

Food shortages: Five ways to fix 'unfair' supply chains

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UK food prices soared by [more than 16%](#) in 2022 as record [inflation pushed up the prices](#) of everything from bread to beans.

Tesco chairman John Allan recently suggested that suppliers could be using this situation [to boost prices](#). Speaking to [the BBC's Laura](#)

[Kuenssberg](#) about whether [food companies](#) were taking advantage of consumers with recent price rises, Allan said, "I think that's entirely possible."

While he admitted he hadn't "seen their cost structures," he said the supermarket chain was fighting "very hard to challenge cost increases." Tesco has previously refused to stock certain products while haggling over prices with suppliers.

Allan's comments have been [criticized by food firms and farmers](#) alike. They argue that they are suffering from rising costs and often don't see the benefits of food price hikes.

For example, farmers and suppliers—many of whom are [small- and medium-sized firms](#) (SMEs)—have recently argued they are not getting [a fair price for their eggs](#) from supermarkets and other big-box stores. The price of a dozen eggs at the till rose by 45p over the course of 2022, but many farmers only saw 5p-10p of that rise, according to [figures released in November by the British Free Range Egg Producers Association](#).

Combined with rapidly rising [production costs](#) and the impact of the [worst avian flu pandemic in history](#), this is putting enormous strain on these producers and suppliers. And the current combination of rising interest rates and high input and energy costs is [generating concern](#) among farmers in general.

In this rising price environment, these businesses are at risk of further pressure on their cash flows or even future production failure. This could eventually impact the UK's [food supply chain resilience](#) and security, and also increase waste.

Indeed, producers and suppliers can face a significant power imbalance

in [food supply chains](#), which can feed through to higher prices for consumers. While such businesses often bear all the risks of producing and supplying items like eggs, many are unable to bargain for more favorable trading terms with powerful retailers.

Our [previous research](#) suggests [small businesses](#) in other industries also have little or no bargaining power in such situations. These businesses must adhere to the terms imposed by their buyers, or risk losing income.

Supporting [supply chain fairness](#) will not only safeguard these companies from collapse, it will also help relieve shortages for consumers and could prevent future food supply crises.

Fairness in supply chains

The concept of "[fairness](#)" is frequently overlooked in discussions about [supply chain sustainability](#), perhaps because it is so subjective. When [evaluating fairness in any exchange](#), one party compares their inputs and outputs, and what they believe they deserve.

These decisions usually come down to [context](#), being shaped by the nature of the exchange and any previous interactions with the other party.

While the concept of fairness is rarely included in the [sustainability agenda](#) of an organization, in a [supply chain context](#) the [fundamentals of fairness](#) can be [measured](#) using three key dimensions:

- the economic returns derived from the relationships;
- how decisions are governed, as well as the policies and procedures related to the relationships;
- the extent to which the other party communicates relevant information and resolves conflicts with openness.

Based on these measures, our recent research has produced five strategies that could help promote food supply chain fairness:

1. Revisiting the terms of trade

Given the relative [weakness of suppliers](#), it is essential to re-evaluate their contract terms with supply chain partners and ensure that these terms allocate profits or benefits equally. In supply agreements, it is essential to provide clear and unambiguous terms of trade. These business terms require legal enforcement and repercussions.

2. Alignment across the food supply chain

The supply chain may be misaligned when it comes to the ethical values and practices of the various participants, allowing unfair practices to persist. One way to address this is to foster mutual understanding, standard practice and value among all stakeholders in the supply chain. This can be achieved through [risk sharing](#), relationship building, and dedicated investments that benefit the entire chain.

3. Lobbying and advocacy

Suppliers as a whole need to send messages that will move relevant authorities and [government agencies](#) to take concrete steps toward implementing policy changes. Such bodies include the [National Farmers' Union](#), [the Food and Drink Federation](#) and the [Department for Environment, Food and Rural Affairs](#), as well as more general groups such as the [Federation of Small Businesses](#) and the [Confederation of British Industry](#).

4. Addressing the power imbalance

It is crucial to bring back [agricultural marketing boards](#)—government entities that oversee agricultural production and compliance. These organizations could help put producers and distributors of agri-food commodities on an equal footing with retailers when it comes to bargaining. Government action, in the form of policy reviews and adjustments to the existing structures for procurement and supply chains, would also help. The concept of fairness should also be incorporated into the sourcing and supplier relationship practices of large retailers.

5. Education to raise standards

All supply chain members need ethical supply chain management education to raise industry standards. UK professional bodies like the [Chartered Institute of Procurement and Supply](#) and the [Chartered Institute of Logistics and Transport](#) could help regulators and supply chain members develop the right skills, knowledge and new perspectives.

Implementing these five strategies will require all supply chain members to take these necessary steps.

With rising demand for food and a growing global population, it is more important than ever to [build a resilient food supply chain](#). Our research shows that [preventing a food crisis in the UK](#) means [placing fairness](#) at the heart of our food supply chains.

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