

To: Assured Food Standards

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## NFU Overarching Response to the Red Tractor Standards Consultation

The NFU welcomes the opportunity to comment on the Assured Food Standards (AFS) consultation. As a founder member of Red Tractor and with a membership of 55,000 farmer and grower members, many of whom are Red Tractor scheme members, our interest in this consultation is significant.

Twenty years after its establishment, the NFU continues to be a strong advocate for AFS. It continues to play a key role to convene the support from multiple players across the grocery sector to deliver trust and integrity on £15bn of British food. We fully support and recognise the significant achievements of AFS to develop a farm assurance scheme that is enviable around the world. If Red Tractor didn't exist in its current form, we would be seeking to establish it particularly given our ambition to open new markets around the world and grasp more of our own domestic market. Now more than ever, we must strive for Red Tractor to succeed in building upon its success to date, whilst not holding back on creating opportunities for the future, that delivers outcomes for farming scheme members. It is critical Red Tractor retains and builds on support from Government, the supply chain and farmers to do this. This consultation response therefore is an open and honest account of views that members have shared with us. We also offer up eight key principles for the future development of standards that we believe will help support Red Tractor's future success.

In the post EU transition landscape, Red Tractor is the only volume assurance standard that the UK can invest in and differentiate itself in the home and export market. If we are to attract public and private investment for UK promotion, we must ensure the link is drawn from primary producers through the chain to added value opportunities in new and developing markets and be able to meaningfully articulate why that investment is better for purchasers and have value for scheme members. Otherwise, this investment will focus on primary processing and manufacturing, with no requirement for UK or standard identity for Government to support. Red Tractor is the only way we can do this at scale and with the pace needed.

It is also important to recognise that Red Tractor is *the* foundation that other assurance schemes rely on and that AFS has moved to develop a segmented offer in the supply chain. This more flexible approach can help the development of a more agile and cost-effective approach to delivering differentiation in the market and add value for scheme members.

Turning to our approach to member engagement on this consultation, each of the NFU national commodity boards and teams have listened and accounted for the range of member views received throughout the consultation process and duly responded to the proposed changes in detail for their sectors. This additional written response provides important context and an overarching summary of members' views which we believe should be read in conjunction with the line-by-line appraisal of the standards themselves.

We have mobilised to engage with as many members as possible to raise awareness of the proposals and ensure members have their views heard and registered. Our response is the culmination of significant direct and indirect engagement with our members. In addition to direct individual contact with our teams, we have held over 76 NFU meetings, 40 of which have been attended by Red Tractor staff. In addition, we have hosted 3 national level events, including NFU live with over 300 attendees and 2 national workshops covering the plant and animal sectors. We estimate that our virtual 'face to face' engagement has reached c2,600 members in addition to our key sector and central channels, including British Farmer and Grower, NFU Poultry magazine and NFU bulletin.

## Executive Summary

There is broad support for Red Tractor's original purpose of delivering assurance for food safety and traceability, and it is important that we recognise that this remains of strategic importance to UK agriculture. However, our members have raised clear and wide-ranging concerns regarding a number of the proposed standards across the sectors; concerns about the broader lack of clarity on purpose or benefit for the proposed changes, and the direction of travel they will take us. We consider there is a risk of serious detachment from the scheme without properly addressing these concerns for scheme members.

We have set out below an agreed set of principles that the NFU believes should apply to standards development now and in the future. We believe this will ensure assurance standards are more meaningful for farmers, increase relevance in the supply chain and deliver value back on farm. In summary, Red Tractor should:

