

Chapter 2

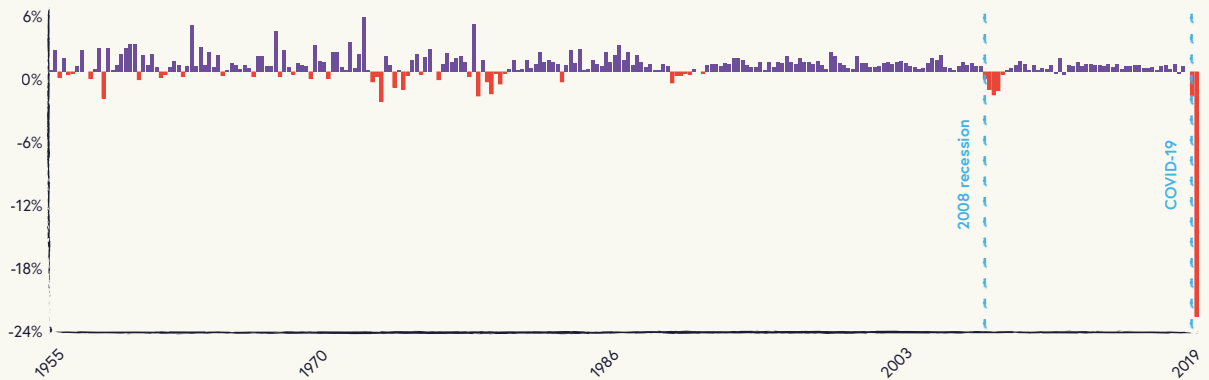
The National Food Strategy: Part One – July 2020

System Shock

THIS chart shows what happened to the UK economy when lockdown was announced, as measured by GDP growth. Within the food system, some sectors were much better able than others to adapt to this

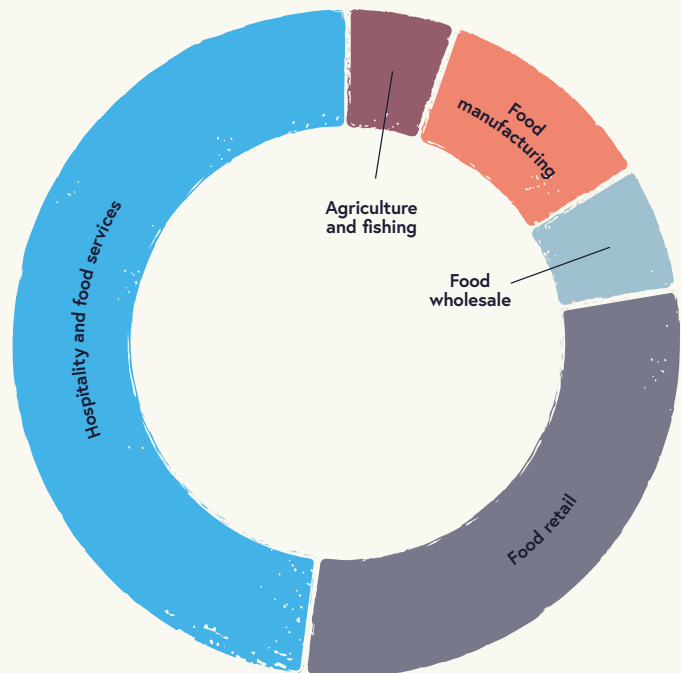
economic thunderbolt. Since then, the gap between the winners and losers in the food sector has only widened.

Figure 2.1
GDP has fallen ten times faster than in the 2008 recession^{12, 13}



At the start of the year, one eighth of the UK workforce – nearly four million people – were employed in the food industry. Three-quarters of these worked in hospitality and food retail. When the lockdown was implemented, long-established patterns of public food consumption changed overnight.

