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UK grocery watchdog has dramatically changed dysfunctional UK supermarkets

Since taking office in 2013, the UK's grocery code adjudicator has delivered dramatic behavioural change in how UK supermarkets treat suppliers.



Christine Tacon, the UK groceries code adjudicator. \ Barry Cronin

In June 2013, Christine Tacon was appointed as the UK's grocery watchdog, with a mandate to enforce the UK's groceries supply code of practice. Tacon's office has statutory powers with the ability to investigate large UK retailers like Tesco, Sainsbury's or Asda and can even fine supermarkets as much as £500m for non-compliance with the UK grocery code.

In her six years in office, Tacon has launched two major investigations into Tesco and the Co-op supermarket, while also delivering systemic change in what was a highly dysfunctional market back in 2013.

This week, Tacon visited Dublin to speak at the IFA's retail conference titled *Getting Fairness for Farmers in the Food Chain* and also addressed the Joint Committee on Agriculture, Food and Marine in Leinster House.

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Improvements

Speaking to the *Irish Farmers Journal*, Tacon explained how her work has delivered huge improvements in the UK grocery sector, in particular how supermarkets treat suppliers. In 2013, Tacon surveyed suppliers to the 10 largest supermarkets in the UK and found that 80% had experienced some breach of the grocery code by supermarkets.

These breaches included supermarkets asking suppliers for payments to stay on supermarket shelves, payments for prominent shelf space, contributions to marketing costs, last minute changes to supply contracts and unjustified charges for consumer complaints.

“UK supermarkets would be very embarrassed if the general public knew about the various things that used to go on in the grocery sector. Consumers would be horrified if they knew this type of thing was going on in a so-called sophisticated industry,” says Tacon.

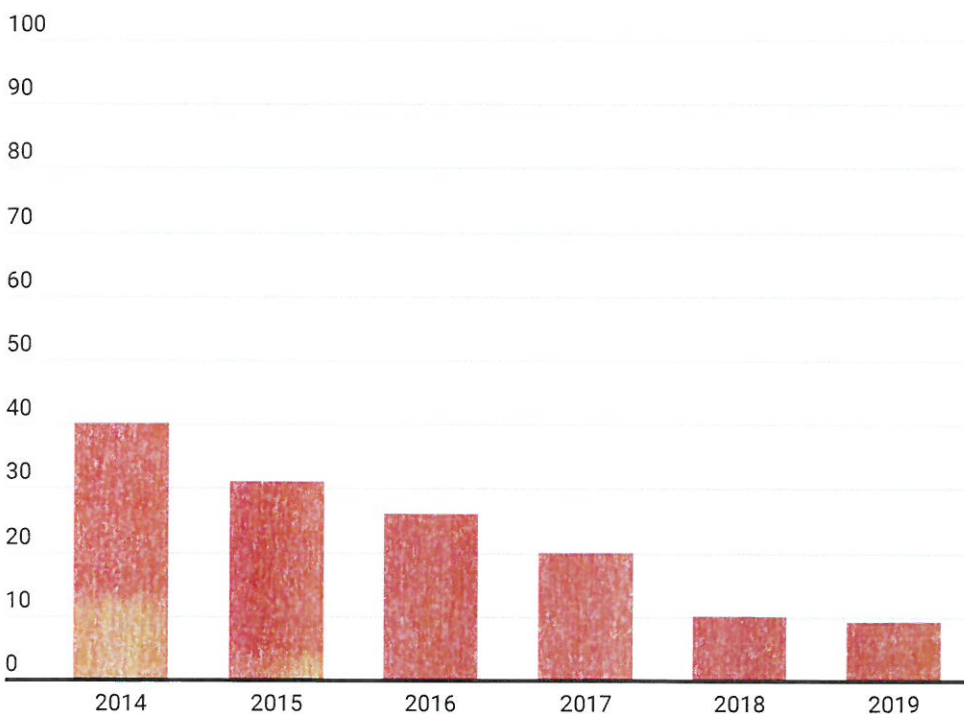
When Tacon took up her role as the UK grocery watchdog in 2013 she admits that the UK grocery sector was extremely dysfunctional.

“The UK’s grocery code was introduced in 2010 but I didn’t start my role until June 2013. In those three and a half years almost every supplier will tell you that having a legally binding code made absolutely no difference. It was only once an independent adjudicator was appointed that everything started to change.”

“The UK’s competition authorities don’t normally intervene unless they believe there’s market failure. I think there was market failure in the UK grocery sector. Today, I believe the grocery sector is now actually quite exemplary compared to some other countries,” she added.

UK code violations

Variation of supply agreements



“A lot of the breaches I’m seeing today are more to do with incompetence than any attempt to screw money out of suppliers

Breaches

The most recent survey carried out by Tacon of suppliers to the top supermarkets in the UK found that the rate of breaches of the UK grocery code has fallen dramatically over the last six years. Last year, just 40% of suppliers felt supermarkets had breached the UK grocery code.

However, these breaches are much less serious than what was going on in the sector in 2013. Today, most of the breaches by supermarkets relate to more systemic or grey issues such as forecasting or drive and drop (where suppliers and a supermarket argue over the volume of goods delivered to the supermarket depot or a supermarket doesn’t notify suppliers in sufficient time that it will be reducing its purchasing volumes).

“Retailers are telling me they want to do the right thing and they want to be fair to their suppliers. A lot of the breaches I’m seeing today are more to do with incompetence than any attempt to screw money out of suppliers. So now I’ve got to the point where I’m saying to all 13 retailers that I regulate to demonstrate to me that your governance is good enough,” says Tacon.

Areas where Tacon’s office has no remit to intervene with supermarkets is on the issue of prices paid to suppliers, profit margins or below cost selling.

Confidence

At the IFA retail conference on Tuesday, IFA president Joe Healy called on the Irish Government to introduce a similar watchdog in Ireland with statutory powers to regulate Irish supermarkets.

“We have no confidence in the Irish competition authority (CCPC) to enforce the grocery code because they are much more consumer focused than producer focused. As we approach the Christmas period I think it’s very timely that we lay down a strong marker that any below cost selling by retailers will not be tolerated,” said Healy.

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