- continue to retain trust and support growth in the domestic market for British food.
- provide an assurance platform for growth in the export market for British food and ensure high value exports have robust assurance supporting traceability claims.
- retain its leading position on cost effective assurance and protect members from inspection and regulatory duplication. Any additional costs associated with implementing new standards should be supported with a clear and simple cost benefit analysis or business case.
- be empowered to challenge duplicity within the marketplace and not facilitate the hypocrisy of buyers sourcing policies which undermines domestic standards.
- seek to add value through segmentation and market differentiation where there is a need to deliver different value propositions to different markets, without inflating the core standard and eroding value to scheme members.
- provide marketing choice for buyers. Scheme options, or bolt-ons, could provide competition for cost-effective or a more practicable alternative for brands and scheme members alike.
- provide a viable but discretionary alternative to new or increasing regulatory burdens and it should deliver efficient solutions in areas that are susceptible to regulatory burdens.
- explore the opportunities for inspections to be driven by outcomes and data, and where possible reduce the burden of inspection and add value back to farmers

## NFU Member Feedback

NFU members have aired a wide range of opinions on the purpose and objective of Red Tractor, and its own strategic direction. The following section outlines these concerns.

### ***a) Red Tractor's core purpose***

AFS scheme members have largely remained loyal to its core purpose but increasingly there is a disconnect between rationale for change and scheme evolution. Red Tractor's success in providing a single point of access has arguably distanced producers from buyers in a market seeking differentiation. This leaves Red Tractor, with the hard work of reconciling and then selling standards changes to farmers and growers in the broad industry interests on behalf of the market, but without a clear and transparent commercial mandate or rationale to do so.

The NFU understand consumer interest and focus has shifted towards a wider agenda of welfare and environmental sustainability and that Red Tractor standards ventured into these areas some years ago, with the ambition of creating an affinity for 'British' to match mainstream consumer sentiment. The logic matches the ambition of many leading brands to prove their environmental and sustainability credentials but if Red Tractor has the desire to be the marque of choice to deliver these, it must bring its scheme members with it, rather than taking the top-down approach which leaves members alienated

and frustrated that standards are being imposed on them with little reconciliation of value returned to the farmer or grower.

There was also a perception amongst some members that the focus on the Red Tractor 'brand' in recent years has been to the detriment of the perceived value of the business-to-business assurance infrastructure. In a heavily competitive marketplace, the latter is critical to provide support to consumer facing brands that want to differentiate and return value to scheme members. In essence, just because a Red Tractor logo isn't on pack, doesn't mean there is no value of Red Tractor assurance to the end value of the underlying product.

***b) Proportionality of standards versus the associated risk and a lack of supporting evidence.***

Outlined within each of the NFU commodity responses to this consultation, it is clear that a broad-brush approach to developing standardised cross sectoral requirements does not deliver value to the producer. Essentially, different sectors face different risk profiles, and the risk mitigation of the standards must be informed by evidence of the risk and the cost benefit analysis of the standard. By not doing so, any requirement ultimately becomes a 'tick box' exercise and meaningless to the producer because where the underlying risk is low in a particular sector there is no demonstrable outcome.

For instance, NFU members strongly disagree with Red Tractor's proposals to introduce cross sectoral requirements such as worker welfare, particularly where the risk of labour exploitation is low and when businesses are already being audited much more thoroughly through other schemes. Proportionality to the underlying risk is key when developing robust and auditable standards. Whilst we understand the Birnie Benchmarking Report identified worker welfare as a gap in the standards, the risk is low particularly in sectors with low labour requirements, such as the arable and livestock sectors.

Standards cannot simply be "lifted and shifted" from one sector to another, without understanding its relevance to each commodity sector. Red Tractor must identify the risk the standard is trying to address, and its likelihood of occurring, whilst acknowledging that different sectors have different risk levels, when developing future standards. In addition, Red Tractor must give sectors room to respond proportionately to the identified risk, supported with sound scientific evidence. To date, Red Tractor TACs have not had this evidence base to understand the risk level associated with their individual sector.

Part of the frustrations aired by many livestock members over the course of this consultation, is also borne from feelings that Red Tractor lacks trust in its own scheme members competence and ability to care and look after their animals. Proposals for requiring a certificate of competence, professional services to plan feed rations or administer veterinary medicines has left members feeling Red Tractor view farmers as unsuitably qualified to carry out daily tasks, and many members have called into question where the evidence lies demonstrating there is genuine risk to either the farmer, the animal's health and welfare or indeed the demand from customers and consumers.