Figure 2.2
Nearly half of food sector workers were in hospitality¹⁴



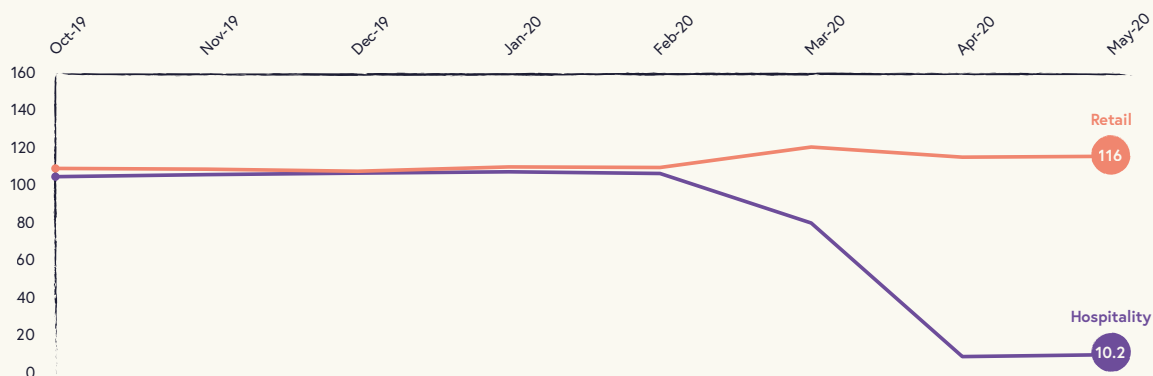
2018 data. GB employees only.

Before lockdown, we consumed around a quarter of our calories out of the home, in restaurants, cafes, pubs and fast food joints. On March 23rd almost all these businesses shut, leaving the retail sector to pick

up the slack. Trillions of calories and billions of pounds suddenly switched from hospitality to food retail.¹⁵ The grocery retail sector grew by 11% within a month, while the hospitality sector sank like a stone.¹⁶

Figure 2.3

Retail grew while hospitality sharply fell^{17, 18}

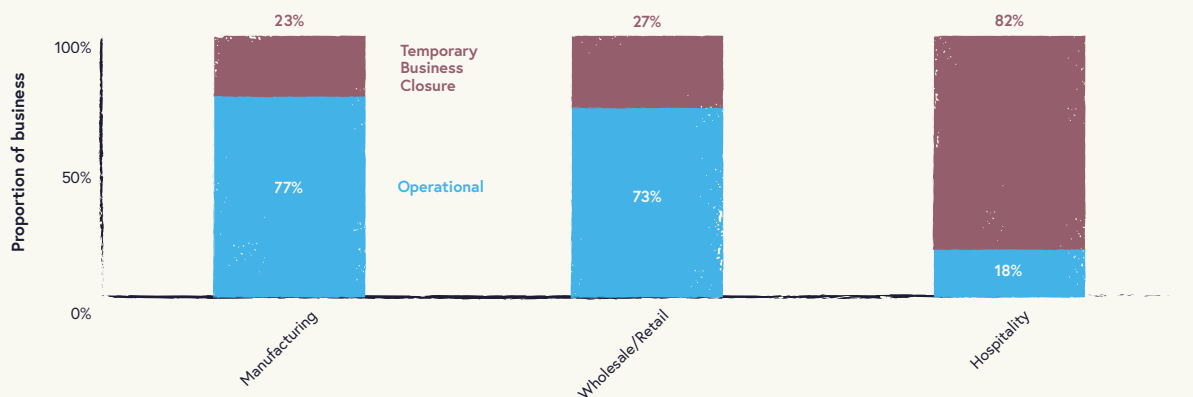


Retail Sales Index (retail) and Index of Service (hospitality). Index 2016 = 100.

82% of hospitality businesses were obliged to close their doors. Those in food production and retail remained largely operational.

