Department
for Environment
Food & Rural Affairs

Consultation:

Contractual practice in the UK pig sector

2022

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at

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Background

1.1 The pig sector has seen significant challenges in recent years. An oversupply of pigs arising as a result of rapidly declining export demand by China, and the lack of skilled butchers in processing plants was compounded by the outbreak of Covid-19 and led to a significant backlog of pigs on farms.

1.2 Various key measures were put in place in response to these challenges. In the UK, the government launched a temporary visa scheme allowing up to 800 skilled butchers to enter the UK for a maximum of 6 months, on top of existing provision for butchers in the Skilled Worker route. In England, a Private Storage Aid Scheme opened enabling processors to place non-butchered and butchered pigs into frozen storage for a period between 2-6 months before allowing the product to re-enter the market at a later date. A Slaughter Incentive Payment Scheme was also launched to incentivise processors to increase the throughput of pigs through abattoirs by paying a £10 payment per pigs kills in shifts additional to the processors normal working patterns. Up to 100,000 pigs are able to be slaughtered under this scheme. The government is also working closely with AHDB to both expand existing exports and to identify new export opportunities, particularly for lightly processed pig meat. In Northern Ireland DAERA announced a support scheme worth up to £2m for pig farmers who have been financially impacted by the effects of weakening markets, increased feed costs and getting pigs moved off the farm for slaughter, which was launched in May. The Scottish government have also put measures in place to aid the sector at this time with a Private Storage Aid Scheme and a pig hardship fund for pig producers.

1.3 We recognise that more may be done. Stakeholders have suggested there is a lack of transparency between processors and producers, and that a more consistent approach across processors may bring positive benefits to the sector.

1.4 This is a UK wide consultation, undertaken by DEFRA with the agreement of the Scottish Government, Welsh Government and DAERA. Any further action in response to the findings of this consultation will be discussed and agreed with the Devolved Administrations.

Purpose of the consultation

2.1 The purpose of this consultation is to gather evidence about how supply arrangements in the pig sector currently function and to explore the nature of the relationships between the various parties in the supply chain. It is also seeking views on whether the functioning of the supply chain can be improved.

2.2 Pig producers in the UK tend to be small, individual businesses. Typically, these producers are supplying highly consolidated businesses further up the supply chain who command substantial shares of the market. This disparity can make pig producers vulnerable to unfair trading practices. The Agriculture Act 2020 introduced the 'Fair Dealings Powers' which are designed to address any unfair practices, enabling Government to introduce regulations to oversee the relationship between producers and buyers where necessary.

2.3 Any interventions in the pig sector following this consultation will be designed to ensure farm businesses can engage in smart business planning and risk management, supporting a competitive and resilient sector that delivers benefits for producers, consumers, and taxpayers.

The consultation process

Who will be affected by this proposal?

3.1 This consultation is directed at anyone who is involved in the pig sector supply chain. This consultation will be of particular interest to you if you are involved in:

- producing pigs for onward sale to a meat processor, either as an independent producer or as a member of a marketing group; or
- purchasing pigs for processing; or
- activities associated with the production, sale, including within the wholesale, hospitality or retail sectors, or processing of pigs; or
- activities relevant to the pig industry.

Timing and duration of this consultation

3.2 The consultation period will commence on 15 July and will be open to responses for a period of twelve weeks.

3.3 The consultation period will end 7 October. We will not consider any responses received after that date.

Responding to this consultation

3.4 Please respond to this consultation using the citizen space consultation hub at Defra: https://consult.defra.gov.uk/supply-chain-fairness/contractual-practice-in-the-uk-pig-sector/

Or by email to: porkcontractconsultation@defra.gov.uk

Or in writing by post to:

Department for Environment, Food and Rural Affairs
Supply Chain Fairness team
Seacole Block
2nd Floor
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Please provide relevant views, evidence and explanation so that proper consideration of alternatives may be given, including any cases where you have reason to comment upon or challenge anything in this consultation.

We recognise that respondents may choose to use some standard text to inform their response. Campaigns are when organisations (or individuals) coordinate responses across their membership or support base, often by suggesting a set of wording for respondents to use. Campaign responses are usually very similar or identical to each other. For this consultation, campaign responses may be analysed separately to other responses to ensure the breadth of views received can be summarised effectively and efficiently. All campaign responses will be taken into account in the final analysis of public views and campaigns help provide an indication of the strength of feeling on an issue. The preferred route for all respondents to provide their views (including where a response is based on a campaign) is via the Citizen Space platform.

After the consultation

4.1 Responses received by 7 October 2022 will be analysed and taken into account by all UK administrations in considering the measures necessary to improve transparency in the pig sector. Responses will be made available to the relevant teams of policy officials in the Devolved Administrations, who may share analysis and conclusions with senior colleagues and Ministers.