Whilst the NFU understands Red Tractor aim is to find the right balance between producers, customers and consumers in terms of developing robust standards, the level of frustration and concern raised throughout this consultation period is evidence that this balance has not been found, and that it is heavily weighted in favour of the supply chain and customer asks. It is vital the communication between Red Tractor and its scheme members improves in order to achieve the support the scheme needs to move forwards. As one of the schemes owners, and a key stakeholder to AFS and Red Tractor, the NFU would welcome the opportunity to discuss how this can be achieved.

It would also be highly recommended Red Tractor review the governance structure across sector boards and TACs, to ensure equal representation from all stakeholders across the supply chain, in

addition to a robust member engagement programme to re-engage scheme members with the direction Red Tractor are aiming to take.

**c) *The value of the Red Tractor standards and logo***

Opinion is split on the perceived value that Red Tractor standards, and therefore the logo, delivers at farm level. This is a conflated and compounding issue reported by members which has come across strongly throughout the consultation period and echoed across all farming sectors.

For cereals in particular the value perception of the logo is very low, fuelled by significant conflicting signals from the supply chain. Yet for poultry meat and red meat the logo is more highly valued. The former is partly linked to the failure of Red Tractor and indeed the supply chain to champion the importance of business-to-business assurance in underpinning due diligence that any food brand must exercise.

Farmers like the rest of the food chain operate in a dynamic business environment. What is exceptional now will be commonplace in the near future as new challenges arise. This is why the NFU supports AFS's regular standards review and understands that AFS must aspire to be a progressive assurance scheme which gives confidence to customers and consumers. However, during the developing process and as part of the consultation phase, there must be a transparent process that concludes why new standards are necessary and that the AFS Board ensures a clear explanation and benefit for change is available to all stakeholders.

Members become frustrated with the "mission creep" of standards when they see no demonstrable value, purpose or market need for them. Many of the concerns raised during this consultation period have challenged the additional cost required to meet the new proposals, with no clear value delivered back to the farm gate, whilst burdening farmers with additional stress to "jump through more hoops", unnecessarily – especially where imported agricultural commodities, competing in the very same market, do not have to meet the same level of assurance.

Arable members made strong arguments regarding the conflicting requirements of buyers in the market. Imported grains do not require the same level of assurance as British sourced supply chains yet buyers contribute to the development of Red Tractor standards, at the expense of British farmers. This coupled with the co-mixing of origin within the final product, and therefore the lack of logo on pack, undermines the efforts Red Tractor producers go to in meeting the standard set, with little differentiation or premium at the farmgate.

If Red Tractor is to continue to be seen as the best asset to build on and promote "Britishness", and attract loyalty from producers, buyers and consumers alike it is critical Red Tractor demonstrate the value of the logo to farmers as well as the business-to-business assurance. As part of its standards development process, Red Tractor must be empowered to challenge duplicity in the marketplace where buyers promote standard improvements yet fail to meet these requirements within their brands own sourcing policies.

Red Tractor should seek to define and communicate the specific market, and consumer need, any new proposed standard is addressing including the financial cost of implementing the new standard and the derived benefit at farm level it delivers. As part of this cost benefit analysis, a thorough debate should be had, and evidenced, as to the cost associated in implementing any new standard including how and who should fund it. In addition, cost benefit analysis should also include the removal of standards which delivers little value to scheme members or branded customers. This would go some way to reducing the unnecessary duplication and assessment burden so many of our members voiced concerns about during this consultation process.