Figure 2.4

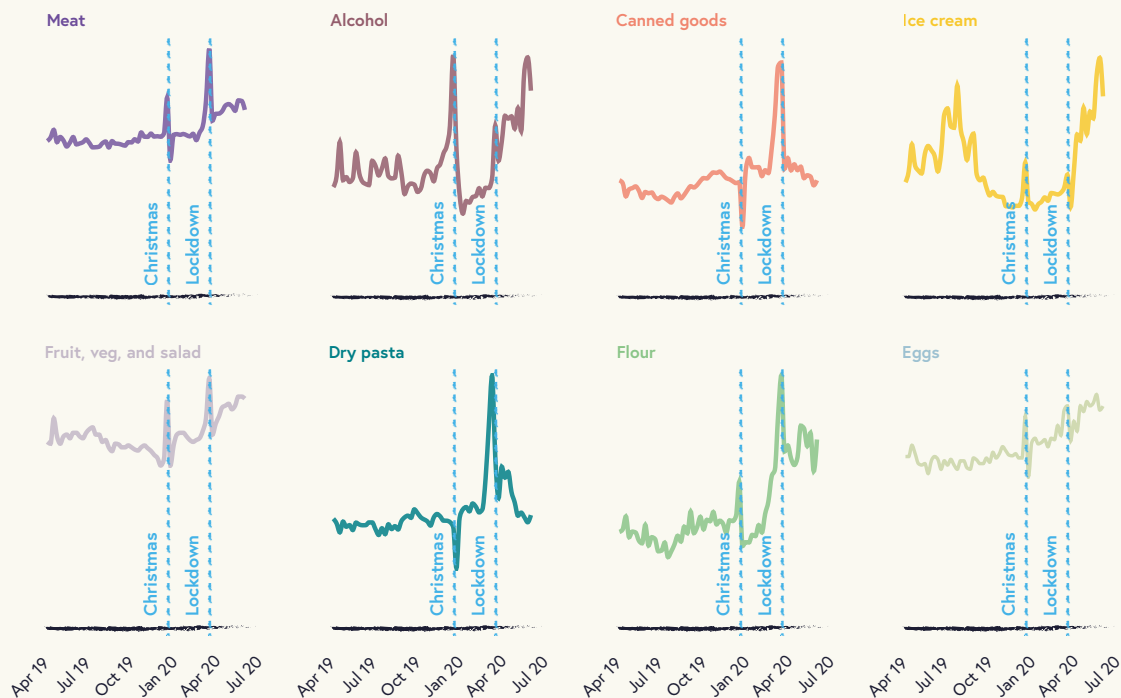
Lockdown affected hospitality disproportionately¹⁹



Business impacts data not available for agricultural businesses.

Demand for groceries began to rise even before lockdown, as people stockpiled in preparation. When the "out of home" sector was closed down, this caused a bigger spike, comparable to (and for some products, far exceeding) the Christmas rush for which supermarkets spend all year preparing. Surpluses and shortages appeared in some areas, as the system was forced to reorganise on a massive scale.²⁰ Since then sales of alcohol and of fresh fruit and vegetables have continued to rise, while sales of meat and canned goods have remained flat. This may suggest that on average people are cooking and eating more healthily (albeit less soberly) at home.

