

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT FAIR DEALING OBLIGATIONS (PIGS)
REGULATIONS 2025

Tuesday 22 April 2025

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The Committee consisted of the following Members:

Chair: † VALERIE VAZ

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| † Brandreth, Aphra (<i>Chester South and Eddisbury</i>)
(Con) | † Rimmer, Ms Marie (<i>St Helens South and Whiston</i>)
(Lab) |
| † Brash, Mr Jonathan (<i>Hartlepool</i>) (Lab) | † Smith, Jeff (<i>Lord Commissioner of His Majesty's
Treasury</i>) |
| † Dewhurst, Charlie (<i>Bridlington and The Wolds</i>)
(Con) | † Stone, Will (<i>Swindon North</i>) (Lab) |
| † Farron, Tim (<i>Westmorland and Lonsdale</i>) (LD) | † Swallow, Peter (<i>Bracknell</i>) (Lab) |
| † Fookes, Catherine (<i>Monmouthshire</i>) (Lab) | † Vince, Chris (<i>Harlow</i>) (Lab/Co-op) |
| † Fox, Sir Ashley (<i>Bridgwater</i>) (Con) | † Zeichner, Daniel (<i>Minister for Food Security and
Rural Affairs</i>) |
| † Gardner, Dr Allison (<i>Stoke-on-Trent South</i>) (Lab) | |
| † Hudson, Dr Neil (<i>Epping Forest</i>) (Con) | Sara Elkhawad, <i>Committee Clerk</i> |
| † Kumaran, Uma (<i>Stratford and Bow</i>) (Lab) | |
| † Kyrke-Smith, Laura (<i>Aylesbury</i>) (Lab) | † attended the Committee |

First Delegated Legislation Committee

Tuesday 22 April 2025

[VALERIE VAZ *in the Chair*]

Draft Fair Dealing Obligations (Pigs) Regulations 2025

6 pm

The Minister for Food Security and Rural Affairs (Daniel Zeichner): I beg to move,

That the Committee has considered the draft Fair Dealing Obligations (Pigs) Regulations 2025.

As always it is a pleasure to serve with you in the Chair, Ms Vaz. The draft regulations were laid before the House on 13 March.

Let me begin by paying tribute to the UK pig sector, which is a cornerstone of our food system and a shining example of British farming at its best. The sector is built on generations of hard work, innovation and pride. Whether that is our skilled producers raising health, high welfare animals, or our forward-thinking processors adding value and reaching global markets, the pig industry is delivering day in, day out. It is about not just food on our plates—although the quality, taste and consistency of British pork products are second to none—but rural jobs, resilient supply chains and our wider goal of national food security. The sector quietly underpins so much of what we rely on, and it deserves recognition and support.

We also have to acknowledge the challenges. As in many parts of agriculture, the pig industry is not without its imbalances, in particular between typically small producers and much larger consolidated processors. When those imbalances are not addressed, the risk of unfair practices can creep in. We saw that most starkly during the pig crisis of 2021: the strain on the system exposed the underlying vulnerabilities and, sadly, in some cases, it even led to welfare culling on farms—a devastating situation for any farmer. Many of us remember that period very clearly. I remember visiting farms at the time, seeing oversized pigs and talking to experienced people who told me, genuinely, that it was a dangerous situation, because of the problems we had got into.

Chris Vince (Harlow) (Lab/Co-op): This may be a stupid question—there is no such thing; just a stupid answer. I looked through the draft legislation this morning. It struck me that there did not seem to be much mention of the welfare of the animal. I wondered whether that was an omission or it is covered in different legislation. Will the Minister clarify that?

Daniel Zeichner: There are no stupid questions, and that is an important one. Animal welfare is clearly important and, in fact, goes to the heart of that very point about when the sector was not working properly—it was the welfare issues that were most troubling for many people. My hon. Friend is absolutely right that many other pieces of legislation will be coming forward to deal with welfare concerns.

The crisis at that time—thankfully, such instances were limited—served to illustrate how important it is that the system should work better for everyone. That is why this draft statutory instrument is important. It protects and builds on the good practices already happening in the sector, but also goes further. It puts in place the kind of transparency and fairness that pig producers deserve, giving them more confidence and a fairer footing in the market. The regulations have been shaped in close consultation with industry, reflecting a process that began with a public consultation and continued through extensive engagement with stakeholders. The result is a statutory instrument that is both practical and proportionate. I am pleased that it has been welcomed by key voices across the sector.

