

Making Food Affordable

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Geopolitical shocks and long-term structural challenges are driving food inflation. Expanded public provision and more resilient local food production is needed to make food more affordable.

Key Points

- Food inflation has been a key component of the cost of living crisis since the pandemic. Food prices are cumulatively 38 per cent higher than in 2020 (higher than the cumulative rise in overall inflation of 31 per cent) and further spikes are likely following the war in Iran.
- The extent of food poverty in the UK is not just a political problem but a humanitarian emergency with 14.1 million people, including 3.8 million children, living in food insecure households.
- While recent geopolitical shocks have driven food inflation by increasing energy costs and disrupting supply chains, there are also longer-term structural factors, including climate change and the concentrated power of large multinational agricultural firms, causing price spikes.
- The government should pursue a range of short-term interventions to improve food affordability, including targeted income support and some public provision of food.
- Longer-term reforms should aim to support greater local food production that is more climate resilient; build up buffer stocks for emergencies; and democratise ownership across the food system — offering communities greater control over what is produced and sold so to put public health over profit.

Introduction

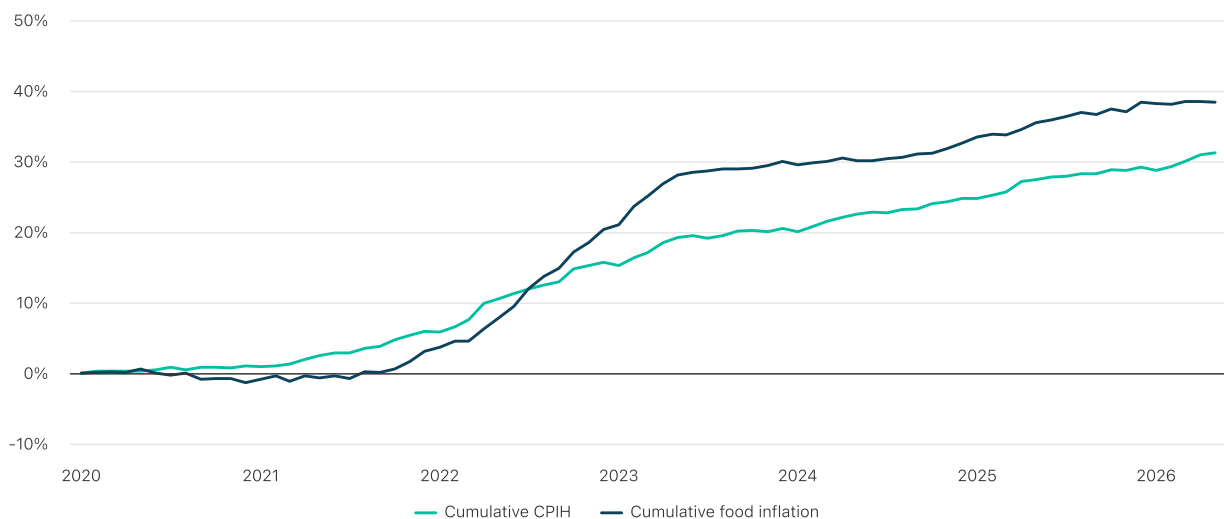
In recent analysis of the cost of living crisis, the Joseph Rowntree Foundation concluded that when adjusted for inflation and housing costs — even before taking into account the economic fallout of the war in Iran — the average UK household will have only £40 of additional household income in 2029 compared to 2024.^[1] In other words, the current parliament is projected to do little to nothing to raise living standards, and this comes after

an unprecedented decline in living standards in the 2019 to 2024 parliament and nearly two decades of stagnant income growth since the 2008 financial crash.^[2] Left unchecked, this is a crisis that may well prove fatal to Labour's chances of re-election.

Food prices have been an area where many people have felt the effects of inflation most acutely. In April 2026, of the four-fifths of households who reported an increase in their cost of living, over 90 per cent said one of the reasons was that food was more expensive.^[3] Prices for food and non-alcoholic drinks are now cumulatively 38 per cent higher than in 2020, a greater increase than overall inflation (31 per cent). Meanwhile, real household disposable income growth has largely stagnated and is even projected to fall for the lowest-income households thanks to spiralling housing costs.^[4]

Figure 1: Food Inflation Has Risen Faster than General Inflation

Cumulative inflation (CPIH index) and food inflation between 2020 and 2026



Source: Common Wealth analysis of Office for National Statistics, CPIH Index and CPI Index 01.1: Food, June 2026.

