

Lidl UK's Commitment to the NFU Fruit and Veg Pledge

At Lidl, we have always been committed to following the code set out in NFU's Fruit and Veg Pledge, and we will continue to do so in close collaboration with our suppliers – also, crucially, always endeavouring to step beyond those responsibilities.

As a business we do not subscribe to short-term fixes. We are committed to developing fair and long-term solutions for our growers by working together in a logical and sustainable manner.

Our business model enables us to build strong, long-standing relationships with our suppliers. We operate a small, dedicated buying team with a simple, flat reporting structure, presenting our growers with streamlined channels of communication. This arrangement allows us to truly appreciate our suppliers' individual issues and improve stock management, and is vital to maintaining mutually beneficial relationships in the longer term.

For us, deeply understanding the complexities and fluctuations in crop production and market activity is vital. We can only advise, plan and discuss effectively when these issues are properly acknowledged. Crucially, we work closely with our suppliers to plan production volumes with a flexible approach that can maximise product availability and turn oversupply situations into a positive.

We communicate openly and transparently with our suppliers to provide the certainty and confidence required for continued growth. We never impose hidden costs or retrospectively amend agreements, which would entirely contradict our way of working, undermining the deep-seated trust we have built.

Our Pledge

We support, adhere to and seek to further the commitments listed in NFU's Fruit and Veg Pledge.

- **Treat all suppliers fairly, at all times, and in accordance with the Groceries Supply Code of Practice**

'Our approach towards suppliers is competitive and fair.' The first principle in our Code of Conduct with suppliers, is inherent in the way we work. The commitments enshrined in the Groceries Supply Code of Practice are welcomed and are closely aligned with the culture of our business. Our buying teams are fully trained to ensure we constantly meet the code's guidelines and are actively committed to the ethos that lies behind it.

- **Build long-term relationships with growers that offer greater certainty and stability.**

Since entering the UK market in 1994, Lidl has remained committed to, and has grown with, many of our original suppliers. This symbolises our ethos and approach to building trusting, sustainable relationships with our growers.

We feel the key to this success is in the way we operate. At Lidl, unlike other major supermarkets, we operate a team of buyers that are responsible for both commercial and quality decision-making. We believe strongly in this structure because it presents our suppliers with one valuable contact to develop strong connections over the long-term. This approach lends itself to a deeper understanding of the range of issues facing our suppliers; ensuring a fair price is agreed that not only sustains our growers'

existing business, but builds towards a long-term future with Lidl. Our suppliers always know where they stand in the relationship, which means they can continue to build their businesses and rely on clear guidance from Lidl on investment matters.

"We have been supplying plums, apples and pears to Lidl for nearly a decade. Over time our relationship has developed to the point that Lidl buy our whole apple and pear crop and over half our plums. This long-term supply arrangement has given us the confidence to invest not only in our staff and orchards but also post-harvest facilities, including our pack-house, cold storage and quality control processes."
AC Hulme & Sons (Apple, pear and plum supplier)

- **Offer production programmes as far in advance as possible of the crop being required (ideally one year) with a commitment to purchase a proportion of the crop at a previously agreed price when it is ready to harvest.**

Having worked closely with many of our suppliers for over 15 years, we strongly believe the most mutually-beneficial approach to providing commitment to production derives from both building a strong trusting relationship and offering a flexible and responsive programme. In close collaboration with our growers, we have shaped an approach that not only provides clear commitment to pre-agreed programmes, but enables both parties to benefit from short-term fluctuations in crop production.

Lidl fully recognises the challenging nature of fruit and vegetable production, so our flat management structure supports a highly reactive mechanism to respond to variations in production. We know this presents our suppliers greater levels of security and commitment whilst enabling our business to continue to offer our customers great value, high quality fruit and vegetables.

We work closely with our suppliers in setting production programmes with clear volume, specification and price to support forward planning.

"Lidl are very focused on maximising efficiencies, understanding the process and working with us as a supplier to deliver the best produce at the best price whilst being competitive and remain understanding to the market place and the individual season. This gives us the confidence to grow both our crop and our business with Lidl."

"We discuss crop availability and any issues weekly and there is the flexibility to respond and change pretty much instantly. Specifications are used as a guide and can be and are flexed in agreement with the buyer to meet the demands of the season."

Alan Bartlett & Sons (Carrot and Parsnip supplier)

- **Offer greater price certainty to growers – either for a season, or on a specified volume of product, with no unexpected, unilaterally imposed changes.**

We work with our growers to determine suitable long, medium and short-term fixed-cost price programmes, reached through clear dialogue and based on significant experience. Our price programmes are set, dependent on the product and built on the recognition that production processes and curves can vary greatly. Where appropriate, keeping prices open ensures both parties can agree a fair price that is more reflective of the market and not tied to pre-defined pricing structures. Clear price specifications and volumes are agreed for all our programmes and both Lidl and our suppliers strongly believe this adaptable approach presents the most common-sense solution that offers greater price security in the long-term.

At Lidl, there are no provisions built in to our terms and conditions for unexpected or unilaterally imposed changes; we do not find them conducive to building long-term relationships.

"Lidl always have their finger on the pulse of the supply curve and their pricing is consistently reflective of this. Lidl appreciate the importance of clarity within fresh produce supply chains, especially around pricing and this works really well for us. Lidl operates a very straightforward and efficient model with no unexpected costs, which supports this."

Asplins Producer Organisation Ltd (Strawberry supplier)

- **Pay all suppliers on time, in full, and always consult with suppliers in advance of any changes to payment terms and conditions.**

We understand that timely and accurate payment is hugely important to our suppliers. Our payment terms have been built to ensure they are fair and reasonable. Lidl is committed to providing clarity around payment terms and a key contact in our buying team who is accessible for support.

