

# HFMA UPDATE

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## Economic impact – where next?

**A**t our recent HFMA AGM, there was much discussion on the current economic situation and the impacts this may have on supply, prices, strategic planning and UK business. It comes at a time where there is growing economic uncertainty and volatile markets, which can make planning a challenge. As to how this may affect businesses, it was evident that the tariff war has not yet exploded out of control but is contributing to pressure on costs from all sources, not least from National Insurance changes and a general rise in the cost of living.

Manufacturers will have to decide how much potential cost increases get passed on and how much to absorb. This is an increasingly competitive market, not just between brands but also on source of supply, and to where products can be purchased, be it retail or online. The ability to pass on costs completely may be limited and this may affect growth.

The Governor of the Bank of England referred to a position of 'Shock Growth' because of tariff announcements from the USA, forecasting UK growth to fall from an estimated 1.6 per cent down to 1.1 per cent this year. Our Prime Minister is calling for the UK to respond with 'cool and calm heads' and it is reported the UK has been having discussions about an economic deal between the UK and USA, which could help avoid tariffs and deepen our economic relationship.

This has sparked reactions from UK consumers, with *The Grocer* stating that 57 per cent of consumers are actively boycotting purchases of goods from the USA. Indeed, morning TV shows have highlighted that agitated

consumers are now inverting US products on shelves in silent protest to highlight dissatisfaction, which may explain why in many aisles, American goods are displayed upside down!

It's also clear consumer buying habits are changing. Increases in household bills and utilities are affecting brand and retail switching but also consumer behaviour. Rather than 'need', there is a trend towards 'affordability' as a key factor in purchase decisions which is impacting high value and premium items. These changes can also impact purchase decision itself for product or services where the older generation still rely on health professionals and experts for information and recommendation but 16-24-year-olds opting to take advice from social media influencers. Whilst the benefits or disadvantages of this may be visible, it is a pattern which may make some companies review how to get information to their respective target audiences.

These changes are likely to impact our industry's supply chain but since this chain is global and widespread, it is likely that any changes will be gradual rather than any immediate shock increase. There is evidence that some manufacturers and suppliers are already seeking alternative supply routes and to source products from multiple sources for future security and cost advantage.

Closer to home, Phase 3 of the Windsor Framework came into force on July 1, requiring additional food and retail goods to be individually labelled under the Northern Ireland Retail Movement Scheme (NIRMS). Whilst much of the Not for



EU labelling proposal was scrapped, it still applies to some individual products, depending on commodity code, and to composites which aren't shelf stable, such as pizza! The good news for food supplements is they are packed for the final consumer and are mostly exempt.

For our industry, sustainability is at the heart of what we need, and the introductions of the Packaging Waste Regulations (PPWR) and other UK-based regulations, such as Re-user Drink Deposit Schemes, will undoubtedly have impact. The time when this was just nice to do or support a green image have passed. Planning for sustainability needs to be an integral part of the corporate decision process to hit EU set targets of packaging on the EU market to be recyclable in an economic way by 2030. For products with five-year shelf lives, such as food supplements, that decision time is upon us.

There is no doubt costs of recyclable packaging are higher than non-recycled but to sustain our planet in future, there needs to be better understanding and communication to everyone on this need. This is also a complex issue that cannot necessarily be solved by addressing just one aspect, since the impact overall on

emissions needs to be considered. Glass is heavier, so more costly in CO2 than plastic, but is a better user-friendly recyclable format, so which is better?

Addressing future needs will need to remove unnecessary spaces in trade outers, generated by the spaces of round jars in square containers. So, is square glass jar or a change to trade outers the solution? Whichever, it will need to accommodate the growing legal labelling required. This will affect aspects for all players of the supply chain from raw material to end user.

These discussions indicated how the involvement of a strong trade association, such as the HFMA, provides a vital source for operators to find solutions to the many varied and complex challenges ahead. The HFMA is at the forefront of these issues and is forward looking, demonstrating our role is not just labelling compliance but affects all aspects of a company's operation and is there to help coordinate and advise members to help keep abreast of the many issues we all face.

If you would like to know more about the benefits of membership, visit [www.hfma.co.uk](http://www.hfma.co.uk) to learn more, or contact me on 020 8481 7100.