Members have strongly disagreed with proposals under the new environmental standards mainly, but not exclusively, because it is duplicating some elements of current law, effectively becoming the

Environment Agency's policing body - particularly so, at a time when the future of environmental and agricultural policy is uncertain. For example, members feel very strongly that Red Tractor has not sought an unambiguous standard regarding the Environment Agency approach to the Farming Rules for Water. Without such clarity it is difficult to create value for scheme members, or even a roadmap to earned recognition. More broadly, Red Tractor should aim to research and clarify where opportunities which provide cost-effective solutions for scheme members to government-based inspections, rather than duplicate the legal baseline when there is no benefit to scheme members. Exploring opportunities for earned recognition should be a key focus for Red Tractor in the future and a real asset for the industry where a clear business case can be made.

The NFU strongly feel this more transparent approach would aid Red Tractor and its stakeholders to contextualise the standards development debate, as well as focus attention on developing standards that deliver real added value benefit to farmers and licensees in equal measure. Further to this, effective cost benefit analysis is an additional tool Red Tractor can use in demonstrating to current and future scheme members the clear benefits of AFS.

Without effectively demonstrating the clear rationale and benefit for Red Tractor farmers, Red Tractor may risk losing many of its long-term scheme member supporters simply through being isolated and disconnected from the reasons for gold plating standards which delivers no logic or added value to their farming business.

If returns from producing food are to be maintained against the trajectory of declining support from Government, then it makes strategic sense for Red Tractor to protect the interests of British farmers and growers.

#### ***d) Differentiation within the market***

The expansion of additional schemes that retailers require on top of Red Tractor is a sign that Red Tractor standards must find a way to differentiate yet keep a family identity to retain the benefit and offset otherwise higher compliance costs to scheme members. The market must be allowed to differentiate, where there is a specific market need.

To limit the proliferation of standards and retain value on farm, Red Tractor needs to differentiate through modules that combines the ability to negotiate premium or business benefit and segment within the market, retaining the efficiency and cost effectiveness of a centralised scheme that is accessible to a broad range of members. However, segmentation within the family gives farmers more choice (beyond being in or out of the scheme) and add value, where its relevant to the business or market demand.

Red Tractor should provide tools to allow the market to segment, not force the market to segment. This would help Red Tractor farmers shift mindset from feeling standards are imposed upon them, to being able to opt into certain modules that are relevant to the market they are supplying. For example, if supplying feed wheat, scheme members should not need to meet the criteria of an arable farmer growing malting barley. Such a system though will need to be well governed and use of discretionary standards negotiated at business-to-business level to prevent processing sectors adopting modules on mass.

#### ***e) Earned Recognition***

Not only must Red Tractor be able to offer segmentation opportunities, but it must also seek to maintain relevance and achieve higher returns from the market wherever possible. It must also explore meaningful earned recognition opportunities by the regulator to reduce or offset cost that may come from Government. Ministers are already considering other options to deliver inspection and earned recognition through private organisations. It is imperative that Red Tractor can be seen to deliver a compelling and scaled solution that has farming interests at heart.



Over the years, Red Tractor has offset cost and regulation in some sectors and made modest but tangible headway on earned-recognition; more recently Red Tractor has been the most practicable opportunity of scale to push a workable industry-led solution for retaining urea, for example. However, unlocking meaningful earned recognition opportunities has been held back by a limited willingness to recognise heightened compliance by regulators and not enough flexibility in AFS's demonstration of good practice in the core standard to unlock them. Other issues need further consideration, not least the blurring of the line between official and private sector regulation and the application and interpretation of guidance to the rule of law.

Against the backdrop of increasing focus on environmental regulation and public goods-led agricultural policy, Red Tractor has the potential to be a cost-effective option to deliver assurance to government on environmental outcomes and other public goods supported by public (or even private) money. However, there is a clear paradox to navigate here.

For Red Tractor scheme members, there is no immediate value of Red Tractor expanding its environmental reach because of lack of value return in the market. At the same time, doing so to protect the industry from regulation, cost-sharing or enforcement is a challenging argument when the regulator has not designed, let alone announced its scheme requirements. Further details are lacking on how they may be inspected or enforced or what the cost sharing arrangements may look like.

