

Summary of staff hearing with the National Association Of Master Bakers

1. The National Association Of Master Bakers (NAMB) told us that it represented the craft baking industry in England and Wales. It provided advice to its members on employment law, food safety, food hygiene, health and safety, food labelling, weights and measures, basic environmental issues, packaging, VAT, utilities, and rates. Its members, with a few exceptions, owned their own businesses and produced a range of bakery goods, including bread, rolls, pastries, cakes and meat pies, biscuits and wedding cakes. Members ranged from a bakery with a shop attached, to bakers such as Greggs, which had 11 bakeries and 1,300 shops. Approximately 20 or 30 NAMB member bakeries were wholesale bakers with no shops of their own, supplying local convenience stores, restaurants, food service companies, canteens, schools, hospitals, multiple grocery retailers, supermarkets, and independents.
2. NAMB told us that with the increasing number in convenience stores on the high street, craft bakeries faced problems attracting customers. Also, although craft bakeries were present on the high street, people quite often bought their bread when they went to the supermarket in the evening or on the weekend. NAMB told us that an additional problem faced by craft baker shops was a lack of customer parking, parking restrictions, yellow lines, meters, councils charging for parking, whereas most supermarkets had the advantage of being able to offer free customer parking.
3. NAMB told us that the prices charged by craft baker shops were usually higher than those charged by multiple retailers such as convenience stores and supermarkets. Convenience stores not only had a limited bake-off operation providing a range of rolls and crusty breads, but also supplied a large range of pre-packed sandwiches. This affected the sandwich sales of craft bakers. NAMB told us that when large supermarkets with in-house bakeries opened on the high street, nearby baker shops lost trade across their entire range of products. Specialist bakery shops producing high quality continental style and very expensive breads were not affected, but they were not trading in the same market.
4. NAMB told us there was predatory pricing by multiple retailers, not with the intention of driving bakers off the high street, but to create the appearance of pricing competitiveness. Most bakers charged between 98p and £1.30 for a loaf of bread. Tesco charged 24p for economy loaves, 48p for Tesco-label loaves and 98p for branded loaves like Hovis or Kingmill, yet all these loaves were probably produced at the same bakery plant.
5. NAMB told us that while one or two of its members sold sliced and wrapped bread from plant bakeries such as Allied or British Bakeries, its members generally made their own 800 gram loaves, which they sliced and sold directly to the customer. Some supermarkets also had in-store bakeries producing bread from scratch, which sold for around 79p. This kind of supermarket pricing was across the board and did not change when a particular nearby baker existed.
6. NAMB told us that in towns where there was not a large superstore with an in-store bakery, there appeared to be more craft bakers in existence. For example, in towns like Swanage, Lyme Regis, Rye and Ilchester, which only had small supermarkets, there were also several baker shops. Bakery shops were different from most other fresh-food retailers. Bakers were, by and large, the only food retailers left on the high street that actually made the product from scratch. Craft baker shops were therefore at a disadvantage because they had higher costs than most other fresh-food retailers.

7. NAMB told us that bakery stores had changed dramatically over the last 15 years and that some were more like take-away operations than traditional craft bakers. While there were still those that primarily produced bread and cakes, a lot of them now sold hot pies, pasties, sausage rolls, hot drinks, pizza, and a vast range of sandwiches and filled rolls.
8. NAMB told us that most of their wholesale bakers were relatively small companies that supplied local independents, such as hospitals and school canteens. Only the larger wholesale bakeries supplied supermarkets, although the supermarkets had just started a Local Sourcing Initiative. The Local Sourcing Initiative was based around taking a product from a local craft baker under the local craft baker's name and selling it in one or several stores in the local area.
9. NAMB told us that the Supermarkets' Code of Practice was not effective because it only applied to the Big Four supermarkets. This meant complainants could be identified by the supermarket being challenged, so no one was prepared to complain about a breach of the Code unless they had already gone out of business. In those instances they didn't—they just wanted to get on with their lives.
10. NAMB told us of a member that had a large mixed wholesale and retail bakery with 19 shops was asked by two large supermarket customers to drop its price by a penny. When it refused, the supermarkets pulled the contract and the baker went bust. NAMB also told us of supermarket/multiple retailers asking bakery suppliers to fund displays, presentations and marketing campaigns and making unrealistic demands in price negotiations. NAMB said that it knew of two examples where bakers went out of business and of one other where the company involved sold the business on. NAMB suspected that no more than ten of its members supplying the supermarkets in large volume had been subjected to these business practices.
11. NAMB told us there was gentle pressure from a lot of planning authorities for existing craft bakers to move the bakery out of the high street. Planning authorities did not want bakeries operating on the high street, but moved to industrial estates. The pressure to move generally came from Environmental Health Officers, who were known to put gentle pressure on bakeries concerning their location and the desirability of moving to an industrial estate. Not many new craft bakeries now opened on the high street, with most now opening on industrial units and supplying shops elsewhere.
12. It would help if the planning regime were changed so that only a limited number of large retailers (and convenience stores run by large retailers) could open on the high street.
13. NAMB told us that planning authorities decided planning permission on whether the retailer would bring jobs or housing to the town. There had been several recent developments featuring superstores at ground level and apartments on top. With the demand for housing, this made the whole package attractive.
14. With respect to the supply chain, NAMB told us that it started with the wheat being harvested and supplied to flour mills. There were approximately 80 individual mills in the UK, including two major milling companies (RHM and ADM). There was some vertical integration, with Allied Mills supplying Allied Bakeries and RHM supplying British Bakeries.
15. The flour used by plant bakers to produce standard 800 gram sliced-and-wrapped bread was slightly different to the flour that NAMB members used. Because the plants were producing bread in a highly-automated way, it was possible to use a different grade of flour that was marginally cheaper. NAMB members normally used flour with a

slightly higher protein content. There was a difference in price between the two types of flour, but it was not significant. The price paid for flour was most influenced by the volume acquired, because a small craft baker buying 30 sacks of flour a week paid a higher price than a very large bakery buying three or four tankers of flour a week.