The draft regulations establish a framework for fair and balanced supply contracts, with preserved flexibility to reflect how businesses operate, provided practices are clearly agreed and set out in writing. To support transparency, contracts should be in writing and include all terms relating to the purchase. While many in the industry already operate in that way, it is not universal, and written agreements are essential for clarity and accountability. However, a fully compliant contract is not always appropriate, in particular in spot market trades, so the regulations include an option for producers to issue a notice to disapply and to step outside the framework for particular purchases when that suits both parties. Where the regulations apply and a written contract is in place, several key terms must be clearly set out. Most importantly, contracts must specify expected supply volumes and remedies if those volumes are not met. That was a major point of failure in the recent crisis I just mentioned, and the new requirement will give producers and processors greater certainty and stability.

The draft regulations also promote pricing transparency. We have been keen to protect and encourage transparent models in which prices are based on factors that farmers can verify themselves, such as market indices or shared cost of production data. Where prices are determined through internal or discretionary methods, additional rules ensure that farmers can understand how prices are set and raise concerns if needed. For many farmers, the ability to negotiate collectively, primarily through marketing groups, is a vital safeguard against imbalance. The regulations support that model, by ensuring that collective sellers benefit from the same protections as individual producers.

Other key provisions address fairness in contract termination and clarity around force majeure events. Although specific terms may still be negotiated, new restrictions help prevent one-sided practices, and contracts must clearly explain both parties' rights and responsibilities in such situations. The core principle throughout this is that contract terms cannot be changed unilaterally. Any changes must be agreed in writing by both parties, ensuring transparency and fairness, while allowing flexibility.

We recognise that even with clear rules in place, disputes can still arise. That is why contracts must now include a clear dispute resolution procedure. That will give farmers clarity on how to raise concerns with the processor, and confidence that those concerned will be handled fairly and consistently. To ensure proper enforcement, oversight will be provided by the Agricultural Supply Chain Adjudicator—ASCA. Acting on behalf of the Secretary of the State, the ASCA can investigate

alleged breaches of the regulations that have not been resolved through dispute resolution. If breaches occur, it has the authority to impose fines, order compensation, or both.

This statutory instrument is the second to make use of the powers in the Agricultural Act 2020 to improve fairness in supply chain contracts, following the Fair Dealing Obligations (Milk) Regulations 2024. It also makes a targeted amendment to those regulations. After implementation, we were made aware of unintended consequences relating to the rules on tiered pricing in exclusive supply agreements. For businesses with shared ownership structures, moving away from exclusivity is challenging, as exclusive supply is often fundamental to their operating model. To address that, we have made a limited amendment to the regulations to permit certain practices that were prohibited for those types of businesses.

In closing, I hope that I have demonstrated why these changes are both proportionate and essential. They respond directly to the concerns that we have heard from producers, and in a way that supports best practice, maintains flexibility and creates a fairer, more transparent market for the pig sector.

6.7 pm

Dr Neil Hudson (Epping Forest) (Con): It is a great pleasure to serve with you in the Chair, Ms Vaz. I thank the Minister for bringing forward this statutory instrument. I pay tribute to the UK pig industry, which does so much for our economy, food production and food security. I am very proud that under the previous Conservative Government, new powers were introduced in the Agriculture Act 2020 that allowed the introduction of regulations to address unfair trading practices in agricultural sectors.

In March 2024, the House considered the draft Fair Dealing Obligations (Milk) Regulations, which related to the rules governing the relationship between buyers and sellers operating in the dairy industry. I am pleased to say that the Minister, when he was then shadow Minister, welcomed those regulations. I am happy to say today that we, His Majesty's most loyal Opposition, are supporting these similar and very important draft regulations for the pig sector.

The backdrop to the crisis that faced the UK pig industry in the years following 2020 was a perfect storm of the pandemic and concomitant labour shortages, leading to animals tragically dammed back on farms, with abattoirs and processors unable to process them. There were huge animal welfare consequences: adverse behavioural issues, respiratory diseases and, tragically, more than 60,000 healthy animals culled on farms.

The former Environment, Food and Rural Affairs Committee, on which I sat, worked hard on that issue and was grateful for the engagement of Conservative farming Ministers to work with the sector to try to mitigate the horrific situation. However, it was a crisis—economically, for animal welfare and, importantly, for the mental health of those people involved in the situation. These draft regulations are crucial.

In 2022, the previous Conservative Government held a consultation on contractual relationships in the pig sector. Findings showed that 89% of respondents were supportive of written contracts, and 64% of respondents reported issues with honouring sale agreements, including

price and quantity disputes. Bearing that in mind, I ask the Minister: why has there been a delay in laying the regulations? With the introduction of the family farm tax, the withdrawal of the sustainable farming incentive and the significant reduction in delinked payments, it is clear that our farming communities—today we are talking about our pig farming and dairy farming communities—desperately need our support.

