



**Paper for information: Government Updates on Nutrition
Related Activities
DEFRA**

Agenda Item: 6

The following paper has been written as an update on a number of points that DEFRA were asked to action following the last SACN meeting in October 2005.

Promotion of Home Grown Fruit and Vegetables

- 1) Government values the contribution of horticulture to the UK economy. It is worth some £2billion at the farmgate and supports downstream activity in packhouses, processing and the garden industry. Government has set out a commitment, within the NHS Plan, to improve access to and increase consumption of fruit and vegetables. The Department of Health's (DH) "Five-a-Day" programme offers targeted action to achieve these goals. There are five strands to this programme: local community initiatives; a national communications programme to raise understanding of the "at least five portions a day" message; government working with the industry and other stakeholders; the School Fruit and Vegetables Scheme; and an evaluation and monitoring programme.
- 2) The "Five-a-Day" initiative and School Fruit and Vegetables Scheme have been welcomed by the horticulture industry for the opportunities that they both present. The school consumption calendar has been designed to reflect seasonality of produce and DH remains keen to explore ways of maximising the opportunity for home grown produce. This has been recognised by the industry and the NFU. Currently apples, pears, carrots and strawberries grown in the UK are being supplied under the scheme. Funding for specific promotion of UK produce is not permitted under EU State Aid rules. Nevertheless, the horticulture industry receives support to increase its competitiveness and to encourage sustainable production in the context of the Sustainable Farming and Food Strategy. For example assistance is provided through:
 - The funding of Research and Development - Defra funds substantial strategic research on horticulture, worth some £10million p.a. in recent years.
 - Grant funding through the England Rural Development Programme.
 - Support for English Farming and Food partnerships.
 - Support for the Food Chain Centre.
- 3) In terms of EU support, under the EU Fruit and Vegetables Regime, formally recognised Producer Organisations (POs) can receive support for operational programmes, which are aimed at improving the quality, marketing, and end value of produce and also encourage the use of environmentally friendly techniques. Payments to UK POs in 2005 are estimated to be £26m.
- 4) In terms of procurement, an objective of Defra's Public Sector Food Procurement Initiative (PSFPI) is to increase opportunities for small local farmers to tender for public sector contracts. This includes fruit and vegetables and, while the legal framework governing public sector food procurement does not allow buyers to specify local, the rules are sufficiently flexible to enable buyers to specify freshness and seasonality which helps provide a more level playing field for domestic producers. Defra's advice, for example, also encourages public bodies to split bigger contracts into lots to give Small and Medium Enterprises the chance to tender. Defra is promoting the PSFPI in regional workshops and national conferences. In a national suppliers workshop held in March 2005, the then

Sustainable Farming and Food Minister, Lord Whitty, made several references in his address to opportunities for fruit and vegetables growers in the drive to serve more healthy food in the public sector. This address can be seen at:

<http://www.defra.gov.uk/farm/sustain/procurement/nationalconference/pdf/050307-lwhittyintro.pdf>.

- 5) Following the recommendations of the Curry Commission, Defra, working with Food from Britain (FFB), the Regional Development Agencies and the Countryside Agency jointly agreed a 3-year Regional Food Strategy and prepared a new structure for support of quality regional food initiatives. FFB take a lead role in England and are receiving additional Government funds (£1 million per year) to promote quality regional food at a national level. FFB work closely with regional food groups representing the regions of England and the representative bodies in Wales, Scotland and Northern Ireland. Examples of activities included in the FFB programme include attendance at international and national food shows, meet the buyer activity involving multiple retailers, initiatives to encourage more local sourcing and raising the profile of Britain as a food destination to tourists. 2005-06 is the final year of the original 3-year programme of support. However, following an economic evaluation of the Strategy by ADAS, Sustainable Farming and Food Minister, Lord Bach, announced in October 2005 an extension of support for the programme for another two years, again with additional funding of £1 million per year.
- 6) Government recognises that the marketing of local food can bring benefits for producers and consumers. Because there are fewer middlemen, it allows farmers and small producers to retain a higher proportion of the end price of their produce. It also increases consumer choice and raises awareness and interest in local food by helping to improve consumers' links with and understanding of the rural economy and food production. Suppliers will flourish by providing what customers want and there is growing public enthusiasm for locally produced food and food with a clear regional provenance. In recognition of this, provision is available under the England Rural Development Programme for grants for related activities such as the establishment of farmers' markets, the development of regional and local branding of foodstuffs and the formation of collaborative groups to market quality products. Defra's support for the sector includes:
 - Deploying its various funding schemes to assist (among others) local food producers who make a good case for support.
 - Spreading best practice in local food to a wider national audience.
 - Supporting the farmers' market movement.
 - Through its procurement initiative, encouraging other Government Departments and public sector bodies to purchase according to sustainable development criteria, which should help local food producers to win business.
- 7) The Curry Report recommended that industry should do more to ensure that English producers take part in the EU Protected Food Name Scheme. We have supported this recommendation and with the help of FFB encourage more producers to apply to register their products. Producers, who register their

products for protection, benefit from having a raised awareness of their product across Europe. The separate designations are:

- Protected Designation of Origin – open to products, which are produced, processed and prepared within a particular geographical area, and with features and characteristics, which must be due to the geographical area.
- Protected Geographical Indication – open to products, which must be produced, processes or prepared with the geographical area and have a reputation, features or certain qualities attributable to that area.
- Traditional Speciality Guaranteed – open to products, which are traditional or have customary names and features, which distinguish them from other similar products. These features must not be due to the geographical area the product is produced in nor entirely bases on technical advances in the method of production.

Sugar Production

- 8) Policy responsibility for work on the impacts of sugar reform on diet lies with DH. Defra works closely with all Government Departments whose policy responsibility is affected by reform of the EU sugar regime but are reliant on advice from those Departments on the areas in which they have expertise. In 2004, Defra commissioned Leatherhead Food International to assess the possible implications of various sugar reform options on UK sugar and sweetener industry usage.¹ Leatherhead surveyed a range of the sugar using industry within the UK, who together accounted for over half total industry sugar usage. The research concluded that the vast majority of companies would not have an incentive to increase the sugar content of their products, even for a price cut of 50%, largely for reasons of taste, health concerns and brand preservation.
- 9) Instead, the majority of respondents expected the prices of their products to fall and become more competitive. Given the competitive pressures, which characterise the retail sector, this expectation appears to be justified. The survey did not reveal any clear conclusions regarding the effect of increased availability of isoglucose in a more liberalised market, which could displace sugar in certain products, such as soft drinks. Other than possibly dental health, however, the difference between isoglucose and sucrose is not clear, as indicated in the Commission's updated impact assessment.²
- 10) Five categories of sugar containing products were considered: confectionery, soft drinks, other confectionery, cakes and biscuits, and preserves. According to industry estimates, refined sugar accounts for 10-20% of costs for a firm using sugar to produce a wholesale product.³ A further breakdown for different product categories was based on industry estimates. There is an important distinction between pure manufacturing costs of a product and the overall costs to the business. The former relates to the costs incurred at the factory; the latter includes

¹ Leatherhead Food International, *Likely impact of a possible reduction in the price of EU sugar* (2004) http://statistics.defra.gov.uk/esg/reports/lfi_condensed.pdf

² *Update of impact assessment*, p. 9.

³ House of Commons EFRA Committee – Reform of the Sugar Regime – Twelfth Report Session 2003-4 Vol 2 pg 68.

non-factory costs such as marketing and other overheads. It follows that the more 'branded' products will have a larger share of non-factory costs, which means that the share of sugar in the overall wholesale value of the product will be lower than non-branded products. Assumptions about retail margins were also included.

- 11) For a 36% price cut in sugar, we estimate the retail prices of the various sugar containing products to fall by between 1% (cakes etc) and 9% (preserves), depending upon the importance of sugar in the product. It is not clear that in a mature market, lower prices would significantly increase consumption. Various econometric analyses have been done to estimate the sensitivity of consumption of various food categories to price (the price elasticity of demand), other things being equal. In general, demand is 'inelastic' i.e. for any given percentage fall in price, consumption would increase by a smaller percentage. The following table summarises some of the elasticities used in our analysis.

Price elasticities for different product categories

Source	Product	Elasticity
UMIST	Sugar and Confectionery	-0.73
NFS	Cakes and Pastries	-0.56
NFS	Sugar and Preserves	-0.79
UMIST	Soft Drinks and Beverages	-0.10

- 12) DH is currently assessing how far these kinds of changes might actually impact on health outcomes. The Full Regulatory Impact Assessment (FRIA), currently in preparation, will incorporate this analysis and any implications for policy. There may also be a potential risk that a perceived link between lower sugar prices and obesity becomes an issue, even if impacts are in fact negligible. Recent analysis provided by the DH to Defra as part of the work they are carrying out to contribute to the FRIA, shows that the impact of sugar reform on calorie intake will be minor, an average increase among children of about 50 calories a week; 35 calories adults. When this is converted into the effect on body weight, BMI and the prevalence of obesity it shows that the price change is likely to increase the prevalence of obesity by 0.8-1.0 percentage points in children and young people, and by 0.4-0.7 of a percentage point of prevalence in adults.