

New Code of Conduct to ensure a fairer dairy supply chain

The UK Government and Devolved Administrations have today (Wednesday 3 February) published their response to last year's consultation seeking views from dairy farmers and processors across the UK about how contracts and relationships could be improved.

The 12-week consultation was launched in June last year by the UK Government, with input from Devolved Administrations, to explore whether regulations could be introduced to ensure fair treatment across the UK's dairy sector. Imbalances of power within the dairy supply chain were believed to be causing instability for dairy farmers, such as where milk buyers have the ability to set and modify the terms of a contract at short notice.

The responses to this consultation clearly demonstrated the need to introduce new regulations to require certain standards for contracts between those producing and buying milk for processing. The consultation also revealed that the distinctive circumstances in Northern Ireland may need to be reflected in regulations, and this will be considered.

The UK Government, working in close collaboration with the Devolved Administrations, will develop a new statutory Code of Conduct for the sector, using section 29 of the Agriculture Act 2020, delivering on the Government's promise to increase fairness in the supply chain and help farmers become more competitive.

Building on the evidence shared as part of the consultation, the new statutory code will seek to provide a guiding framework, establishing minimum standards but also providing businesses with the flexibility to adapt contracts to their individual circumstances. Further engagement with industry remains necessary to develop the standards to be specified within this framework.

Department For Environment Food and Rural Affairs Farming Minister, Victoria Prentis said:

It is only right that any contracts drawn up between farmers and processors deliver fair conditions across the board, for an industry that works hard year-round to provide the dairy products for which we are world-renowned.

This new Code of Conduct will crack down on unfair practices within the supply chain, supporting the dairy sector and ensuring that our dairy farmers remain competitive as they look to the future.

Scottish Rural Economy Secretary Fergus Ewing said:

This is an important moment for the Scottish Dairy Industry, as we take the necessary steps to promote fairness and ensure that Scottish farmers can sign contracts that are equitable and provide them with much needed stability.

The dairy mandatory code of conduct consultation demonstrated that Scottish respondents were the strongest supporters of putting transparency into contracts to protect our farmers. It is very important that we listen to the views of both our hard-working dairy farmers and processors here in Scotland.

We will now work to put together a new Code of Conduct which will increase transparency within the supply chain moving forward and enable Scottish farmers to compete more fairly in the Dairy Supply Chain.

Lesley Griffiths, the Minister for Environment, Energy and Rural Affairs, said:

The Welsh Government has been clear if the Voluntary Code of Best Practice did not address the imbalance of power in the dairy supply chain, a legislative solution would be an alternative to ensure our dairy farmers are able to secure fair deals for their produce.

Those within the sector have reported many contracts do not adhere to the voluntary code, and the resulting imbalance of power leads to reduced profitability for our hard-working dairy farmers, and unsustainable distribution of profits along supply chains.

We will continue to work collaboratively with the sector, and governments across the UK, to ensure a resilient future for our Welsh dairy industry.

Northern Ireland Agriculture, Environment and Rural Affairs Minister, Gordon Lyons MLA, said:

I, along with previous Minister and colleague Edwin Poots, am committed to ensuring fairness for Dairy farmers within Northern Ireland.

Feedback from the Northern Ireland consultees show that there is an appetite for legislation. Clearly the NI dairy sector differs to that in the rest of the UK due to the prevalence of co-operatives and the existing highly integrated cross border supply chain with the ROI.

Given the differences between the NI and GB dairy sectors, further stakeholder engagement will be required to ensure any potential legislation would be appropriate in Northern Ireland. I wish to

explore the relevant issues further to inform my position on this matter. I welcome the plans for further consultation and I encourage local stakeholders to participate in this next phase of engagement.

[Evidence gathered during the Groceries Code Adjudicator Call for Evidence in 2016](#) highlighted how unfair practices have persisted in the dairy industry. Last year's consultation looked at whether regulations could be introduced to ensure farmers are treated fairly within the supply chain.

This evidence suggested unfairness in the supply chain has sometimes been caused by milk buyers having the power to set and modify the terms of a contract, often with little notification. This leads to uncertainty and ambiguity that can be unfair to dairy farming businesses.

Government officials will continue to engage with industry representatives of both producers and processors as they design the new code to ensure it delivers fairness and transparency for the entire supply chain across the UK.