

Food for thought: how the industry's struggles could impact the whole UK economy this Christmas

AN ACUTI ASSOCIATES GUIDE

You may not have noticed but the UK is already embarked on the critical hundred days which defines the success - and with it the profitability - of the year for the food and drink industry. That period kicks off with Halloween - now the most important trading day of the year for many pubs, bars and catering firms. Bonfire Night and Thanksgiving also feature in the November weeks when company and private Christmas parties move into full swing. The orgy of festive supermarket ads - think Dawn French - signals the start of a crucial retail spending splurge through the holidays. The cashflow then tapers off to Burns' Night and the lunar new year.

Many industry businesses make two thirds of their profit in just those eight or nine weeks. For the sector, the FTSE and the UK economy these are make or break days. So the decision by successive chancellors of both parties to plonk the Budget - the uncertainty it always creates and all the investment decisions therefore put on hold - at the start of this crucial period is a profound and recurring act of economic self-harm. Real jobs are lost and real businesses close while the PM and Chancellor dither. Then it's food and drink that faces the double whammy of the immediate cost of tax and duty changes and - frequently - having to absorb the impact of downcast shoppers deciding they should spend less in this crucial trading period.

The impact is particularly intense because UK food and drink - comprising farming, manufacturing, retail, hospitality and logistics - accounts for over 4 million jobs. It is the largest - and in many ways the most important - business sector in the economy. Yet it is also taken for granted by shamefully ignorant politicians and pundits.

Today this vital sector's fortunes are being shaped by three major factors: the long shadow of Margaret Thatcher, the Great Fragmentation - characterised by Brexit, Trump and Russia/Ukraine - and climate change. It is a combination of the last two that has baked in ever greater levels of uncertainty and unpredictability to geo-politics, supply chains and shopper confidence.

Mrs Thatcher's legacy is today's shopper economy. Her market-based approach allowed supermarkets to expand fast. They grew outside their traditional heartland and the likes of Tesco and Sainsbury, M&S and Waitrose became national institutions. Mrs T brought in Sunday trading, reinventing the British weekend as a major shopping opportunity. She eviscerated the trade unions, relaxing restrictive labour laws, allowing manufacturers, retailers and logistics firms the flexibility they needed to build highly competitive and efficient national businesses. That economic and social platform has endured through the last three decades under successive Conservative, Labour and Coalition administrations. But now it is under threat.

A key challenge comes from President Trump's tariff programme. Mr Trump took a chainsaw to the rules based global trade system and has 'weaponised trade interdependence', particularly between the United States, China, and the European Union - the three great trading blocs of our age. This change is deeply troubling for UK food and drink. Ours is a great trading nation in grocery products. Anything which raises costs, impacts profitability, or restricts our extraordinary range of choice erodes the industry's viability. It also makes shoppers and consumers - aka the UK population - very grumpy.

The impact of Trump tariffs on UK food exports to the US threatened to be terminal, though some mitigation has been provided by the UK-US trade deal. Different, but equally significant pressures are beginning to materialise in trade with China. The UK's lack of properly structured economic partnership with the European Union post Brexit means we have little influence on that bloc's plans to react to this mayhem.

Add to this the disruption caused by regional conflicts and the deliberate acts of sabotage by semi state actors like the Houthi's and state sponsored cyber criminals. Then overlay these challenges with the impacts of climate change. Global harvests have been extensively disrupted in recent years by unprecedented damage caused by drought, floods and wildfires. Meanwhile in the UK the 2025 harvest is the second worst on record. That is driven by a decade of new and unpredictable patterns of heavy rainfall and excessive dry weather.

The nation has lost around 5% of its agricultural land capacity over the last few years. Some experts predict that figure will climb to one third in the next 25 years. Today we produce somewhere between 55% - 60% of the food we consume. If the trends just mentioned continue that figure would be capped around 45% - 50%. In short we would have no chance of maintaining our food security or of substantially feeding our population from our own resources.

All these challenges leave the Starmer Government in a very uncomfortable position. Thus far, the PM has adopted the role of a high wire artiste who is simultaneously a juggler. When he doesn't fall off it's very impressive. The US-UK Trade Deal and the queasily extraordinary spectacle of the King hosting the President at the Windsor Castle State banquet are both examples of successful 'vanity diplomacy' with the Trump Presidency. Similarly, it's absolutely clear that the decision not to prosecute in the China/House of Commons spying case was a deliberate act of trade policy. It signalled that the Government would not bow to hawks who appear not to have noticed that China is one of the most important economies in the world. Those companies trying to do business with

China should thank God for Jonathan Powell - seemingly the last grown up left in Number Ten.

But the last few weeks of chaos at Number Ten demonstrate the high wire act has a finite life and can quite easily lose its footing. That is concerning for those whose success in the weeks to come demands a period of stability. It demands that shoppers are not spooked into holding onto their dosh in the pub or the Christmas check out queue. That stability seems less and less likely in the weeks to come. Bad news for UK food and drink and therefore the UK economy.

But much depends on the Budget - which we will foreshadow this time next week. Until then Acuti Associates can help you plan how to navigate these difficult waters. Our partners and associates have a track record in successfully - and profitably - leading commercial organisations large and small through very testing times.

To discuss how Acuti Associates can support your leadership team, please contact eileen.mcgowan@acuti.co.uk (M: 07736 062418) or visit www.acuti.co.uk for more information.