4.2 A summary of responses to this consultation will be published on the UK Government website at: www.gov.uk/defra. An annex to the consultation summary will list all organisations that responded and what part of the UK they represent but will not include personal names, addresses or other contact details.

4.3 Defra may publish the content of your response to this consultation to make it available to the public without your personal name and private contact details (e.g., home address, email address, etc).

4.4. If you click on 'Yes' in response to the question asking if you would like anything in your response to be kept confidential, you are asked to state clearly what information you would like to be kept as confidential and explain your reasons for confidentiality. The reason for this is that information in response to this consultation may be subject to release to the public or other parties in accordance with the access to information law (these are primarily the Environmental Information Regulations 2004 (EIRs), the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 2018 (DPA)). We have obligations, mainly under the EIRs, FOIA and DPA, to disclose information to particular recipients or to the public in certain circumstances. In view of this, your explanation of your reasons for requesting confidentiality for all or part of your response would help us balance these obligations for disclosure against any obligation of confidentiality. If we receive a request for the information that you have provided in your response to this consultation, we will take full account of your reasons for requesting confidentiality of your response, but we cannot guarantee that confidentiality can be maintained in all circumstances.

4.5 If you click on 'No' in response to the question asking if you would like anything in your response to be kept confidential, we will be able to release the content of your response to the public, but we won't make your personal name and private contact details publicly available.

4.6 This consultation is being conducted in line with the "Consultation Principles" as set out in the Better Regulation Executive guidance which can be found at https://www.gov.uk/government/publications/consultation-principles-guidance.

4.7 If you have any comments or complaints about the consultation process, please address them to:

By e-mail: consultation.coordinator@defra.gov.uk or in writing to:

Consultation Co-ordinator, Defra: Seacole Block, 2nd Floor, 2 Marsham Street, London SW1P 4DF.

Confidentiality

1. **Would you like your response to be confidential? If yes, please give your reason.**

- Yes
- No

About you

This consultation is primarily directed at pig farmers, abattoirs and processors involved in the pig sector supply chain and those with a wider interest in the sector, including those at the retail end and consumers. The following questions are intended to allow for a general picture of responses to be developed and assist in the detailed analysis of responses.

2. **What type of business do you operate as? Please select all that apply.**

- An integrated producer (rearing pigs on behalf of a processor)
- An independent producer (rearing pigs for onward sale)
- A marketing group
- An abattoir
- A secondary processor (manufacturing products from purchased meat)
- A co-operative
- A retailer
- A wholesaler
- A representative organisation / trade organisation
- Other (please specify)
- Prefer not to say

3. If you are a representative organisation, which part of the supply chain do you primarily represent? Please select all that apply.

- Producers
- Breeders
- Abattoirs
- Processors
- Retailers
- Wholesalers
- Consumers
- Other (please specify)
- Not applicable
- Prefer not to say

4. Where is your business based? (Tick all that apply)

- England
- Northern Ireland
- Scotland
- Wales
- Other (please specify)
- Don’t know
- Prefer not to say

5. If you are a producer how many pigs do you produce on a yearly basis?

- 0 – 4,999
- 5,000 – 9,999
- 10,000 – 19,999
- 20,000 – 24,999
- 25,000 – 49,999
- 50,000 – 99,999
- 100,000+
- Not applicable
- Prefer not to say

6. **If you are a producer what best describes your business?**

- Free range
- Outdoor bred
- Outdoor reared
- Indoor
- A combination of indoor and outdoor
- Organic
- Other (please specify)
- Not applicable
- Prefer not to say

7. **If you are a producer, what type of business do you have?**

- Breeding only
- Breeding and rearing
- Breeding, rearing and finishing
- Finishing only
- Not applicable
- Prefer not to say

8. **If you are a processor/abattoir, how many pigs do you handle on a yearly basis?**

- 0 – 5,000
- 5,000 – 100,000
- 100,000 – 500,000
- 500,0000 +
- Not applicable
- Prefer not to say

9. **If you are a processor, do you own any of the pigs processed?**

- Yes
- No
- Don’t know
- Not applicable
- Prefer not to say

10. If you are a producer, where are your pigs typically first sent for slaughter/processing?

- England
- Northern Ireland
- Scotland
- Wales
- Other (please specify)
- Don't know
- Not applicable
- Prefer not to say

11. **If you are a producer, what percentage of pigs do you send to a major processor?**

- 0 – 20%
- 20 – 39%
- 40% - 59%
- 60 – 79%
- 80 – 100%
- Not applicable
- Prefer not to say

12. If you are a producer, do you own any of your own pigs?

- Yes
- No
- Don't know
- Not applicable
- Prefer not to say

13. If you are a producer, do you use the services of a marketing group?

- Yes
- No
- Not applicable
- Don't know
- Prefer not to say

14. If you answered yes to question 13, what percentage of your livestock do you supply to a marketing group?

- Under 20%
- 21-35%
- 36-50%
- 51-70%
- Over 70%
- Don't know
- Not applicable
- Prefer not to say

15. If you are a processor, do you use the services of a marketing group?

- Yes
- No
- Don't know
- Not applicable
- Prefer not to say

16. If you answered yes to question 15, what percentage of the pig meat you slaughter/process is bought from a marketing group?

