

BRIDGING THE GAP

DELIVERING GREATER
TRANSPARENCY IN THE
POTATO SUPPLY CHAIN

NFU Potato Forum
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INTRODUCTION

The NFU's vision is for a strong, fair and collaborative horticulture and potatoes supply chain; an industry that has aligned, long term business objectives and shared ambitions to see vitality and profitability in all parts of the supply chain.

Barriers to building trust and confidence within the supply chain have a significant impact on the sector's productivity and financial performance. One such obstacle highlighted as a concern by potato growers is a lack of clarity and documentation to substantiate reasons for delivery rejections and payment deductions. In many instances, growers are left to accept deductions applied by their customers 'in good faith'. Where information is forthcoming, it sometimes arrives weeks later and gives little opportunity for growers to make appropriate adjustments on the remainder of their crop.

Member feedback throughout 2016 indicated that this issue remains a core concern for growers, while some suggested it had worsened with levels of deductions and rejections increasing and seemingly being influenced more by price fluctuations than a response to variations in quality.

In February 2017, the NFU Potato Forum wrote to over 30 potato packers and processors to highlight member's concerns with a view to improving collaboration and communication between growers and their customers. This was followed by meetings with a wide range of packers and processors, including some of the most significant and largest businesses in the sector, to understand firstly, the criteria applied to rejection and deduction decisions, and secondly how much of that information is shared with growers, and when. Through these meetings, a number of important learnings were identified. This report sets out the key findings, along with opportunities to deliver greater transparency and realise the benefits across the whole supply chain.

“ The discussions were very constructive and we've been pleased with the positive way many packers and processors have engaged with the NFU on this subject. These meetings have been valuable in building a better understanding of the customers' processes and challenges. In many cases, the NFU has been able to represent members' concerns and open a constructive dialogue from which we can build more collaborative relationships. ”

ALEX GODFREY, CHAIRMAN, NFU POTATO FORUM

VISION

The UK potato sector continues to be a cornerstone of the fresh produce industry, and potatoes remain a firm favourite of British consumers. With around 2,000 growers supplying over 5m tonnes of potatoes a year, the industry has continued to innovate and diversify to deliver the products that consumers love. Newer varieties provide more consistent quality and taste, and the continued development of pre-prepared and processed potato products has seen impressive sales growth in the convenience sector. Furthermore, exports of high quality products, particularly crisps, have also seen sales rise.

Today's potato growers are more forward thinking, focussed and innovative than ever before. While there has been a significant decline in the number of growers (from over 4,500 in the year 2000, to under 2,000 today), production is largely unchanged while yields continue to rise.

While Brexit creates many unknowns for the future trading relationships between the UK, EU and third countries, potato growers do not want to have to rely on tariff barriers to protect their place in the market. UK growers are passionate about the industry and are continually looking for opportunities to increase efficiency and maximise profitability. Confidence leads to investment, which is necessary both on farm and in packing and processing facilities, into technologies that can more accurately and more rapidly report quality variations, thereby providing invaluable data from which growers, packers and processors can learn and improve.

No matter what market conditions prevail, transparency in the supply chain will help enable productivity, competitiveness and quality to improve. Growers will be able to respond to timely feedback from their customers and take action to pre-empt and reduce quality issues in future deliveries, perhaps in the short term where storage, harvesting or sorting issues are the problem, but certainly in the long term where issues have arisen during growing. This in turn will reduce the burden on processors' and packers' Quality Control operations and sorting lines, and will allow them to programme their operations more effectively and utilise different specifications of potatoes for different customers and products. The latest technology will enable fully automated quality analysis to deliver the right potatoes to the right production line, and real-time data will be shared with growers who can rectify any further issues identified more rapidly. Such a virtuous circle of greater awareness and closer management of the quality of the crop at all stages of production will help reduce waste and cut costs. And more accurate recording of quality variations will help drive better, more targeted research and development.

The UK potato industry can have a productive and profitable future. Fair, collaborative and transparent relationships between suppliers and customers are paramount to that success, underpinned by accurate and timely data being available to both customers and growers.

WHERE ARE WE NOW?