The draft regulations introduce important safeguards and tackle the noticeable disparity in the commercial relationship, which has sadly led to farmers being vulnerable to unfair trading practices and to the risks of contracts that impose commercially harmful terms and provide little legal protection. During the passing of the milk regulations, the then shadow Minister—the current Minister—commented that he did not think that the Government had

“really approached this issue with the pace and urgency that are required”.—[*Official Report, Fourth Delegated Legislation Committee, 19 March 2024; c. 6.*]

In a similar vein, I put it gently to the Minister: why has it taken the Government so long to lay the current regulations?

I also note that the draft regulations, as the Minister has said, make an important amendment to the milk regulations, concerning exclusive contracts. I would be grateful if he could provide an update on the implementation of the milk regulations to date. Specifically, has the Secretary of State had to use his power to issue a monetary penalty or to order compensation, since the regulations came into force in 2024 for new contracts? Have the Government had any representations from dairy businesses and buyers who are amending their contracts, ahead of the deadline this year for pre-existing contracts, to fall in line with the regulations? I urge that the change is kept under close review to ensure that it is working as it was intended and does not undermine fair contractual practices in the dairy sector.

Furthermore, while this instrument provides a degree of flexibility, it is essential that those flexibilities are not open to misuse, and that the draft regulations genuinely benefit producers. Will Minister, therefore, give assurance that the Government will commit to keeping the regulations under regular review and to making any amendments, where necessary, to ensure that they remain robust and effective?

Finally, could the Minister update us on the progress of introducing regulations to address unfair practices in the poultry sector or the fresh produce sector? As delays have harmed dairy farmers in the past, timely action is critical for other agricultural industries. Farmers deserve robust protection across all sectors, and I strongly encourage the Minister to prioritise introducing similar regulations.

His Majesty's most loyal Opposition strongly support the draft regulations and look forward to their implementation to protect and support our vital and hard-working UK pig farmers, and to improve fairness and transparency in the industry.

6.14 pm

Charlie Dewhirst (Bridlington and The Wolds) (Con): I will keep my remarks brief, but it would be remiss of me not to say something, having spent about two years working on the issue in my previous role at the National Pig Association, before being elected to this House.

[Charlie Dewhurst]

I first pay tribute to the two previous farming Ministers, Victoria Prentis and Sir Mark Spencer, for getting the process underway, and I thank the current Minister for his support, both in Opposition and now in Government. I am delighted to be here as we reach the conclusion of what has been a lengthy process.

I also pay tribute to the Department for Environment, Food and Rural Affairs officials who have worked on the process from the start. Their engagement with the sector has been fantastic. I know that all the farmers involved felt engaged throughout the formulation of the draft regulations. Last but not least, I thank those farmers who engaged. They are very busy, and they have had an awful lot on their plate in the past few years, but a lot of them gave up a lot of time to look closely at the regulations to ensure that they are as good as they can be. Although some will say that the regulations are not perfect and that there is more work to do—particularly to ensure that the new Agricultural Supply Chain Adjudicator is effective and works alongside the Groceries Code Adjudicator to stamp out unfair practice throughout the supply chain—I think that they are a huge step forward and I am delighted to support them.

6.14 pm

Tim Farron (Westmorland and Lonsdale) (LD): It is a pleasure to serve under your guidance this afternoon, Ms Vaz. Likewise, I am very supportive of the draft regulations. The UK pig industry is something that we should all be proud of. It is instrumental to our rural communities right across the country and an important exporter, but it also maintains the highest quality of produce and animal welfare standards. That is important in an era in which we are seeking potential deals with countries whose animal welfare standards may not be quite so high. The industry is vital to our rural economy and our food security. John Maynard Keynes said, among many other wise things:

“Markets can remain irrational longer than you can remain solvent.”

The reality is that the market is ambivalent, at best, on whether we have a strong pig sector. Without safety, security and fairness in the sector, we stand the chance of losing it all together.

It is right that the intervention happened, as other Members have talked about. Post Brexit, we saw a terrible crisis, particularly in staffing of the sector, which saw the culling of tens of thousands of healthy animals, as we have heard. That was appalling for those animals, and appalling and heartbreaking for the families involved. A devastation lingers, which has driven us in no small part to this stage. It is right to give credit to the previous Government. The consultation began in 2022, following that crisis. I have also paid tribute to all who were involved in that consultation, providing the feedback that was instrumental in leading us to where we are now.