Figure 2.5
Stockpiling created unprecedented demand for some foods²¹

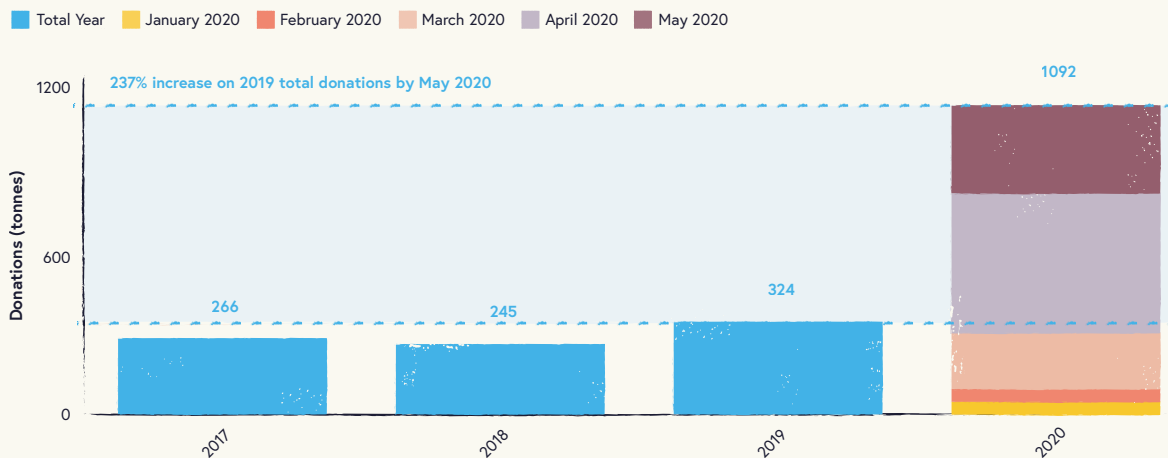


Sales data by million kilograms, litres, or packs. Data covers week ending 6 January 2019 to 7 June 2020.

Restaurants, cafes, pubs and wholesalers donated food to charities on a huge scale, rather than see it go to waste.

Figure 2.6

Food donations from hospitality more than tripled²²

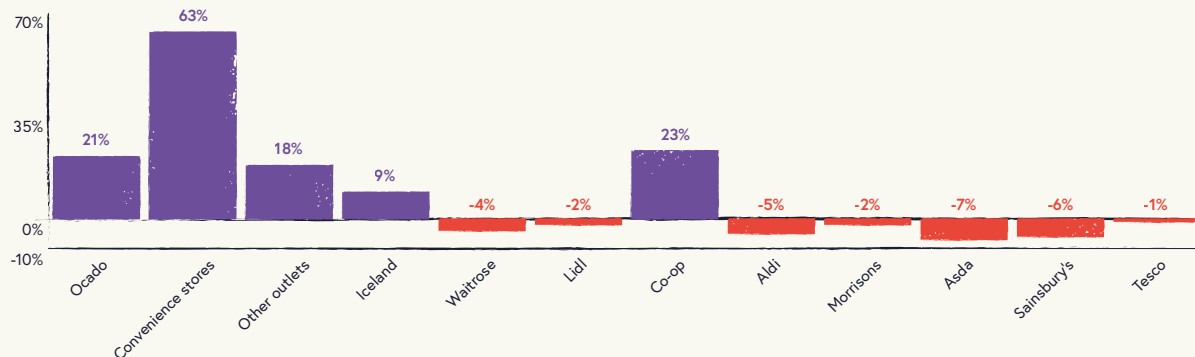


In lockdown people changed their shopping habits. Veg-boxes, delivery schemes, corner shops and local food retailers all increased their share of the market, as did those supermarkets that already had well-

developed delivery systems and frozen food options. But it would be wrong to interpret this as a victory for local businesses.