- Under 20%
- 21-35%
- 36-50%
- 51-70%
- 71%+
- Don't know
- Not applicable
- Prefer not to say

General feedback

All responses to this consultation will be anonymised and the demographic data provided in previous questions is subject to data protection laws. We do however recognise that many may feel concerned about sharing their opinions and experiences.

17. **Do you feel comfortable sharing your opinions and experiences related to the pig supply chain as part of this consultation? Please give reasons for your answer.**

- Yes
- No

Type of agreement

Discussions with industry stakeholders suggest that most agreements within the pig sector are longstanding written contracts that may not have been updated for several years, or written contracts that are updated annually through a verbal agreement between a producer and processor. Some other sale agreements include long-term rolling contracts, fixed term contracts that last a year or more and contracts based on and adjusted with the Standard Pig Price (SPP). While legally binding written contracts provide greater certainty for all parties when utilised, we understand that their use in the sector is not widespread, and they are not a legal requirement.

18. **As a producer, with whom do you make your sale agreement?**

- Processor
- Marketing group
- Other (please explain)
- Don’t know
- Not applicable

19. **What type of sale agreement do you have?**

- Written (updated in writing)
- Written (updated verbally)
- Verbal
- None
- Don’t know
- Not applicable

20. We are keen to understand more how alterations to an agreement are made. Please provide details related to the frequency of changes, the negotiations involved and who typically initiates this process.

21. Even though my sale agreements are verbal, this constitutes a legally binding contract that must be adhered to. If you have a verbal agreement, to what extent do you agree with this statement? Please give reasons for your answer.

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don’t know
- Not applicable

22. To improve transparency within the sector, all sale agreements between producers and purchasers should be covered by a written agreement. To what extent do you agree with this statement? Please give reasons for your answer.

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don’t know

Industry stakeholders have suggested that contractual terms and conditions are not always adhered to, particularly in times of significant market pressure. This creates challenges in forward planning for both producers and processors.

23. My sale agreements are always honoured. To what extent to do you agree with this statement? Please give reasons for your answer.

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don’t know
- Not applicable

Contents of agreement

There are currently no obligations to include specific terms or conditions within a sale agreement, on a voluntary nor mandatory basis. A sale agreement outline (a version of standard form contract) could ensure that all agreements between a processor and producer include certain provisions, such as clear payment terms, supply volumes, force majeure clauses, duration of agreement etc.

24. **All sale agreements should follow a set structure and include reference to the same terms and conditions. To what extent do you agree with this statement? Please give reasons for your answer.**

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don’t know

25. **Legislation, rather than a voluntary approach, is needed to ensure that this sale agreement outline is consistent across the supply chain. To what extent do you agree with this statement? Please give reasons for your answer.**

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don’t know

26. **Are there any clauses which should be mandatory within any sale agreement? Please provide details.**

27. **Are there any clauses which should be prohibited within any sale agreement? Please provide details.**

28. **Should changes to the sale agreement be permissible?**

- Yes
- No

29. If yes, we are keen to hear your views as to what changes should be permissible, under what circumstances and the process by which sale agreements should be changed. Please provide detail in your answer.

Formation of price

The price of any agricultural commodity good is ultimately determined by the global market. Numerous factors influence the price being paid at an individual level although reports from industry suggest these are not always well understood by both parties to the contract.

30. The factors which make up the contracted price to be paid for an animal are clear and transparent to both parties of the sale agreement. To what extent do you agree with this statement? Please give reasons for your answer.

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don’t know

31. We are keen to hear views about the factors that currently contribute to contracted prices (for example: market indices such as the Standard Pig Price, All Pig Price or Tribune Spot Bacon Average, weekly contribution, cost of production etc.) including whether other factors would be preferable. Please provide detail in your answer.

Premiums and deductions

There is no consistent cross-sector approach to the application of premiums and deductions. Rates and definitions vary between processors which may lead to a lack of transparency about how the price being paid has been modified.

