Scottish Countryside Alliance Response

Submitted for Price controls for essential food items consultation

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The SCA is a political campaigning organisation that focusses on legislation that affects the rural sector in general. We are a membership organisation with a strong interest in land and wildlife management, rural transport, connectivity, rural crime and more. As an extension to our London Head Office, our Scottish Team are based centrally, which enables us to best represent our membership across the country.

Price controls on essential food items: draft legislative provisions

Chapter 1: Aims and intentions

1. Do you agree or disagree that improving the affordability of essential food items, particularly for low-income households, should be a policy priority for the Scottish Government?

Agree

2. Do you agree or disagree that government intervention is required to improve the affordability of essential food items?

Agree

3. Do you agree or disagree with the proposal to introduce price caps on selected essential food items?

Disagree

4. Please explain your answers to Questions 1 to 3, including any alternative approaches or steps that should be taken to improve food affordability.

Please give us your views in the text box below:

The Scottish Countryside Alliance (SCA) does not agree that putting price caps on essential food items is the correct way forward to improve affordability of essential food items. The food industry is already under increasing pressure to make any profit, and it is being pushed from all sides. Buying in locally produced food products with lower food miles should be a priority for the large supermarkets and food procurement for public buildings should always source from Scottish or UK producers first.

NFUS ShelfWatch show there are positive signs across a number of key food products, with Scottish sourcing across supermarket shelves increasing year-on-year for chicken, soft fruit,

vegetables and fresh pork. Milk and eggs also continue to show particularly high levels of Scottish sourcing. However, pursuing the Scottish Governments policy on introducing price caps will undoubtedly undermine this. Domestic Sourcing is Holding Up, but Policy Risks Undermining Progress

Instead of price caps on essential items, the policy should focus on the health benefits of healthy eating and expand the Best Start Foods programme to include qualifying families with school aged children. It might also consider a free school breakfast and lunch meals programme for children up to S6 for low-income households. These meals should be healthy and nutritious and be locally sourced using Scotland's natural larder.

5. What do you consider to be the main benefits of food price caps? Please provide evidence where possible.

Please give us your views in the text box below.

The SCA does not believe it will be beneficial to introduce price caps on essential items. Farmers and food producers need clarity on the market, not uncertainty. Food produced in this country should already be financially accessible for the majority of the population, e.g. fresh, seasonal vegetables such as carrots, onions and leeks.

6. What do you consider to be the main risks or unintended consequences of food price caps? Please provide evidence where possible.

Please give us your views in the text box below.

The current climate pressures on farmers and food producers over the summer, with droughts causing a reduction in yields, already creates a risk of overall food shortages. Adding to that price caps on essential items could cause panic buying and exacerbate food shortages. In setting the level of any price cap we are unconvinced that the Scottish Government is capable of acting quickly enough to respond to any shortages.

Shops and supermarkets may refuse to stock certain brands if they were part of the price cap, reducing the choice of brands available to consumers, leading to food shortages.

We have concerns about whether forcing a price cap on specific items will create shortages in these food products, especially in rural areas where consumers may already have more limited access to food retailers. There are also concerns that convenience stores operating under a franchise or symbol model may be subject to this price cap scheme if their overall parent business meets the size criteria outlined in the consultation document.

Price caps on essential grocery items could also have unintended consequences further along the food supply chain. Supermarkets may seek to recover additional costs by increasing the prices of other products, and sourcing lower-cost or lower-quality alternatives. It may also incentivise retailers to source cheap imports produced to lower environmental and animal welfare standards, to the detriment of domestic food production.

There is also a risk that the financial pressure could be passed back to primary producers through demands for lower farm-gate prices. For producers already operating on tight margins, further reductions in the prices they receive could place significant additional pressure on their

businesses, threatening their financial viability and potentially undermining the long-term resilience of Scotland's domestic food production.

Chapter 2: Price caps on essential food items - the duty

7. Which model of price cap do you consider likely to be the most effective: an item level price cap; a category-based price cap; a basket-based approach; or an alternative?

The SCA does not agree that putting price caps on essential food items is the correct way forward to improve affordability of essential food items; therefore we decline to answer this question.

8. Do you agree or disagree with the proposal that if a price capped item sells out, then the retailer should be required to sell an alternative at the capped price (if available and on sale to customers)?

Not answered.

9. The proposal is that retailers would not be required to stock price capped food items. Do you agree or disagree with this approach?

Not answered.

10. Please explain your answers to questions 8 and 9.

Please give us your views in the text box below.

See Question 7 above.

11. Do you agree or disagree that price caps should apply to relevant products sold online?

See Question 7 above.