Figure 2.7

Relative changes to market share were large²³

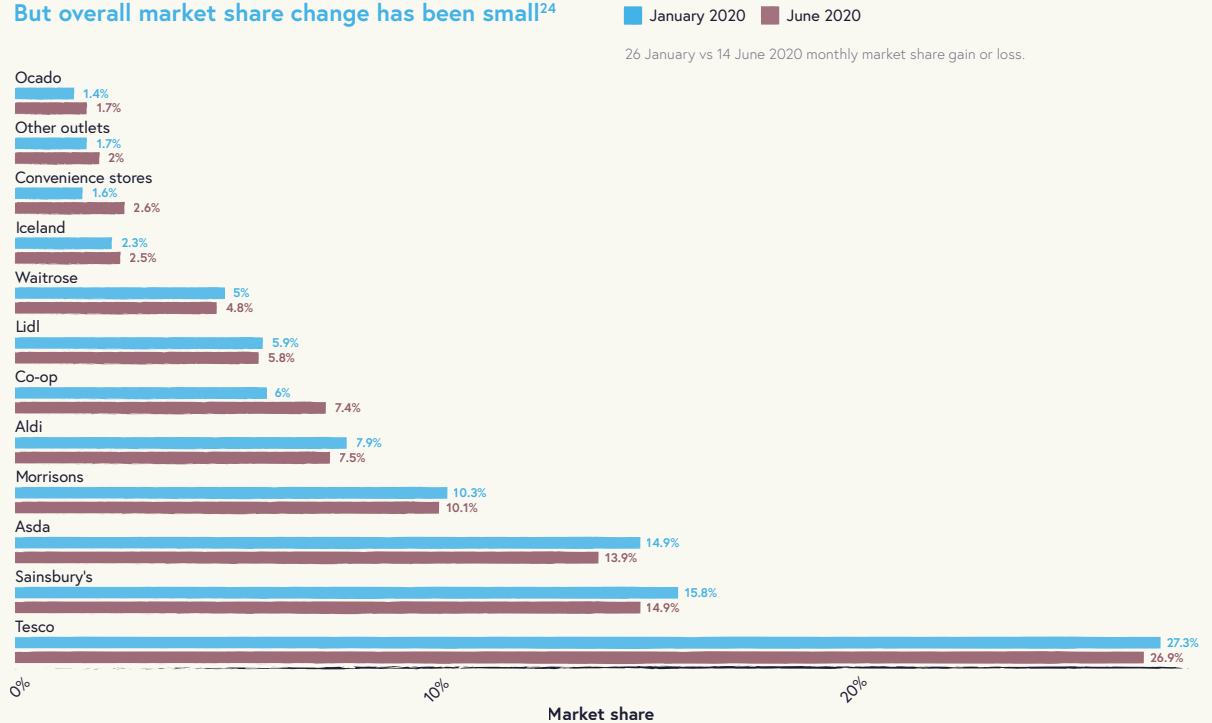


26 January vs 14 June 2020 monthly market share gain or loss.

The closure of the hospitality industry – one of the most "local" sectors there is – created a bigger market for food retailers, and most of this was captured by the big supermarkets. In January 2020,

97% of the market was served by ten retailers. In June 2020, they held 96% of a much larger market. Food purchased from over 100,000 small restaurants is now being purchased from ten large grocers.

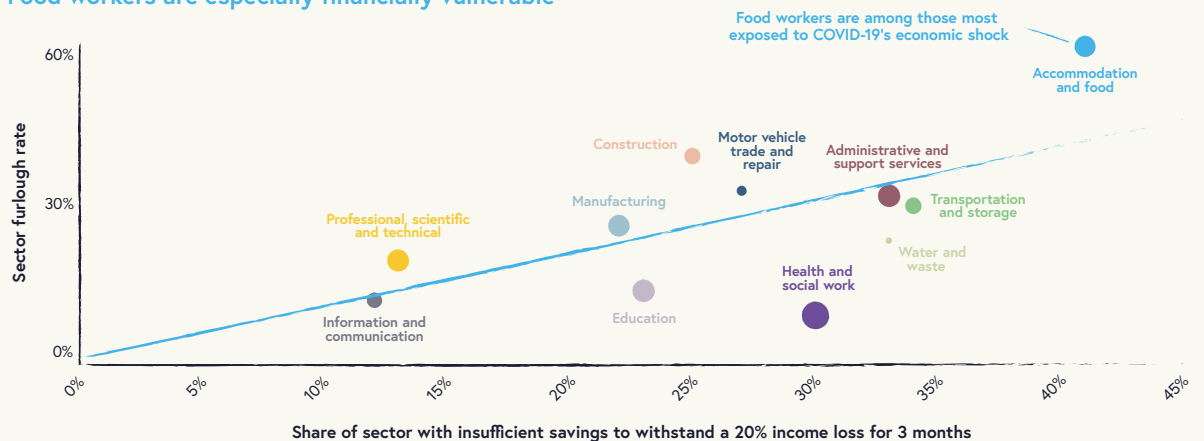
Figure 2.8
But overall market share change has been small²⁴



Nearly half of food sector employees have too little in savings to be able to withstand a 20% loss of income for three months – the effect of going onto furlough.