Moreover, there is a risk that because Red Tractor do not have a clear mandate from scheme members, it will not develop the currency or competence to give the regulator confidence in its reach. The wide spectrum of farmer opinions or voiced disaffection could undermine Red Tractor's offer, not least for delivering earned recognition solutions.

Red Tractor must play a role to clearly articulate its vision to both scheme members and Government, ensuring both stakeholders are fully bought into it. In addition, Government needs to hear from the supply chain and retailers as to why Red Tractor is of critical importance to their business's sourcing policies and brand values. The NFU wants Red Tractor to be the mechanism for earned recognition to remove the cost to the Treasury of cross compliance.

#### **f) Worker Welfare & Health and Safety**

Worker Welfare and Health and Safety are two distinctly different but important subject areas, with two distinctly associated risks and outcomes. As such, they must be treated separately from one another. The NFU would advise Red Tractor to clearly separate these two areas within the proposed standards. Further detail on member feedback on these two issues are captured within NFU commodity sector responses.

##### *Worker Welfare*

The proposals under worker welfare, for example the requirement to complete a Self-Assessment Questionnaire have caused universal disagreement across all commodity sectors.

Members strongly believe the proposals within worker welfare are excessive and disproportionate to the risk associated on farm, particularly so for farms with no reliance on outsourced labour from labour providers, or indeed those who only employ family members. This builds further to the frustration from members that Red Tractor are introducing standards that develop no real value outcomes on farm, at the expense to scheme members. The NFU understands that Red Tractor has stated that some of these requirements only apply to farms with more than 5 employees, however this has not been clearly shown within the proposed draft standards and has led to a significant amount of confusion and a lack of awareness across the membership.

The NFU takes these subjects seriously given the significant risks associated with modern slavery. Farming is a sector with an elevated risk for workers but also for employers who may be exploited by

unscrupulous providers. However, it must be recognised that not all businesses face the same level of risk and Red Tractor must allow individual sectors to respond with appropriate standards that are relevant to their sectors circumstances.

In principle, Red Tractor may have a role to elevate the profile of worker welfare and the risk of labour exploitation both to workers and businesses and inform businesses of what steps to take to comply with UK employment legislation.

### *Health and Safety*

The proposals for new requirements to improve health and safety have split opinion across the membership and across commodity sectors although there is broad support for the objective of improving on-farm safety. A key challenge here is ensuring standards are based less on paperwork or inputs and more on tangible approaches that deliver outcomes relevant to the type and size of business. Individual commodity responses highlight member feedback specifically, but again, a broad-brush approach to standardising requirements across the sector standards is not appropriate nor takes into consideration the risk or need.

Red Tractor may have a role to play to elevate the profile of health and safety on farm and promote best practice, given agriculture's safety record in recent years. However, the proposals as they are currently formulated do not support Red Tractor's stated aims effectively as the ordering of the standards do not adequately reflect requirements and priorities under health and safety law and guidance from HSE. Again, we would prefer an outcomes-based approach on this important issue. We would suggest that if the proposed health and safety standards are taken forward it would be appropriate to re-order and group them by broad topic to help business operators better understand their duties.

Further reflection of this can be found in individual sector responses.

### **The Future of Standards Development**

The NFU have listened to member concerns and are proposing Red Tractor adopt the following broad set of principles for the current and future development of Red Tractor standards. As highlighted, NFU members feel frustrated with the ever-increasing demands placed on them by introducing new standards that bring little to no value back to their individual farming business. Many have also argued there is a lack of reasoning and clarity of purpose to some of the new proposals within the consultation.

Whilst the NFU does agree Red Tractor is effective in its role to enhance and protect our customers brand reputation and ensure food safety and traceability, there is a real threat to Red Tractor's long-term proposition if effective scrutiny of standard proposals is not addressed.

