

Every Little Helps (Or does it!)

A small food producer winning a contract supplying a major supermarket may seem like financial heaven but it can lead to significant problems.

Whilst most large supermarkets showed strong sales over the Christmas period, the ongoing price war between them is having a major effect on many UK food suppliers.

Recent figures have shown that the number of such suppliers experiencing financial difficulties has more than doubled in the last year. Food producers have come under increasing pressure as supermarkets reduce margins and elongate payments in an attempt to offer their customers the lowest possible prices. Supermarkets have also been demanding loyalty payments which have also affected margins. Even the rise of a growing number of discount retailers has not benefited UK producers and suppliers as a large proportion of their stock is sourced from overseas.

It was hoped that the appointment of a Grocery Code Adjudicator would protect suppliers but this seems to have had little effect as the watchdog lacks real powers. Unless a solution is found, the current treatment of food suppliers by supermarkets will inevitably cause many of these businesses to formally become insolvent with the resultant impact on jobs. With over 3.6 million people employed in the UK food industry, there are serious economic and political consequences if the current situation continues.

Not only are food suppliers affected but also food retailers and recent figures reveal that the number in financial distress has risen by over 61% in the last twelve months.

Those running independent local stores are coming under increasing pressure from the advent of smaller mini-supermarkets opening up as it has been demonstrated that consumers prefer to shop little and often.

With reduced bargaining power and insufficient funds to acquire premium locations, small shop owners are finding that the high street is no longer an area which offers comfort from the ever extending reach of both UK and foreign supermarkets.

Please note that should your clients require any confidential advice regarding this or any other insolvency matter they are welcome to contact one of our Partners. An initial consultation is provided free of charge and without obligation. Also, if you or any of your colleagues require any clarification regarding insolvency law or procedure, please do not hesitate to contact us.