It is rare that our payment terms require any changes; any variations are made in close consultation with our suppliers and never developed unilaterally.

- **Seek to plan promotional activity in advance with growers and seek to adopt a flexible, production-led approach to the timing of promotions as much as possible to help manage supply and demand.**

Our fruit and veg promotions closely follow supply curves and are designed not to expose growers to demand pressures. As a retailer, this allows us to maximise crop availability whilst providing a route for our suppliers in times of high supply, and following crop flushes. Our 'Pick of the Week' promotions are specifically designed to allow flexibility yet security to our supply base through crop availability-led planning. Funding promotional activity is never mandated or expected from our suppliers. We do not impose retrospective changes to cost pricing due to market retail activity.

We believe aligning availability of product yield around our promotional models is a hugely powerful tool to positively support our growers.

"The mechanism that has worked best here is promotional activity, which can help us if we are worried about how well our apples and pears might keep in long-term storage, or if there is an exceptionally large crop. Lidl are flexible here and do not expect the grower to fund promotional activity, which really helps. Lidl have also been flexible around specs at certain times to help sell good quality apples and pears that may not be in the usual size bracket – see below."

AC Hulme & Sons (Apple, pear and plum supplier)

- **Reduce wastage, eliminate costs and add more value to the supply chain by seeking out opportunities to utilise the whole crop and adopting realistic product specifications.**

We are proud to have developed and maintained strong, long-standing relationships with our suppliers and work very closely with them to ensure the specifications they work towards are realistic and fair. We are very understanding of the challenges surrounding fruit and vegetable production and therefore take a pragmatic and open approach to specifications with our supply base.

Within the context of a rapidly growing business, effective crop use is an important issue, therefore we regularly review our product specifications with our suppliers and actively seek to reach mutually beneficial outcomes whereby the supplier can use their crop as effectively as possible and our customers can still enjoy excellent quality produce.

“Lidl have adjusted specifications and introduced new products to promote greater crop utilisation, such as the ‘Mini Roast’ pack, which utilises a proportion of the smaller size fraction of the crop that wouldn’t ordinarily go for retail sale. This increases saleable yield, and is another example of Lidl’s actions to provide a sustainable future for their supply base, whilst still meeting their customers quality and value expectations.”

RS Cockerill York Ltd (Potato supplier)

- **Communicate directly with grower suppliers so that:**
 - **they can better understand consumers’ needs and therefore make informed production decisions and;**
 - **you can better understand the production challenges that growers face and be flexible to changes in supply.**

Our products are our business, and so creating a sustainable path for high-quality products at leading value is crucial for the success of Lidl and the suppliers we work with.

We strongly feel that understanding the challenges our suppliers face is an intrinsic part of running a healthy business. To do this, all key decisions, both commercial and technical, are managed through one contact; providing our suppliers with an holistic communication channel.

Our buying teams are in close regular contact with suppliers both remotely and in person, presenting an open, clear line of communication. Our close engagement allows us a deep understand of the short- and long-term challenges faced by our supply chain whilst ensuring decisions can be made quickly and decisively.

“Our relationship with Lidl goes back many years, and our confidence in them as a customer is fuelled by trust and the flexibility and simplicity of their buying arrangements. Regular dialogue, and clear communication, allows us to plan and structure our business. They respect the issues that affect us on a daily basis, both commercially and environmentally.”

RS Cockerill York Ltd (Potato supplier)

- **Seek to adopt a joined-up business plan across all aspects of your business and throughout your supply chain so that retail buyers, intermediaries and growers are working together towards common goals for the fresh produce category.**

Lidl’s operations are shaped around a lean business model. Our buying team is formed from a small number of experts involved in and responsible for all aspects of our relationships with suppliers. This structure lends itself to delivering a truly joined-up approach. Communication routes are clear and defined, ensuring programmes, goals and strategies are continuously discussed, and key decisions can be made quickly.

It is important that our growers see the big picture and can feed into the plans for our business at a strategic level. Common objectives are regularly discussed at our meetings with suppliers.

- **When in season, commit to increasing the proportion of British fruit and vegetables that are available for consumers to buy.**

Lidl is committed to working with British suppliers to offer the best British produce. Since entering the UK market in 1994, the proportion of British products we source has steadily increased and we continually look to grow our existing British supplier base further.

Each year, we actively seek out new British products to improve our offering and are proud to continually increase and diversify our British-sourced range. We always welcome the approach of new British growers to support our movement and aim to extend the growing season wherever possible.

- **Contribute to investment in horticultural research, development and product innovation that benefits consumers.**

We are a growing business and we want our suppliers to grow with us. For Lidl, supporting and encouraging our suppliers to invest and re-invest is an intrinsic part of the work we do to build a sustainable future. We have supported our suppliers to secure investment and allow our growers the space and capacity to grow, backed by agreed long-term price understanding. We actively promote product innovation and our flexible approach aimed at maximising product availability gives suppliers the confidence to invest and innovate.

Our suppliers are the leading experts in their field – that is why we work with them. We have upmost confidence in our growers to establish the most successful route to build stronger businesses. Trust is a fundamental part of successful investment, which we set out to build from the beginning of our relationships.

“Our relationship has developed along the lines of a season price for our whole crop. This means that we know where we stand and have the confidence to keep reinvesting in our business where we see opportunities to improve our offering for Lidl.”

AC Hulme & Sons (Apple, pear and plum supplier)