Making food more affordable is more than just a political challenge; it is a humanitarian necessity. Lower-income households spend a greater proportion of their budget on essentials, including food,^[5] and recent research from the Institute for Fiscal Studies has suggested that during the UK's recent inflationary period, prices rose fastest for the cheaper necessities, including food.^[6] These pressures lead to more people going hungry: in 2024, 14.1 million people in the UK, including 3.8 million children, were in food insecure households.^[7] That 16 per cent of households in a so-called wealthy nation cannot afford

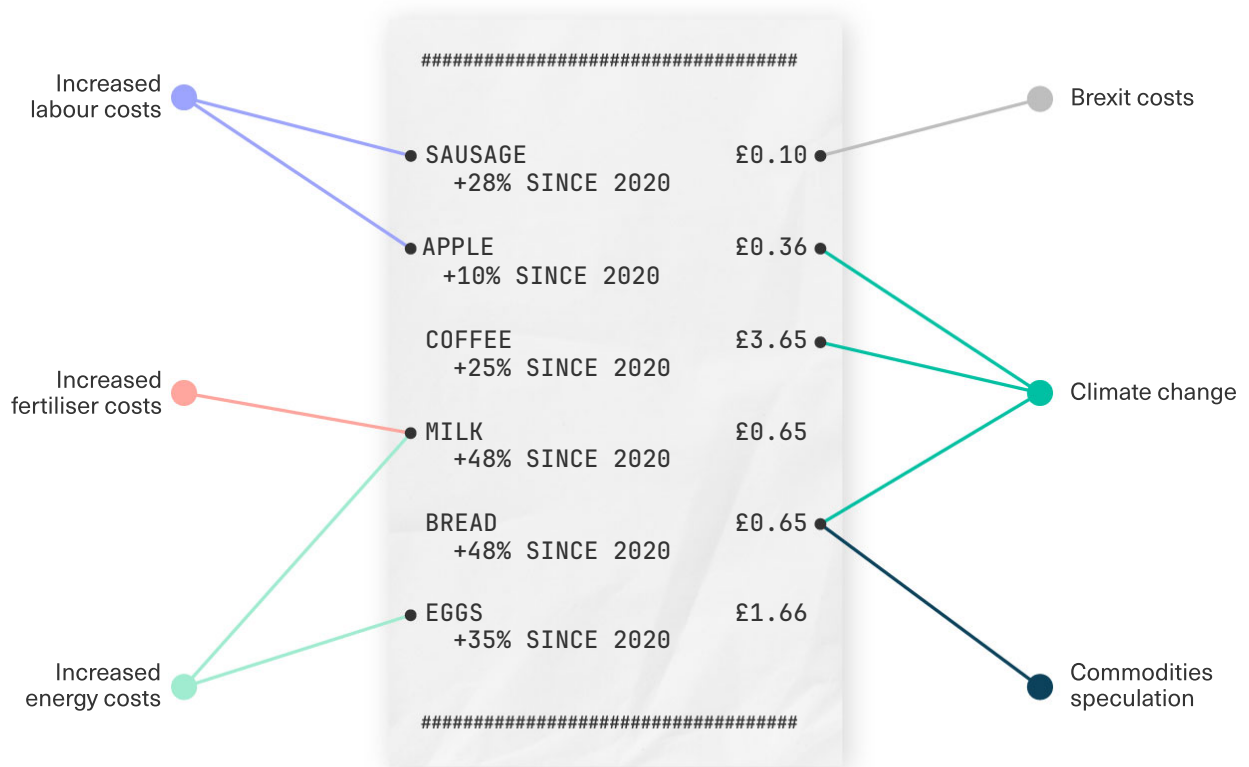
enough to eat is an indictment of the way our food systems work and a sign that the government must do more to protect access to one of life's most essential goods.

Food supply chains are long and complicated, spanning oceans and continents and involving multiple actors, everyone from crop-pickers and food-packaging workers to multinational agri-businesses and supermarket chains. The food system is not as clear-cut a case for public ownership and provision as, for example other essentials such as water^[8] or energy.^[9] However, this doesn't mean there is nothing the government can and should do. A mixture of short-term interventions to improve affordability and longer-term reforms to make food systems more sustainable and resilient would help protect against future inflationary shocks.

What's Driving Food Inflation?

Different food products will have variable inputs into their final price, but examining a range of breakfast staples can help illustrate some of the main factors behind rising food prices in recent years.

Figure 2: Factors Driving Food Inflation



Source: Common Wealth analysis.