12. Do you agree or disagree that a retailer should be able to meet their obligation to offer a food item at a capped price by offering a variety that exceeds the minimum requirements specified in Regulation?

For example, if the requirement related to 1 pint of milk, could the obligation be met by selling a 2 pint carton at the capped price?

See Question 7 above.

13. Should price capped foods:

Yes No Unsure

have specific branding

have specific signage, labelling

be located or grouped together in-store (and online)

Please explain your answers in the text box below, including any views on how this could be implemented.

See Question 7 above.

Chapter 3: The goods which could be subject to price caps

14. To what extent do you think the following factors should be taken into account when selecting items that would be subject to a price cap?

(0 – not important; 5 – very important)

0 1 2 3 4 5

general affordability (particularly as regards persons on low incomes)

healthy eating policies

nutrition guidance

impacts on producers, retailers and other impacted businesses

consumer preferences

food security

Please explain your answers to this question in the text box below:

The Scottish Countryside Alliance does not support the introduction of price caps; therefore we decline to answer this question.

15. Which food items or product types should be prioritised for inclusion in any future price cap scheme?

See Question 14 above.

16. Are there any food items or product types should that you think should not be included in any future price cap scheme?

Please give us your views in the text box below:

See Question 14 above.

17. How should the Scottish Government take into account the seasonality of food when applying price caps to essential food items?

Please give us your views in the text box below:

While we are opposed to the introduction of a price cap, we would note that in-season food items are normally abundant and can be purchased at a lower price than off-season products. This would be dependent upon distribution contracts on imported goods. Many large supermarkets will enter into fixed-volume contracts to purchase imported products, ensuring a year-round supply. This invariably will squeeze local producers especially around the shoulder months (the start and end of the Scottish harvest). To ensure a steady supply of products throughout the winter, supermarkets are often contracted to take the imported goods first,

leaving Scottish products in cold storage or being wasted in the fields. Any price cap level would therefore need to change dependent upon the availability of food produced in Scotland and the UK, although as discussed, we are unconvinced that the Scottish Government can act with sufficient agility to reflect such fluctuations appropriately. There is also the question of how changes in the price cap will be communicated to customers, so that their expectations when shopping can be properly managed.

18. How should the Scottish Government take into account the issue of applying price caps to products that come in different sizes, weights, quantity, etc.?

Please give us your views in the text box below:

Any price cap would need to be based on size, weight, quantity, etc. as appropriate to counteract the possibility of producers using shrinkflation to claw back lost revenue likely to result from these price caps.

19. How should the Scottish Government reflect the varying nutritional requirements of the population for example due to health needs, religious requirements, cultural, social or other preferences?

Please give us your views in the text box below:

Any price caps cannot assume a single 'standard' Scottish diet. Essential food requirements vary considerably between individuals and households because of health conditions, allergies and intolerances, religious beliefs, cultural practices and other dietary preferences. These will also vary considerably over geographic locations within Scotland. This represents another challenge to the principle of introducing a price cap for purportedly staple foods.

Chapter 4: Businesses to whom the measures should apply

20. Do you agree or disagree with the proposal that any price cap scheme would apply to large supermarket chains only?

Unsure

While we agree that a price cap could be ruinous to small businesses whose supply chains and storage facilities are totally unsuited to a requirement always to stock price capped items, there is also a risk that introducing it for large supermarket chains only may disadvantage smaller village grocery stores by further incentivising customers to travel into larger towns and cities to do their weekly shopping in order to procure price capped items. Larger supermarket chains will be more able to absorb the costs of these price caps, but questions remain as to the status of franchised stores such as Spar, etc. or stores that operate under a symbol model. If these smaller stores operating under a larger brand are treated as a single entity, then all stores will be forced to comply, without consideration for the annual turnover of individual business. This could risk shop closures in rural and remote areas and most certainly cut the tight margins that primary producers enjoy at the moment.

21. Do you agree or disagree with the proposed definition of qualifying retailers that would be in scope, as outlined in the consultation?

Unsure

Please explain your answer in the text box below, particularly with reference to any alternative definitions you may wish to provide:

Special consideration needs to be given to small convenience stores that are part of a franchise or symbol model in rural areas. These shops are often the only shop and form a lifeline for residents who cannot travel to the nearest town or city to shop at the larger supermarkets.

