supplying RSPCA Freedom Food barn and woodland eggs to NI and GB stores, receive a free annual carbon footprint assessment to help them become more carbon efficient over the next 5 years.

18. By working together in partnership with farmers, growers and processors, we are delivering more efficient, productive and profitable supply chains which benefit the farmers who supply us.

Supporting farmers

19. Although we do not contract directly with farmers, we recognise we have a role in supporting the farmers who supply us. We have been supporting UK farming for over 140 years, and we are committed to offering local products at their best, when in season and when the quality meets customers' expectations. For example, our nine Northern Ireland dairy farmers produce all of Sainsbury's own-brand liquid milk for Northern Ireland; all of Sainsbury's eggs in NI are cage free and are supplied by Skea eggs and our fresh pork range in Northern Ireland is 100% Northern Irish pork.

20. Besides our general sourcing policies, Sainsbury's is supporting the local agri-food sector in a number of other ways. Below are a few examples:

- Building on the progress of our Development groups, on 1 October we launched Sainsbury's Agriculture Research and Development Grant to encourage the adoption of leading edge technology, innovation and collaboration in the supply chain. Total funding of £1 million is available against three categories focusing on improvement in animal health and welfare; improvement in efficiencies and cost effectiveness; and development of new products or processes which help to improve quality, taste and freshness. The grants are available to members of Sainsbury's Development Groups and suppliers or other organisations that work in conjunction with Development Group members.
- We recognise that British growers are facing increasing challenges from this year's adverse weather, and as a result have taken the decision to radically change our approach to buying British fruit and vegetables. We have committed to make use of all fruit and vegetables that meets regulations and that meet our taste standards, including "ugly" fruit and vegetable resulting from the unseasonable weather, that might previously have been discarded.
- Rising feed costs is another challenge facing farmers. In August we underlined our commitment to the pork industry by leading the way in paying a discretionary premium of 10p per kilogram to Sainsbury's Pork Development Group farmers who supply all our fresh British pork.

21. Our position in the Northern Irish food supply chain is important and we are committed to playing a positive role. However it is important to note that Sainsbury's, and retailers in general, are not the only buyers and are far from being the only ones that influence farm-gate prices or the profitability of the agri-food industry. Major non-retail buyers, such as the food manufacturing and food services sectors as well as public bodies (schools, prisons, hospitals etc) are huge customers and have a significant impact on the market. Furthermore, many agricultural products are globally tradable commodities whose price is often determined outside the local market.

The functioning of the food supply chain

22. As a responsible retailer we recognise we have a role to play in ensuring that our supply chains are sustainable. We have a responsibility to offer our 22 million customers the products they want at competitive prices. We enjoy a strong and balanced relationship with a diverse set of suppliers of both branded and own-label goods. We depend on our suppliers and a strong and resilient food supply chain to provide the products our customers want. It is in our interests to have strong relationships with them.

23. We have consistently supported the strengthened and widened Groceries Supply Code of Practice (GSCOP), indeed we were the first retailer to implement a voluntary code of conduct in 2000, before the original Office of Fair Trading Supermarket Code of Practice in 2002.

24. We also support effective GSCOP enforcement. While we have concerns about the introduction of a body to intervene in business-to-business relations (something which is unprecedented in the UK) we are focusing on ensuring that its role is, as recommended by the Competition Commission, to oversee and enforce the GSCOP in the interests of consumers and not to try to solve wider supply chain problems (for example farm-gate prices) for which it has no remit. We also trust that the Government will ensure appropriate safeguards are in place to prevent regulatory creep and to mitigate unnecessary bureaucracy and costs on the supply chain as a whole.

Sainsbury's
7 November 2012