For this reason, the NFU propose that Red Tractor embeds the following "*Standards Development Principles*" as part of its democratic procedure of reviewing current and future standards, in order to provide a refreshed approach that we feel is needed. The following provides these principles in no particular order.

#### ***i. Retain trust and support growth in the domestic market for British food***

On the standards themselves it is widely accepted that food safety and integrity remain at the core of Red Tractor standards and its position should not be diluted and protected at all costs. It is also the case that promotion of a food safety message is only relevant to consumers where there is a problem. The improvement and maintenance of UK food safety standards is a success that industry and Government should not take for granted and AFS standards should retain its pivotal role in ensuring this does not happen.

It must adapt and refocus its credentials on a modern range of consumer and buyer interests using a

more flexible approach. This should explicitly target growth in guaranteed British provenance in the £54Bn out of home market (pre Covid 19); the equivalent of 11million loaves of bread per day and in public procurement to be the preferred option under public procurement rules and Government's 'balanced scorecard'.

**ii. *Provide an assurance platform for growth in the export market for British food/product***

Red Tractor already helps exporting businesses support customer assurance needs, such as the export of halal sheep meat to the middle east and pork to China. These exports do not use or carry the Red Tractor logo but support others' brand positions in key markets. We must regain and retain a leading whole chain and cross-sector assurance platform that is geared up for and can flex to exporters and market needs. This will include standing up to competitive positions such as on the environment, carbon and animal welfare.

**iii. *Cost effectiveness***

Red Tractor should retain its leading position on cost-effective assurance and protect scheme members from avoidable duplication. It should be an exemplar for the regulator in delivering assurance. Red Tractor should aim to remain cost neutral in delivery but also in compliance burden for the whole chain. This may include smarter technology solutions or simply focusing on key priorities and de-prioritising less relevant standards. Any additional costs should be supported with a clear and simple cost benefit analysis or business case.

**iv. *Integrity of standards development***

Red Tractor should be empowered to challenge duplicity in the marketplace where advocates promote Red Tractor scheme advancement, yet the supply chain fails to match its ambition. Transactional commitments from the chain could be sought in exchange for scheme or scheme option advancement to justify evolution (e.g., imported flour and calling out the millers on pushing standards while mixing lower standard imports)

**V. *Segmentation (scheme options) and added value***

As market needs are diversifying, recognise that competition is important and that the same sector might need to segment and deliver different value propositions to different markets. This should not compromise the core of Red Tractor and its food integrity credentials. Red Tractor has already made significant progress on developing proposals for modules such as building in LEAF to an environmental option. Options give buyers and farmers more choice and increases farmer leverage in the market. Importantly, it avoids the problem of Red Tractor negotiating above-baseline standards without a commercial or democratic mandate from scheme members.

**vi. *Providing marketing choice for buyers and brands***

Scheme options or bolt-ons may support a combination of Red Tractor own marque(s), those of other brands or brand values – or even a combination thereof. Red Tractor may also be able to provide competition for cost-effective or more practicable alternative for brand needs.

**vii. *A smart and viable alternative to new or increasing regulatory burdens.***

A key strength of Red Tractor is the infrastructure and scale and efficiency it provides for access to the industry. As such, this has potential to deliver efficient solutions in areas that are susceptible to regulatory burdens. This is not to say that Red Tractor ought to become the regulators' policeman but more so provide options or alternatives to regulation or reduce regulatory burdens. Ideally, it could



provide farmers the option to preferentially choose Red Tractor as the best assurance mechanism.

**viii. Data, outcomes and business support**

With due regard for confidentiality, we should explore the opportunities for inspections to harness data, process data and where possible add value back to farmers. Data can be used to give assurance to customers that already require (for example welfare outcomes) data without more burdensome input-driven inspections. Data and indicators could also be used to underpin business support from other parties, reduce burden of inspection and give earned recognition in inspection or the market. A more flexible approach to data processing may also help to limit the risk of needless segmentation and provide a more flexible approach to delivering the needs of multiple buyers.