22. Should the price cap policy be applied to any of the following:

Types of store

No to all

Independent convenience stores

Franchise convenience stores

Symbol group convenience stores

Specialist retailers (e.g. bakeries; butchers; greengrocers; fishmongers)

Locations that do not sell groceries as their primary purpose (e.g. coffee shops; petrol stations)

Smaller retailer selling supermarket brand goods

Other (please state) –

Please explain your answers to this question in the text box below:

The price cap on essential food items is not the right way to help low-income families with the cost of grocery shopping. Possible alternative could be to extend the Best Start Food card programme run by Social Security Scotland for all low-income families. Larger supermarkets such as Tesco and Morrisons often run initiatives over the summer holidays providing pre-paid food bags for £2-£4 that contain healthy and nutritious long-life food and essentials, which can be picked up in store and paid for at the checkout using a card similar to the Best Start Food card. Tesco announces extra support for children and families facing hunger over the school holidays this summer (1)

23. What exemptions, if any, should apply?

Please explain your answer to this question in the text box below:

The SCA does not consider this to be a workable scheme and anticipates numerous unintended consequences, as discussed in earlier responses.

Chapter 5: Setting a price cap

24. What factors do you think the Scottish Government should take into account when deciding the level at which a price cap is set for any essential food item?

Please give us your views in the text box below:

The SCA does not consider this to be a workable scheme and anticipates numerous unintended consequences, as discussed in earlier responses.

25. Should Ministers set initial price caps below observed market prices in order to deliver an immediate affordability benefit?

No

Please explain your answer, considering any benefits or risks to this approach.

Should it proceed with a price capping policy the Scottish Government needs to consider the underlying cost of supply, rather than simply prevailing retail prices, when establishing each cap. The scheme would need to include mechanisms for monitoring availability and supply-chain impacts, with the ability to adjust or temporarily suspend individual caps where they threaten product availability or supply-chain resilience, but as discussed above we are concerned that the Scottish Government may be unable to respond with sufficient agility.

Particular consideration should be given to rural and island communities, where higher transport and distribution costs and fewer alternative retailers may make the consequences of an inappropriate price cap more pronounced.

26. What approach do you think Ministers should take when setting the initial capped price of a food product? Please consider the benefits and risks to any approaches detailed.

See 25 above.

27. How should the price of a price capped item change over time? Please consider the benefits and risks to any approaches detailed.

See 25 above.

28. Do you agree or disagree that the level of price caps should be the same for all businesses in scope and across all parts of Scotland?

☐ Agree

☒ Disagree

☐ Unsure

Please explain your answer.

Residents in rural areas already pay a higher price for goods and services: the rural premium. How will businesses be able to retrieve additional transportation costs to stock the shelves of rural convenience stores that are often a lifeline for residents? The risk is that they will simply choose to close shops and exit local markets that this policy renders it uneconomic for them to continue to operate in.

Chapter 6: Protection for primary producers

29. What impacts, if any, do you think a food price cap scheme could have on producers and other businesses within the food supply chain? Please provide any evidence or examples to support your answer.

If retailers face a lower maximum selling price, they may attempt to protect their margins by negotiating lower prices with suppliers. This could put pressure on farm-gate prices and the returns received by primary producers. They may also be motivated to source lower-quality imported products, produced to lower environmental and animal welfare standards than are permitted in the UK, further damaging the competitiveness of Scottish and UK farming.

Processors, manufacturers, wholesalers and distributors could also face pressure to reduce their prices or absorb additional costs, making it difficult to determine where the financial impact of a retail price cap would ultimately fall.

30. What mitigation measures should be considered to minimise any potential adverse impacts on primary producers and other actors across the food supply chain?

• Actively track farmgate prices, wholesale costs, and value margins across domestic supply chains to prevent costs from being unfairly pushed onto farmers.

• Targeted Financial Support: Provide emergency subsidies, grants, or liquidity buffers to offset acute spikes in input costs (such as energy and fertilizer).

• Set a minimum farmgate pricing level on essential food items to protect from retailers undermining the primary producers profit margin.

31. To what extent do you think it is possible to trace profits and margins throughout the supply chain for a variety of goods? Please provide any evidence or examples to support your answer.

This will be very difficult to do, even with a small list of price-capped items.

32. Please detail any other issues you want the Scottish Government to take into account for primary production when considering a price cap scheme and how risks could be mitigated.

The proposed food price cap scheme risks pushing retail margin pressures upstream, which could reduce farmgate prices, displace domestic Scottish produce, and weaken national food security.

Chapter 7: Compliance and enforcement

33. Do you believe local authorities are best placed to deal with the issue of compliance and enforcement for any price cap scheme?

☐ Yes

☒ No

☐ Unsure

Please explain your answer, detailing any alternatives you wish us to consider.

Local authorities are already under significant pressures and to add this additional workload would be a step too far for many. Local authorities have differing standards and resources and so the implementation and management of this new workload would differ greatly, introducing instability for primary producers.

