



Department  
for Environment  
Food & Rural Affairs

# Welcome Address

*Michael Archer,  
Economic Adviser,  
Food Chain Analysis Team,  
Agri-Food Chain Directorate*

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Classification: OFFICIAL


# Agenda

- Welcome
- What do we mean by “fairness”?
- Defra Supply Chain Fairness workstreams
- Price determination
- Price transmission
- Value chain analysis

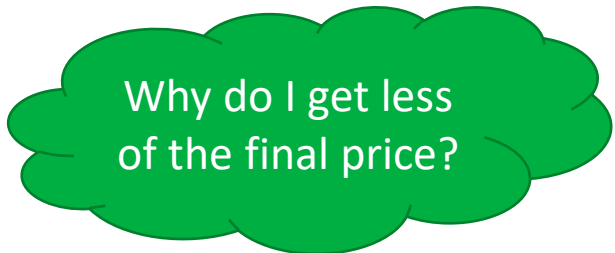
# What do we mean by fairness?

*“Economic Fairness is what links economic justice to the common good. It means that all people benefit from a success and that opportunity and prosperity are shared.”* (William Sundstrom, Santa Clara University, 2018)

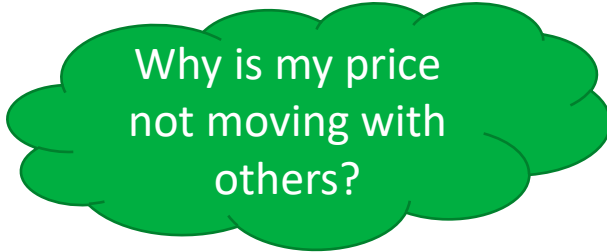
*“In imperfect competition with a small number of actors, the model of rationality is less applicable and issues of fairness become more important – especially in areas of repeat transactions.”* (Fehr & Schmidt, 1999)



Am I paid a fair price?



Why do I get less of the final price?



Why is my price not moving with others?

# Defra Supply Chain Fairness workstreams

- In May 2023, the Prime Minister and DEFRA Secretary met representatives from across the whole UK supply chain, from farm to fork, for a Summit on how government and industry can work together to support a thriving UK food industry.
- *“Farmers should be paid a fair price for their produce. We introduced new powers through the Agriculture Act 2020 to support the sector and have made great progress in our reviews of the pig and dairy supply chains.”*