The NFU's discussions with packers and processors focussed on two distinct but related issues:

- Rejections, where a load delivered to a customer's site is deemed unacceptable by the Quality Control (QC) and sent elsewhere or returned to farm at the grower's expense, and
- Deductions, where a load is accepted by the QC and packed or processed, but a proportion is picked off or graded out by the customer. The weight of this material is then deducted from the delivery weight in arriving at the payment weight.

The NFU's discussions with packers and processors revealed considerable variation in approaches to communicating with growers and sharing data. No two businesses operate in exactly the same way: several examples of good practice were identified, as well as areas for potential improvement.

SAMPLING

One of the key constraints in sharing data is to accurately analyse the quality of potatoes in the first place. While some growers are able to analyse quality on farm, it is usually when a sample is taken at the factory that the formal assessment begins. But even here, the NFU identified notable differences in the weight and frequency of QC samples taken, varying from a single 10kg sample to multiple samples as large as 50kg. This brings into question the robustness of this step of the process, and has significant implications particularly where payment is based on the sample results. A number of businesses do reconcile these results against pack-out weights and will investigate if the two are wildly different.

In most cases, the initial QC sample helps determine an accept/reject decision – although it can also be used to divert the potatoes to the most appropriate packing/processing line. Rejection rates across the industry are usually in low single figures, with most businesses reporting rejections of between 1% and 5% of total deliveries. And with most businesses 'accepting' the first proportion of defects, rejections would therefore only usually be necessary if the level of defects are significantly above this level.

In the packing sector, after washing and size grading, manual picking from the lines is still the most common form of quality control when the potatoes are run through the factory, thereby relying on trained employees to identify and remove potatoes that may present one of a range of defects. This type of operation enables the total weight of removed potatoes to be measured, but not to quantify the volumes of each different type of defect.

Some businesses combine manual picking with optical sorters, which do appear to be becoming increasingly widely used and reliable, but only two businesses we visited were able to rely 100% on optical sorters to pick off defects. For most packers, there was little confidence in the accuracy of optical sorters to replace manual picking entirely or to gather the data on deductions, along with limited ability to invest in the latest technology. By and large, processors tended to have more optical sorting equipment and demonstrated a good level of technical advancement. However, due to the nature of their businesses, some of this technology was focussed towards the quality of the end product rather than the ware potatoes at the beginning of the line.

There are opportunities for growers to take more control of the quality of their crop and to perform quality analysis on farm in order to minimise surprises later in the process. Some of the largest businesses provide training and equipment for suppliers to perform their own QC analysis on farm to the same standards as those performed in the factory, while others engage a third party laboratory to analyse the QC sample. While this arms growers with a better insight into the quality of their crop as it enters the factory, it is still only based on a small sample of the crop, and in most of the packing sector is a different basis to that of payment.



DATA SHARING

The variation of analysis between businesses means that the level of data shared with growers is equally variable. While there is a spectrum, it is possible to define some broad categories:

- Several businesses share no data at all, even on relatively straightforward information such as size grading or soil & stone content (unless formally requested by the grower).
- A larger number of businesses routinely share data on soil & stone, undersize and oversize, with any further deduction being attributed to quality.
- A small minority (usually those with optical sorters) share information on greening, damage, skin finish and other reasons for deduction at each stage of the process (QC, pack-out, finished goods).

Inevitably, this inconsistency has led to many growers feeling left in the dark and unable to identify, and rectify, issues on farm.

Where information is shared, it is common for it to be part of the grower's return (payment) which is usually communicated within 28 days of delivery - although this timing can be impacted when loads of potatoes are stored by the packer/processor for days or even weeks before going through the factory. Furthermore, where the customer stands the first portion of deductions, the corresponding defect data is not usually shared and therefore may mask some of the quality issues from the grower.

In some cases, information is shared in advance of payment, as quickly as the same or next day after delivery. A number of businesses also pick up the phone to growers once the QC assessment has been completed if the quality of potatoes is not as expected. Timely information is necessary if growers are going to be able to respond effectively and minimise the number of rejections and deductions for subsequent loads; same or next day communication allows for much more responsive performance than a return four weeks later.