Increased input costs: labour, energy and fertiliser

For many food products, whether imported or British-made, input costs have increased significantly since 2020: in the UK, inflation in the costs of agricultural inputs has risen at almost double the rate of general inflation.^[10]

Energy

Rising energy costs have impacted British farmers, especially in energy-intensive sectors like dairy and poultry farming,^[11] as well as raising the costs of packaging and transporting food, including imported food. The Energy and Climate Intelligence Unit warn that further oil price spikes from the war in Iran could lead to food prices being 50 per cent higher by the end of 2026 compared with the start of the cost-of-living crisis.^[12]

Labour

Agriculture, food processing and retail (including food retail) are all classified by the Low Pay Commission as low-paying sectors making them sensitive to recent above-inflation increases in the minimum wage as well as changes to employers' National Insurance Contributions.^[13] The British Apples & Pears association has claimed these pressures are a major factor in price increases for UK-grown apples. Between 2022 and 2024, apple costs of production (of which labour represents around 40 per cent) increased by almost a third, while supermarket returns to growers increased by only eight per cent.^[14]

However, it is worth noting that despite the hospitality and non-food retail sectors facing similar challenges in terms of minimum wage rises, these sectors did not see as significant price rises. In 2024/5, prices in restaurants, cafés and hotels rose more slowly than overall inflation, suggesting recent tax and wage policy may not sufficiently explain food price rises.^[15]

Fertiliser

One of the major farming inputs in the UK and worldwide — fertiliser costs — have risen dramatically in the last five years. Part of this can be attributed to geopolitical shocks. The Russia-Ukraine war disrupted Russian and Belarussian fertiliser exports and increased natural gas prices, which is both a raw material and an energy source in artificial fertiliser production.^[16] In 2021/2, dairy farmers in the UK saw the cost of fertiliser rise by 179 per cent as a result.^[17] More recently, the closure of the Strait of Hormuz, through which around a third of the global seaborne trade in fertilisers passes,^[18] has raised fears of further hikes.

However, there is also evidence fertiliser companies have used their market power to make windfall profits at these times of crisis. Between 2020 and 2022, the largest nine fertiliser companies more than tripled their profits, raising prices above the level of increased production costs with profit margins of 36 per cent in 2022.^[19] In the UK, the three largest suppliers of fertiliser, CF Industries, Yara and Origin Enterprises, increased their profits by 500 per cent between 2020 and 2022, and with their profits rising faster

than revenues, this suggests that higher prices were not simply due to higher production costs.^[20]

It is likely that this corporate profiteering had an effect on food prices: analysis by the ECIU of UK farmers' revenues for the same period at the start of the Russia-Ukraine war found that even as costs for fertiliser rose sharply, farmers still made profits in 2022, meaning these price hikes were likely passed on to consumers.^[21]

The war in Iran looks set to have a similar effect on windfall profits for fertiliser firms, with CF Industries and Nutrien, two of the largest companies, reporting a 20 per cent increase in earnings in the first quarter of 2023.^[22]

Brexit costs

The UK imports around a quarter of its food from Europe, but for some foodstuffs this proportion is far higher. Over 99 per cent of imported pig meat, for example, comes from countries in the EU.^[23]

Post-Brexit, new border checks and tariffs have made these imports more expensive. Research from the London School of Economics found that the increase in food prices was almost one-third higher (a 25 percentage point increase rather than a 17 percentage point increase) due to Brexit.^[24] This analysis also found that meat and cheese products like sausages, which faced the highest non-tariff barriers, saw price increases that were almost ten percentage points higher after the trade and cooperation agreement came into force in January 2021, relative to similar products which were less exposed to Brexit.^[25]

Labour shortages as a result of fewer EU workers in the UK have also impacted farming and food industries. Employment in the meat processing sector in the UK declined at an average annual rate of 3.5 per cent from 2019 to 2024, raising production costs for sausages and other processed meat products.^[26]

Commodities speculation

While financial speculation over food prices, especially in wheat and other grain markets, following Russia's invasion of Ukraine may not have caused price rises, there is evidence it may have accentuated price volatility. Financial firms made bumper profits trading during the cost of living crisis in 2022, with ten hedge funds making nearly \$2 billion through automated speculative trading at the start of the war, and this may well have exacerbated food inflation.^[27]

Profiteering during the crisis was not limited to financial firms. Five large agricultural groups (Archer Daniels, Bunge, COFCO, Cargill and Louis Dreyfus) control between 70 and 90 per cent of the global grain trade,^[28] and during the 2022 cost of living crisis these firms saw windfall profits on par with leading energy companies.^[29] UNCTAD drew attention to a gaps in regulation where agricultural companies are treated as commercial rather than

financial operations, even though they are increasingly leveraging their dominant position in the commodities market to engage in speculation.^[30]

The fact that these large international agrobusiness firms control so much of the global value chain of commodities — like the wheat that goes into making our bread — means that higher prices for UK consumers do not mean more earnings for farmers around the world; rather, they mean bumper profits for a small handful of corporations and hedge funds.^[31]