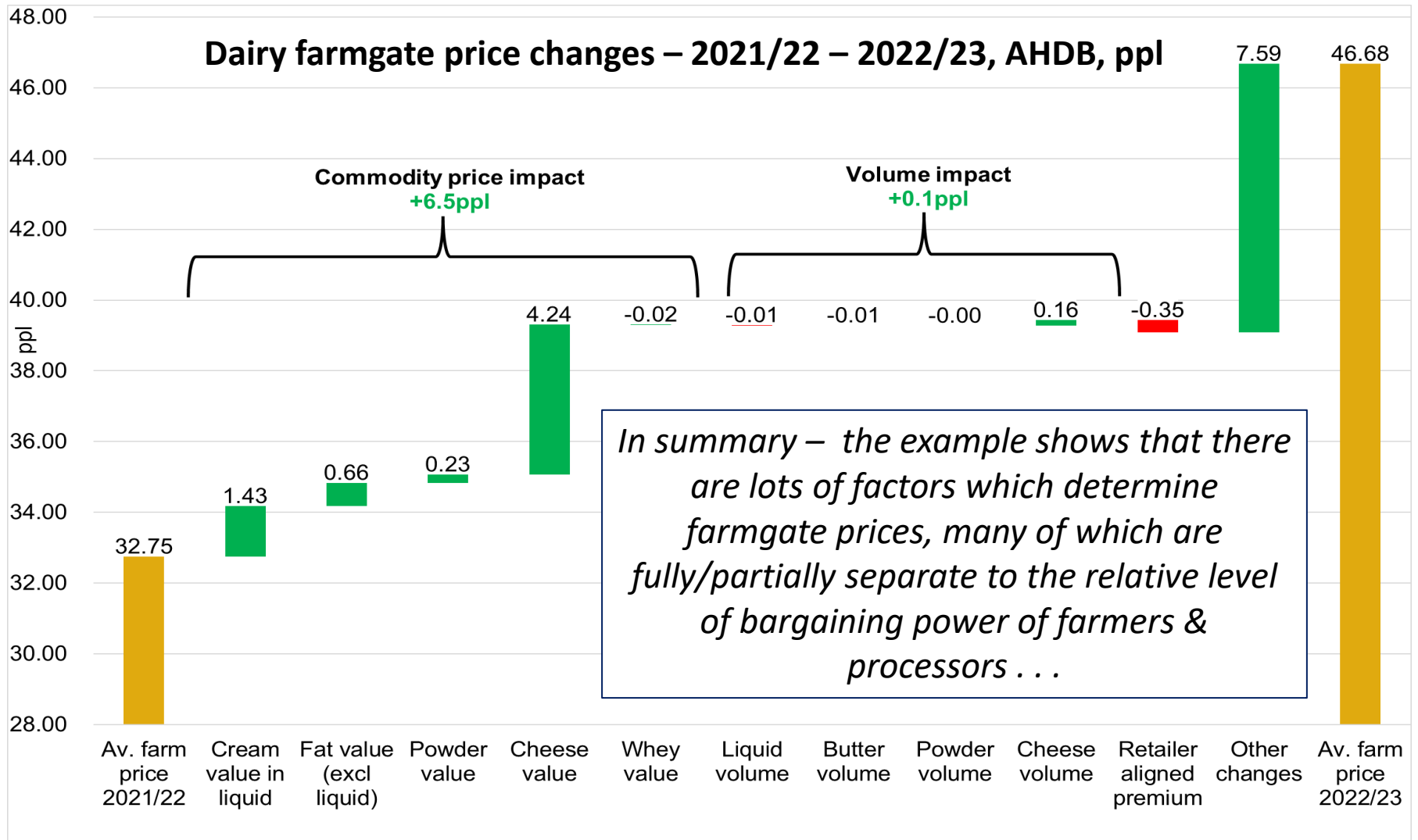
Dairy

Pork

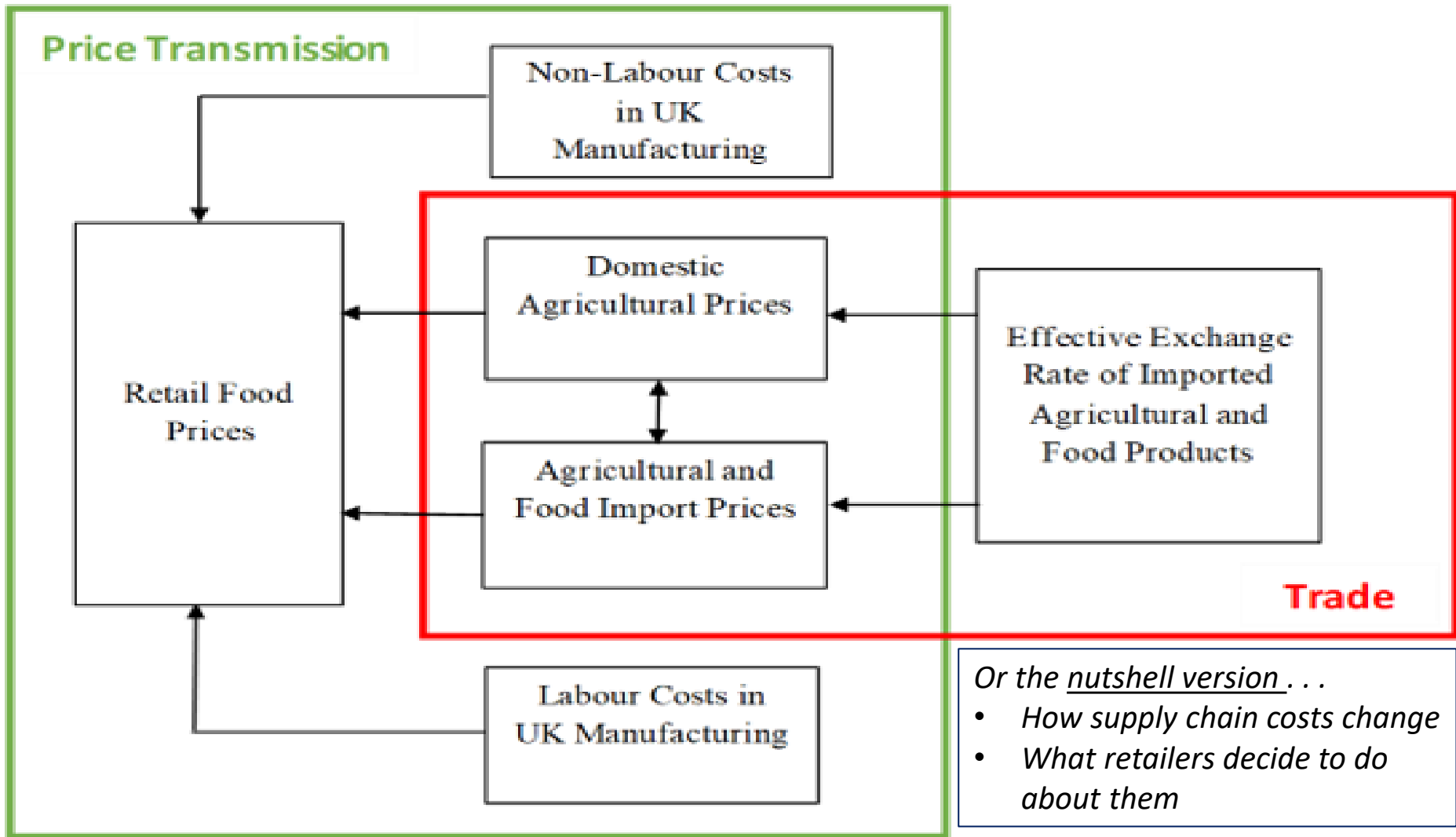
Eggs

Horticulture

# Food supply chain prices – how do we know who is milking it?



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## Price transmission – not always as smooth as a knife through butter???



Source: IGD

*Price asymmetry are when prices in a supply chain become misaligned – i.e. when prices move at a different speed and/or to a different magnitude within the same supply chain*

- Evidence of upward (farmgate to retail) price asymmetry (*Jeffry, Grigoryev & AHDB/Dairy Co, 2011*) for:
  - Liquid milk – Farmgate to Wholesale
  - Mild Cheddar – Wholesale to Retail
  - Butter/Cream – Farmgate to Wholesale
- And also downward price asymmetry (retail to farmgate direction) for:
  - Mature Cheddar – Retail to Wholesale

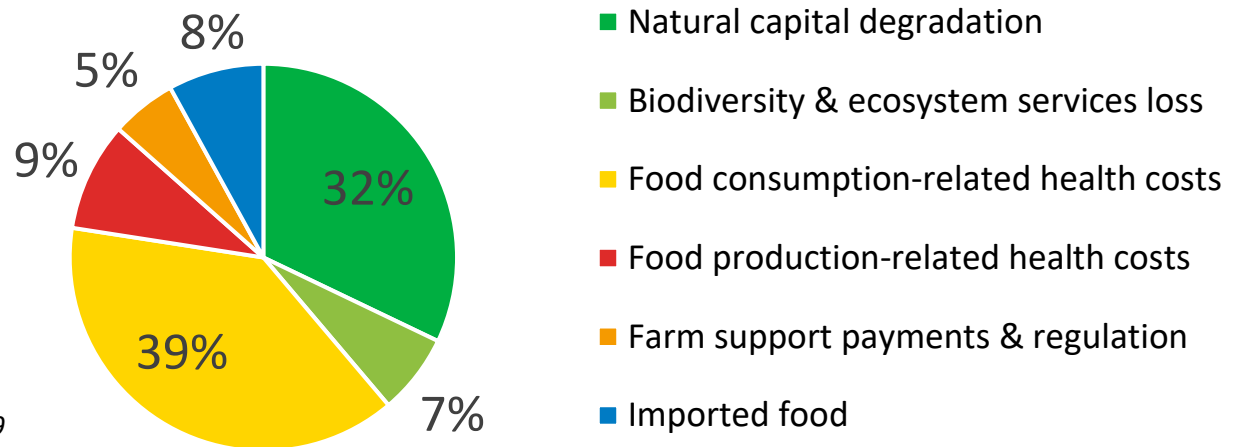
# Value-chain analysis – who is getting the biggest slice?

2022 Food dollar: Industry group (nominal)

Source: USDA, 2022



Percentage of hidden costs attributed to different categories



Source: Sustainable Food Trust, 2019