PAYMENTS

In the packing sector the basis of payments varies between those that pay on QC sample results and those that pay on the pack out weight. For some businesses, additional penalties or bonuses dependent on the quality of potatoes may apply. In many cases (but not all) the QC data is shared with growers, whether that is the basis for payment or not. For those businesses that pay on the pack-out weight, growers usually, but not always, receive at least a basic level of information with their grower return, such as the volumes of soil and stones and total defects. Very few businesses provided a further breakdown of defects on the grower return.

Without exception, all businesses say they recognise the importance of having positive working relationships with their suppliers; many claiming that it is more important than ever that they work collaboratively with their suppliers in order to operate in an increasingly difficult marketplace. Even for those businesses that share very little data with growers, it is common for packers to pick up the phone to suppliers when issues arise. Some businesses have developed quick-time reporting through online portals which give growers access to up-to-date information on the quality of their potatoes, and associated payments.

The majority of businesses also have an 'open door' policy and actively encourage growers to visit the factory to see how the process works, and what growers could do to minimise rejections and deductions. Some businesses go further with regular grower meetings, or organised group visits. However, almost all businesses claimed that uptake is disappointingly low.

VENDOR ASSURANCE - IPL

IPL is a subsidiary of supermarket retailer Asda and one of the largest privately owned food processing businesses in the UK. Its system, 'vendor assurance', makes growers responsible for meeting specifications so that individual consignments don't need to be assessed on arrival at the factory. Vendor assurance also enables growers to make adjustments to the crop they're lifting to reduce grade-outs and improve pack-outs when the material is loaded from the field or from store. The company runs grower training programmes each year to show growers how to assess their crop to the same standards as its own in-house quality control team. Growers also have a 'supply calendar' which sets out the variety, area, tonnage and packed volume. This is all agreed in advance and is wholly transparent.

When the factory receives a delivery, IPL's quality controllers already know what to expect, as the grower will have sent a 'passport' consisting of their own quality control reports and all field information in advance. For any deliveries where vendor assurance is not applied, growers still submit a passport giving traceability details. The delivery is then checked against specifications and if any issues arise they are communicated immediately to the grower by phone – enabling the grower to make crop adjustments in order to reduce grade-outs in subsequent consignments that season. Any deductions are itemised with a full, detailed breakdown of the reasons.

NFU Comment: As this demonstrates, it is important that growers have the capability to analyse the quality of their crop at harvest and in store. For this to be of real value, it is critical that the grower and customer operate to the same standards with training provided by the customer. Where appropriate, equipment should also be provided.

TIMELY PROVISION OF DATA – BRANSTON

Branston is one of the largest potato packers in the UK and supplies a wide range of products from fresh, prepared and processed potatoes, as well as seed to many of its growers and industry partners. Branston operates an online portal for its suppliers, many of which have electronic handheld tablets (provided by Branston) to upload and download relevant information, all of which can be done in the field/workplace. QC data is uploaded onto the portal before the potatoes are unloaded from the vehicle. Payment data and any supporting photographs are also available on the portal which can then be downloaded by the grower into their own systems.

The portal provides a two way communication channel and growers are asked to report on cropping progress throughout the year. As a result of this two-way data share, Branston has the opportunity to identify and communicate best practice with real time information to their suppliers via the portal. For example, the Harvest Manager data has highlighted opportunities to manage nitrogen usage by variety.

NFU Comment: Timely and effective communication is more important than ever before, and the use of technology can provide many of the solutions. While there remain some limitations on mobile and internet connections in the most remote areas, the use of internet based applications can enable growers to keep up to date with the quality analysis of their potatoes at the factory more quickly, enabling them to respond in an appropriate and timely manner.



OPEN DOOR POLICY – WALKERS (PEPSICO)

Walkers suppliers that we have spoken to have highlighted the positive level of engagement with Walkers and the openness of their factory operations. Growers have dedicated Facilitators (supplier representatives, employed by their grower groups) who work at the factory sites and can help co-ordinate deliveries between groups to ensure the crop is managed in the most effective and efficient way. The Facilitators also invite growers to the factory and host the visits, with many growers visiting multiple times during the season.

NFU Comment: It is important that there is a level of transparency that enables growers to have the confidence their potatoes are being handled and assessed in an accurate way. Open door policies are welcome and growers are encouraged to engage with their customers in order to understand the factory operation, how their potatoes are assessed, and the basis for their payments.