The spokesperson for the official Opposition, the hon. Member for Epping Forest, talked about the other threats that farming faces, and that is absolutely true. People talk about the impact of the inheritance tax changes on family farms, which will be a massive blow for hundreds in my constituency. We will wait and see.

I have tabled plenty of parliamentary questions to try and find that out, but the University of Cumbria’s research tends to conclude that the underspend on the current departmental budget for the environmental land management scheme will be in the region of £400 million. That money is not in farmers’ pockets, and that undermines our ability to have a food security. As I mentioned, a fair market is crucial to food security. If we lose pig producers and pig farmers, we simply offshore the industry and end up in a situation where our ability to secure pig products becomes more difficult, more expensive and, importantly, less secure. These regulations will build in transparency, security, clarity and fairness in the pig sector, in particular for the producers themselves.

Let me say a word about the role of the Groceries Code Adjudicator. In no small part, the draft regulations are necessary because we do not allow the Groceries Code Adjudicator to intervene in arrangements where there is not a direct link between the producer, the farmer and the retailer. Yet, a massive majority of deals are with pig farmers, or indeed other farmers, and a processor of some kind or another. I am proud that one of the things that came from the Liberal Democrats manifesto and went into the coalition agreement was the establishment of the Groceries Code Adjudicator. I was frustrated, though, that we ended that Government with it not having the powers that we wanted it to have.

To protect farmers of all kinds, I would love the Minister and the Government in general to consider very seriously ensuring that the Groceries Code Adjudicator can accept referrals on the fairness or otherwise of deals between farmers and processors, not just farmers and supermarkets. Anonymity should be kept within the system. We can see why a farmer would not want to refer their deal, because it might be the only one they have, even though it is not a fair one. Third parties such as those present, the National Farmers’ Union and other organisations should be permitted to make referrals anonymously on behalf of those farmers who are being ripped off.

On top of that, the referee—the Groceries Code Adjudicator—should simply be given yellow and red cards to mean something, to hold those more powerful parts of the industry to account. There are thousands of producers, but only a handful of processors and supermarkets, so of course it is an imbalanced and unfair market. A referee has to have cards—otherwise, what is the point? My final point about the Groceries Code Adjudicator is that, last time I checked, it had five staff—what is that up against an industry that is massively better supported? Let us support our farmers by ensuring that the market is fair and that it is refereed fairly and strongly. The draft regulations go a small way to achieve that in the pig sector.

6.20 pm

Daniel Zeichner: I am grateful for the contributions of knowledgeable and well-informed hon. Members. I am sure we can all agree that a resilient and sustainable pig sector that supports Britain’s food security depends on fair treatment across the supply chain, in particular for those in a weaker commercial position. I am therefore encouraged to hear support for the draft regulations. I am confident that they will deliver the protections needed to ensure a stronger and fairer future for the sector.

I am grateful for the Opposition's support and perfectly happy to pay tribute to the previous Government and to my predecessors, Victoria Prentis and Mark Spencer. Victoria and I discussed the Agriculture Act over many hours, and it is good to see its provisions coming into effect. The hon. Member for Epping Forest chided me slightly on pace, but he will not be surprised when I point out that the gap between the Agriculture Act and the end of the previous Government's term in office was about four years, while this Government have been in place for eight or nine months. We all understand why these things take time—in part, because it is important to get them right.

I also endorse the comments of the hon. Member for Bridlington and The Wolds. I pay tribute to him for his important piece of joint work between Government and organisations such as the National Pig Association. The praise he lavished on officials and farmers to get it in place was well merited and deserved.

The hon. Member for Epping Forest asked about the milk regulations. I do not think that any mandatory penalties have been issued, but I will go away and check. I think that the regulations are working as intended, but it is important to point out that we are making a strong

commitment to keep these draft regulations under review and to make any amendments necessary. The fact that we came back with an amendment to the milk regulations demonstrates that the process is working.

On the poultry and fresh produce sectors, work is ongoing. I do not think it is a secret to say that the fresh produce sector is challenging—it is a complicated sector—and, again, it is important that we get it right and that we introduce regulations that work for the sector appropriately.

Finally, the hon. Member for Westmorland and Lonsdale missed no opportunity to raise the issue of the Groceries Code Adjudicator. I say gently that we also have the Agricultural Supply Chain Adjudicator—they are different jobs, different roles, and it is important to ensure that we support both of them in their important work. I am confident that they will be able to achieve the outcomes that we are all looking for. With that, I am hopeful that the Committee will agree the draft regulations standing in my name.

Question put and agreed to.

6.23 pm

Committee rose.