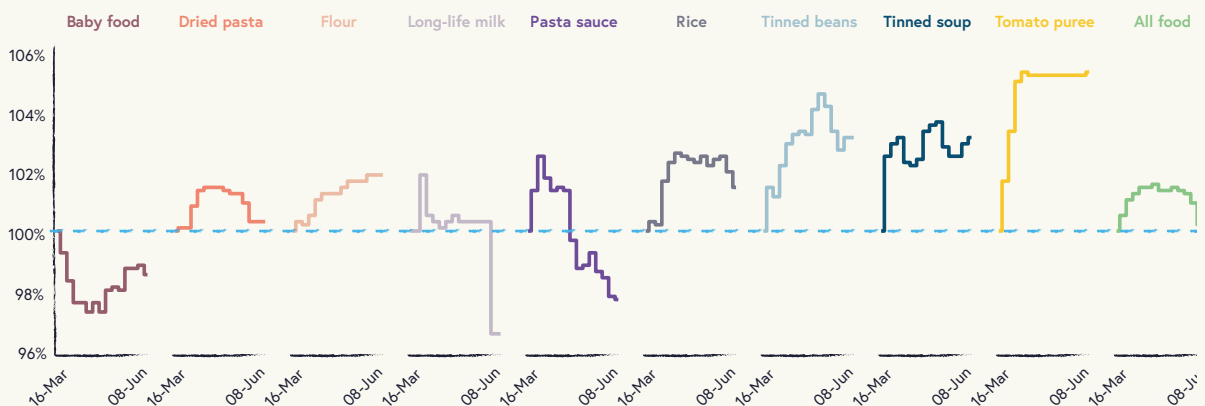
Since lockdown began, nearly two thirds of these employees have been furloughed.

Figure 2.9
Food workers are especially financially vulnerable^{25, 26}



Despite the huge demand for groceries during lockdown, there was very little price inflation, and even deflation in some categories...

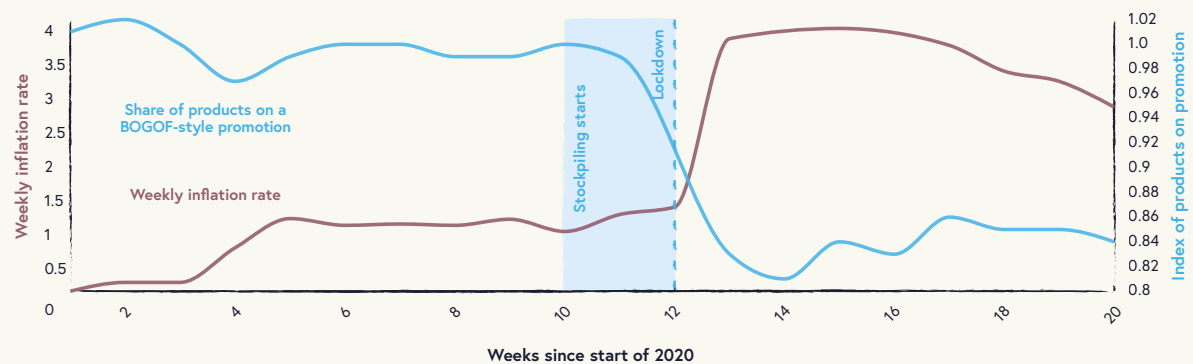
Figure 2.10
Individual prices rose but then mostly fell²⁷



100 = 16 March.

...but retailers, under pressure from stockpiling, cut back hard on promotional offers. As a result, the price of food rose 2.4% in April vs a monthly average of 0.17% in the preceding four years.