PROCESS IMPROVEMENTS – R S COCKERILL LTD

Cockerill is a potato growing and packing business that supplies fresh and crisping potatoes, as well as supplying seed to many of its growers. The business assessed its existing processes and recognised the need for improving the level of information shared with its suppliers. As a result, for the 2017/18 season Cockerill has introduced a new report which sets out the levels of deductions, size fractions, soil and stones on a load by load basis. For processing potatoes destined for Walkers, Cockerill provides the full factory results to individual growers.

NFU comment: It is important that all businesses look for ways to deliver the most accurate and timely information to their suppliers. It may not be feasible for some businesses to implement the latest technology right away, but it is incredibly important that all businesses recognise what the next step is, and actively work towards that.

SAMPLING ACCURACY – GREENVALE

In 2017, Greenvale began an extended trial of a new sampling regime at one of its packing sites with the aim of delivering improved timeliness and transparency of QC communication to increase confidence in the quality analysis. The process involves taking an initial QC on arrival of the first load with the results shared with the grower within 24 hours. Following loads are checked and only a variance in excess of 3% from this initial sample then triggers an adjustment, again with timely communication back to the grower.

NFU comment: It is critical that growers have confidence in the sampling processes at packing and processing sites, particularly where payments are based on QC analysis. All businesses have a responsibility to monitor the accuracy of the analysis and look to implement changes that deliver greater accuracy and transparency. It is also important that variations in defects identified through the factory are communicated to the grower.

MINIMISING REJECTIONS – AB PRODUCE

Because of the diversity of its finished product range, AB Produce is a business which can utilise a wide range of raw material potato types including secondary and even tertiary grades. This flexibility means that AB Produce rarely rejects a load of potatoes but is able to restructure deals to accommodate virtually all loads of potatoes presented to it.

NFU Comment: There are many variations in the way packing and processing businesses operate. While there is increasingly a move towards contracting for potatoes, there is still a need for flexibility whenever yield or quality is impacted by events beyond the growers' control. In order to deliver greater efficiency and minimise waste in the potato supply chain, it is important to develop further options for using out-of-spec potatoes.

LESSONS LEARNED

TOP 5 GOALS FOR GROWERS

- If you're not getting the information you need to improve your business, ask for it.
- Where permitted, visit your customer at least once a season – ideally to see your own potatoes being handled.
- Build closer relationships with your customer – communicate regularly and share information and concerns early.
- Be honest about the quality of potatoes to be delivered. For example, if a load comes from a headland, say so.
- Take regular samples both off the field and out of store to know the quality of the crop – and request guidance from customers on quality assessment parameters.

TOP 5 GOALS FOR PACKERS/ PROCESSORS

- Make a step change to increase the level of information shared with growers, including investment into technologies which improve information gathering, where possible.
- Strive to provide full quality data corresponding to the payment data as soon as possible, ideally within 24 hours of assessment. Where a delay is inevitable, share QC data in the interim to allow growers to take short term action to improve load quality if required.
- Where on-farm sampling is required, provide training for growers so that the sampling procedures mirror the factory's quality control process.
- If only one sample is taken for QC assessment, withhold rejection decisions until at least one more sample is taken and analysed.
- Detail all defect information, even for the first proportion of crop which is part of the packers/ processors' accepted tolerance.

CONCLUSIONS

The NFU wants to see a thriving, competitive, efficient and resilient potato industry, able to compete in a post-Brexit climate where competition with imports may be increasingly challenging. Big advances in robotics and automation, crop breeding, water management, and pest and disease control are all necessary to enable the sector to grow. But there are also some important steps that can be taken here and now by both growers and their customers to ensure the supply chain is as efficient and effective as it can be, irrespective of the market conditions of the day.

Underpinning all of this is the need for greater transparency across the whole chain, with both growers and their customers communicating openly at each stage of the process. This requires trust in the information being shared, with each party taking it upon themselves to ensure the information is as accurate and timely as possible. This will provide the springboard for the industry to move forward, by acting on the information it has at its fingertips to create a UK potato sector that can compete in the uncertain times ahead.



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