The viability of adding this workload to a body such as Trading Standards or local councils would very much depend on the resources and additional funding available to them.

34. Do you believe the approach to offences outlined in the consultation is the correct one?

☐ Yes

☐ No

☒ Unsure

Please explain your answer, detailing any alternatives you wish us to consider.

See Question 35

35. Do you believe a fine imposed by the courts is the most appropriate penalty for the offence of failure to comply with a compliance notice?

☐ Yes

☐ No

☒ Unsure

Please explain your answer, detailing any alternatives (including fixed penalty notices) you wish us to consider.

This depends on whether small, local businesses are caught up in this policy. Many could not afford to price cap or indeed pay a fine for failing to comply.

36. What information, if any, should qualifying businesses be required to provide or retain to demonstrate compliance with a food price cap scheme?

Not known.

37. What are likely to be the burdens, costs or practical implications of ensuring compliance with a food price cap scheme for:

- Qualifying businesses
- Local authorities

Burdening local authorities with this additional work when they are already running on very tight budgets will be detrimental to other local authority services. We also fail to see how this additional responsibility will relate to the reorganisation of local councils proposed by the government.

Similarly, qualifying businesses will have to absorb the additional costs of complying with the price cap scheme via reporting and other documentation to prove their compliance. For smaller businesses that qualify due to being under a franchise model, or similar, this additional cost could be unsustainable for that business.

38. What other issues should be taken into account when considering the question of compliance and enforcement of sales taking place online?

Few, if any, online retailers operate in Scotland only and not at least in the rest of Great Britain or the United Kingdom. We struggle to understand how an online retailer trading in price-capped products is expected to navigate a requirement to sell goods at a lower price to Scottish customers than to others in the rest of the UK.

Chapter 8: Monitoring and review

39. Is no fewer than 4 years, no more than 6 a suitable length of time for a statutory review period?

☐ Yes

☒ No

Please explain your answer.

The SCA does not consider this a viable scheme and for this reason a statutory review period should take place as soon as possible.

40. What should Scottish Ministers consider when reviewing the effect of the legislation, and what evidence would be required to support the review?

Please explain your answer.

Actual price levels and rates of product availability. Store openings and closures, mapped geographically to determine whether a disproportionately negative effect can be observed in specific areas of the country or types of place, e.g. in remote rural areas.

41. Should interim reviews be conducted before the statutory review?

☒ Yes

☐ No

Please explain your answer.

The SCA does not consider this a viable scheme and for this reason believes that regular interim reviews should take place as soon as possible.

42. Do you agree with the proposal to include a sunset clause in any future legislation?

☒ Yes

☐ No

Please explain your answer.

If this policy is to proceed, we would support the inclusion of a sunset clause similar to that embedded in the Alcohol (Minimum Pricing) (Scotland) Act 2012, which would cause the rule to expire after six years of operation.

Chapter 9: Future operation of any scheme and wider considerations

43. Should Ministers have flexibility to amend elements of a food price cap scheme in response to changing circumstances?

☐ Agree

☐ Disagree

☒ Unsure

Please explain your answer.

Any introduced policy should be fit for purpose and well thought through prior to introduction. Such a scheme would need no intervention until the official review.

44. Please outline the detail of any other groups, communities or businesses that might be affected by a price cap scheme that is not considered elsewhere in this consultation.

Rural and island communities that are already paying more for food than other parts of the country. There is a risk that a price cap on essential items may cause food shortages of essential items due to high demand. Local convenience stores that will not be subject to capping are unlikely to reflect the scheme voluntarily, due to higher transportation costs in getting supplies to remote areas. For the same reason, supermarket chains operating in remote areas may choose to exit these markets entirely, leaving them underserved.

45. Are there any wider social, economic, practical, regulatory or supply chain considerations that should inform future development of this policy?

No comments.

46. Do you foresee any impacts on the ability of businesses to trade either within the UK market or internationally from any of the proposed measures?

A price cap applying in Scotland only is highly likely to face legal challenge from the retail sector as a contravention of the UK Internal Market Act 2020. While we cannot predict the outcome of such litigation it is reasonable to expect, at minimum, a delay to the implementation of this policy while legal processes proceed. Entering into import contracts to lower costs may also be harmful for small UK suppliers and primary producers.

47. Please provide any comment here about the partial Business and Regulatory Impact Assessment referred to above and published separately to this document.

48. Please provide any comments on this proposal not covered elsewhere in this consultation.

Instead of introducing a food price cap scheme, the Scottish Government should instead investigate direct targeted support for low-income households to source healthy, nutritious food.