32. **The premiums and deductions which can be applied to the price paid per pig are clear and unambiguous at the point of sale. To what extent do you agree with this statement? Please give reasons for your answer.**

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don't know

Price reporting and transparency

There are various price reporting mechanisms currently available. Under current price reporting regulations, all abattoirs slaughtering more than 500 pigs per week are required by law to provide data to AHDB for the UK reference price series (organic and free-range pigs are not included in this data). Supplementary information is provided on a voluntary basis and used to calculate the GB Standard Pig Price (SPP). Data from Northern Ireland is not factored into the formation of the SPP, although it is still sometimes used there in the formation of contract prices. In addition, marketing and producer groups provide deadweight prices for the All Pig Price (APP) and the Weekly Tribune publishes pricing data as part of its newsletter offering. We are keen to hear your views on the areas where market transparency and data availability can be improved, including ideas for the potential development of new reporting mechanisms.

33. **Existing market reporting services provide a high level of transparency. To what extent do you agree with this statement? Please give reasons for your answer.**

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don't know

While comprehensive data is published relating to average deadweight prices for pigs defined as standard, the availability of other information is more limited (e.g., prices for premium pigs such as free-range, organic, pigs reared in particular outdoor production systems, or prices for welfare related slaughtering or spot sales etc.). There is also an incomplete picture of the total volume of pigs being slaughtered, as animals from integrated supply chains are not included in the price reporting samples.

34. **Should any additional data points from the first stage of the supply chain (between producer and processor), that are not currently provided, be made available to [the relevant authority]? Please give reasons for your answer.**

- Yes
- No
- Don't know

Farm-gate price reporting and retail price reporting are comparatively well-developed, but information related to the intermediary stages of the supply chain is generally scarcer, such as consumer demand for, and value of, certain cuts of pork.

35. **Would any additional market reporting from other stages of the supply chain improve transparency? Please give reasons for your answer.**

- Yes
- No
- Don't know

Dispute Resolution

Where business disputes arise, effective resolution procedures are required, and we are interested in views on the options available. Arbitration can sometimes be a costly and time-consuming process and other forms of third-party determination may be appropriate (where both parties consent) as an alternative means of resolving disputes.

36. **Please provide your views on the most effective means of dispute resolution and whether this should be binding or advisory.**

Impact on business and consumers

37. **If new legislative requirements are introduced as a result of this consultation, are you aware of any impacts to business that could arise? Please give reasons for your answer, including any additional annual costs or savings for your business and any specific impacts in one or other parts of the UK.**

38. **Are you aware of any positive or negative impacts on consumers which could arise from the introduction of regulations in the pig sector? Please give reasons for your answer, including any expected impacts with regards to costs, choice, and transparency of production and processing standards.**

Consolidation

The UK pig processing sector is highly consolidated. An estimated 85% of the UK pig market is processed by four companies, with 100% of pigs reared in Northern Ireland processed by three plants. While increased levels of supply chain integration can create positive outcomes for the sector and consumers, there are some concerns about negative impacts on producers.

39. **Consolidation of pig processors has hindered the supply chain position of pig farmers. To what extent do you agree with this statement? Please give reasons for your answer and provide information on each area you feel is affected, both positively and negatively e.g., price, productivity etc.**

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don't know

Furthermore, there are questions about whether a high degree of consolidation in processing has made it challenging for producers to differentiate themselves in terms of animal welfare standards or specialist meat quality etc. Increasing consolidation of processing facilities and the decline in the small abattoir network may have impacted the demand patterns for certain cuts and limited the ability of UK processors to produce pork suitable for the wholesale market.

40. **Consolidation in the processing sector has limited the ability of pig farmers to specialise. To what extent do you agree with this statement? Please give reasons for your answer and provide information on any areas you feel are affected e.g., price, productivity etc.**

- Strongly agree
- Agree
- Neither agree nor disagree
- Strongly disagree
- Disagree
- Don't know

Marketing Groups

41. **We are keen to hear your views about marketing groups and the role they play in the pig supply chain. Please provide detail in your answer.**

Variation within the UK

The UK pig industry spans all four constituent nations and operates as a single market, but the respective pig sectors have certain differences, such as the greater prevalence of marketing groups and cross-border trade with Ireland within the Northern Ireland supply chain.

42. **Legislative regulations are often applied uniformly across all UK nations. Is there any reason why a different approach should be taken? Please give reasons for your answer.**

- Yes
- No
- Don't know

Other concerns

43. **We are keen to hear your views on any other issues related to business relations in the pig supply chain that have not been covered by this consultation. Please provide detail in your answer.**

44. **How much time do you estimate would be required to implement any new legislation? Please give reasons for your answer.**

- 12 months
- 24 months
- 36 months
- Other (please explain)
- Don't know