Figure 2.11
Vanishing promotions pushed food bills up²⁸

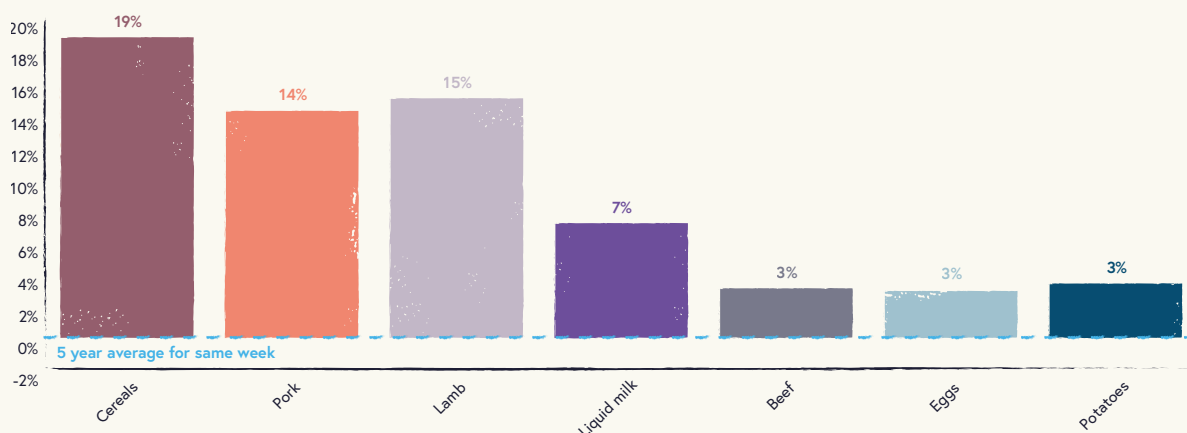


Over half of weekly inflation rate rise stemmed from reduced frequency of promotions. See endnote 26.

Farmers who supplied directly to the hospitality industry suffered in lockdown, and there were short term drops in demand for some products (beef and potatoes, for example, because people were no

longer eating steak and chips in restaurants). But the prices of commodities, including cereals, beef, lamb, pork and potatoes, have now stabilised above their five-year average level.

