

HM Government

Review into the Integrity and Assurance of Food Supply Networks

Note of meeting with Dairy UK

Location: Nobel House

Date: 17 September 2013

Attendees:

Professor Chris Elliott – Independent Reviewer – Review into the Integrity and Assurance of Food Supply Networks

Mary Newman – Secretary - Review into the Integrity and Assurance of Food Supply Networks

David Foot – Assistant Secretary - Review into the Integrity and Assurance of Food Supply Networks

Mike Steel – Subject Matter Expert - Review into the Integrity and Assurance of Food Supply Networks

Peter Lawson – Policy Director – Dairy UK

Judith Bryans – Director – Dairy Council

Richard Warren – Environmental and Technical Manager – Dairy UK

1. Introduction

Chris Elliott (CE) gave an overview of his own interests and the Review more generally; over the last month has undertaken a range of evidence gathering meetings and visits to better understand what impact the Review will have on specific sectors.

A common theme of engagement so far has been the importance of horizon scanning and information sharing, but we are keen to find out more about how this could work in practice, particularly with regards to commercial competitiveness concerns and the impact of the Freedom of Information Act.

Mike Steel (MS) said that the dairy industry could be a target for fraud, both liquid and powdered milk if there was value to be exploited.

CE asked what are the particular risks of the dairy industry? Is there a stage of the supply chain where dairy products are vulnerable?

Generally the industry does not have a mind-set that sees itself as vulnerable to fraud, partly due to short supply chains, which are inherently lower risk, but also because historic issues with milk fraud (e.g. water adulteration) were overcome some time ago;

For raw milk, supply chains are kept short out of necessity – there is limited economic benefit to transport fresh milk abroad – which reduces the opportunity for fraud. Most GB milk is processed in GB.

Consignments are weighed and are easy to reconcile so it is difficult for milk to go astray. Some co-ops might have a surplus which is sold on to a processor and there might be secondary movements between processors but these could be easily monitored;

Generally farmers are under contract to supply a processor, a third part contractor picks it up and it is transported to the processor. The milk is tested at farm level, tanker level and silo level to ensure quality and safety of the product;

There is little or no risk of substitution for non-cows milk as it is generally more expensive and in relatively short supply. The other substitution risk is likely to be around specific higher value milk products e.g organic or kosher milk, but these have their own auditing procedures;

Unlikely there would be any issues with raw milk from other EU states – 50% of the milk produced in the UK is sold in the UK as fresh liquid milk (meeting the majority of the demand), 25% is used for cheese and the remaining 25% on yoghurts, desserts and other products;

CE asked about other forms of fraud e.g. fraud within the feed supply chain?

95% of their members are part of Red Tractor assurance schemes and some also members of FEMAS. Members could be removed from assurance schemes which could have a significant commercial impact.

Something like false labelling is virtually impossible to test, so relies on a robust audit trail being in place, although also accepts that due to short supply chains the likelihood of fraud is smaller and its potential impact is also likely to be less than in other industries.

There are other factors that lessen the risk of fraud in the dairy industry e.g. high tariffs to import dairy into the EU make it prohibitively expensive, so reduces some of the risk of fraud in products from third countries, and many milk processors are under scrutiny of the retailers they supply and heavily audited by them. However, processors supplying smaller businesses were not audited as much;

The general dynamic in the dairy is to try and increase your efficiency to boost your profit margin, with the aim of gaining market share. However, some companies are trying to break that cycle by marketing branded products, which are slowly becoming more popular – although retailer brands remain the largest brands. However, industry realises that as these brands (which are based on differentiation from the rest of the market), become more profitable, they will be at a greater risk of food fraud;

CE asked if and how the industry relies on regulation by Government to protect their interests?

In terms of on-farm activity, quite a lot, as there is limited amount they as a trade body can do re. on-farm practices, although the degree of inspection on farms varies; they may only be inspected every 18 months;

Dairy UK agreed that many of the risks of fraud identified would probably not be on the radar of the average dairy businesses, so there is work to be done within the industry to recognise the risks and take steps to mitigate against them;

MS suggested that a decrease in resources in enforcement (e.g. as a result of cuts and other re-prioritisation) may result in an increase in fraud – enforcement of the law acts as a disincentive for the vast majority of the population. You will never be able to completely stop fraud, but need to make it more difficult so that it is no longer attractive to attempt in the UK.

30 October 2013