Figure 2.12
Agricultural commodity prices are up²⁹

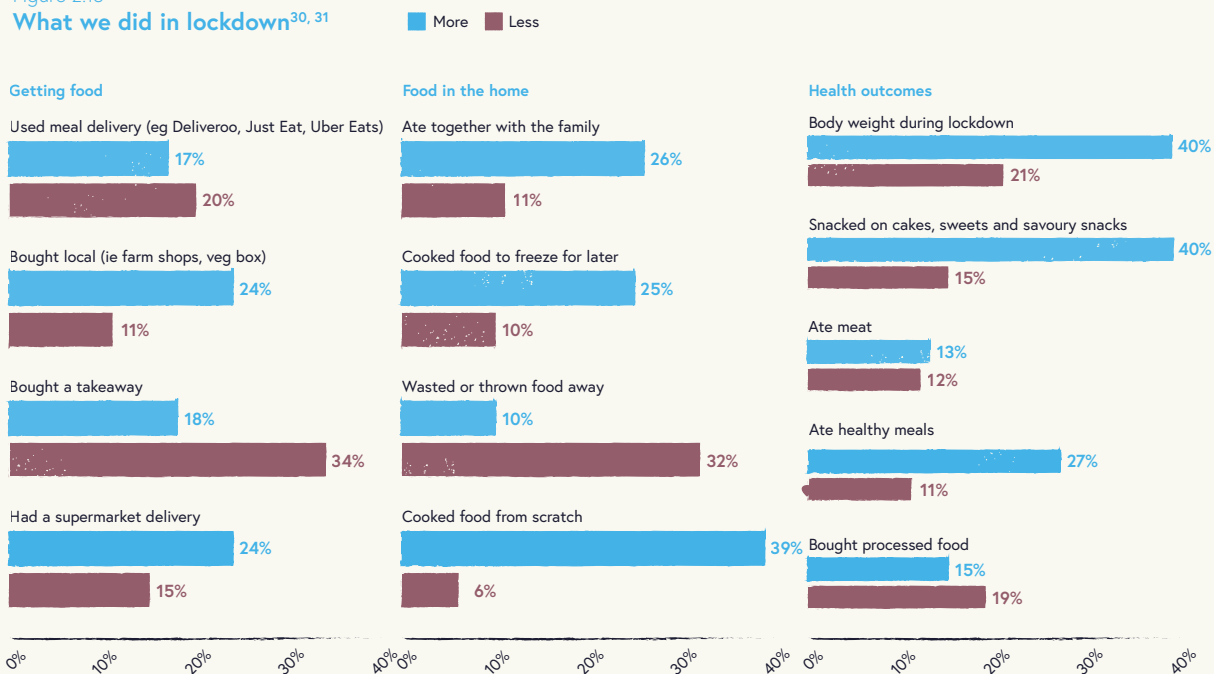


Prices for week 27, 2020, compared to their 5 year average for the same week.

As people adapted to lockdown, their food habits began to change. Unhealthy snacking rose hugely, and many people have gained weight. On the other hand,

food waste has dropped, cooking from scratch increased and more people have eaten together than before.

Figure 2.13
What we did in lockdown^{30, 31}

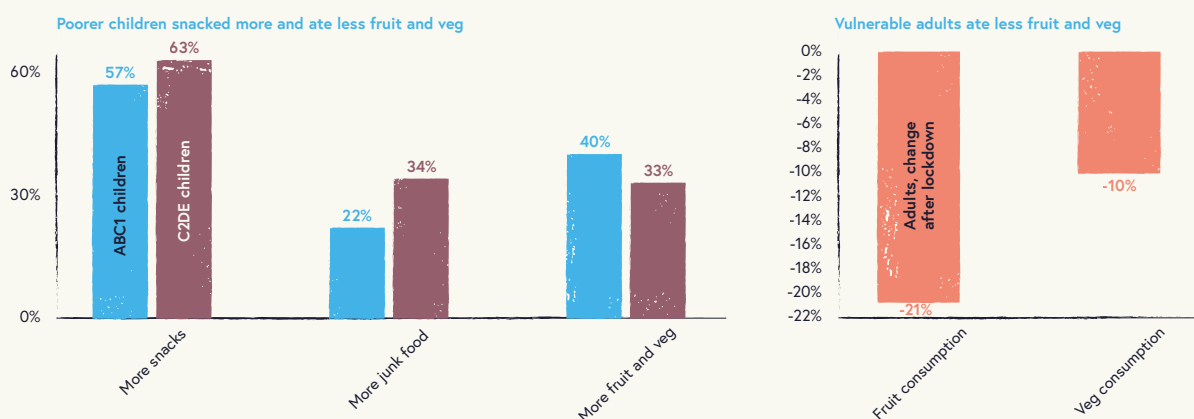


All changes self-reported. Answers indicating no change not shown.

In lockdown, children – particularly from poorer backgrounds – reported that they ate more snacks and junk food. Similarly, daily diet survey data showed that vulnerable people – those with a COVID-19 health risk and the less affluent – ate nearly a whole portion less of fruit and vegetables per day in lockdown.

Figure 2.14

Disadvantaged people had worse diets in lockdown than their peers^{32, 33}



Vulnerable adults defined as having a COVID-19 health risk, being obese, or living in low income/high deprivation circumstances. Percent change in fruit and veg consumption from before COVID-19. Post COVID-19 data for this group are from early April.

The data show that the retail sector of the food system adapted to the unprecedented shock of lockdown with remarkable flexibility, while retaining its essential shape, warts and all. This is largely a testament to the extraordinary efforts of people across the whole supply chain, from diplomats to lorry drivers. We can move fast when we must.

Just as the system adapted, so did the population. We have cooked more, wasted less and spent more time eating together at the table. We should find ways to encourage these habits as lockdown lifts.