Climate change

While geopolitical shocks may drive temporary periods of high inflation, one persistent factor putting upward pressure on food prices is climate change. Extreme weather is already affecting agricultural yields both domestically and internationally. For example, the UK lost the equivalent of a year's supply of bread for the entire population from 2020 to 2025 due to falling wheat production.^[32]

Meanwhile, coffee has seen particularly acute recent price rises alongside cocoa due to climate-related supply chain shocks, with droughts in key coffee-producing regions.^[33] The UK also imports around 80 per cent of its fruit and 50 per cent of its vegetables (compared to around 40 per cent of all food), with an increasing percentage sourced from climate-vulnerable regions.^[34]

Around the world, industrial farming is complicit in the very thing threatening to destroy it. Food systems are responsible for between 20 and 35 per cent of global greenhouse gas emissions and agriculture is the leading source of water pollution, as well as a significant contributor to air pollution.^[35] Keeping food affordable in the UK means reckoning with the sustainability of our domestic agricultural production and our food import supply chains.

Have supermarkets profited from higher food prices?

The four largest food and drink retailers in the UK control two-thirds of the grocery market,^[36] raising concerns that supermarkets may have been able to profit from the cost-of-living crisis. For example, some campaigners have criticised the size of supermarkets' dividend payments to shareholders,^[37] or drawn attention to excessive executive payouts. Tesco's CEO's pay (made up of salary, bonuses and share payouts) more than doubled from 2022/3 to 2023/4, putting him on 430 times the wage of the average Tesco employee.^[38]

However, when the Competition and Markets Authority (CMA) investigated this in 2023, they found limited evidence of supermarkets making windfall profits from rising food prices. Operating profits across 11 major retailers were steady from 2020/1 to 2021/2 and actually fell from 2021/2 to 2022/3, suggesting that retailers' costs increased faster than their revenues and that they were not passing all of these cost increases onto consumers.^[39]

The CMA also found that where retailers did try to raise prices, this often resulted in a loss of market share, suggesting that even though a small number of supermarkets dominate the grocery market in the UK, competition between them is not weak enough to cause excessive price rises.^[40]

Short-Term Policy Interventions

Fixing deeper structural issues in our food supply will take time, but Britain's political crisis is acute, with most ordinary people no longer able to afford the essentials of everyday life. As laid out in the vision for the Productive State, the government should pursue a cost-of-living relief agenda, funded from taxation (such as reforms to capital gains tax) in order to lay the foundations for more fundamental institutional reforms.^[41]

Some other governments around the world have seen success in capping prices on basic goods to limit food inflation. In Mexico, the Package Against Inflation and High Cost of Living (PACIC) is a voluntary agreement between food manufacturers and retailers to help stabilise prices, capping the cost of a basket of essentials in exchange for relaxing certain tariffs and other regulatory checks that add to the cost of importing food.^[42] In Greece, the government capped retailers' profit margins on food and other essentials.^[43]

The possible impact of food price controls in the UK needs further study, as it is not clear how these would affect complex, often low-margin supply chains. When the government floated a similar scheme to Mexico's agreement with retailers back in May, it was met with pushback, suggesting securing voluntary agreement for price caps would be a challenge.^[44] Nor is it clear how effective price controls would be when the CMA found little evidence of supermarkets raising prices excessively.

In the absence of clear evidence on the applicability of price controls to the UK food market, the government should instead start by pursuing an approach based on income support and expanded public provision of food to improve affordability.

Targeted income support

Research from the Joseph Rowntree Foundation has found that five in six low-income households on Universal Credit are going without essentials including food.^[45] This finding led to the calculation of the "Essentials Guarantee", the required uplift to Universal Credit to eradicate this issue — an extra £22 a week for single adults and £51 per week for couples.

As of 2023/4, JRF estimated the total cost of rolling out this income support at £22 billion, but this is less than half of the £50 billion that Tax Justice UK estimates the UK government could raise through tax reforms including wealth taxes and ending subsidies for fossil fuel companies.^[46]

Public provision

As well as trying to influence affordability, the government should also combat food poverty through limited public provision of food. For example, universal free school meals would help tackle children's hunger. Cost-benefit analysis shows that every £1 invested in such a programme would generate £1.71 in benefits like savings to families, schools and the NHS.^[47]

Researchers at UCL have also suggested public provision of a “basket” of essentials covering around a third of each individual's diet. This could be rolled out in the first instance to households living in food insecurity.^[48]

Finally, a network of new community kitchens could serve discounted or free meals to local people. These would be run as public-commons partnerships between local authorities and community organisations, and could be based in school canteens, community centres, churches or disused restaurants.^[49] Or, as the Autonomy Institute has suggested, local authorities could repurpose “dark kitchens” (which cook for delivery platforms rather than a front-of-house restaurant) as community infrastructure by leveraging rent structures and licensing to favoured community-owned kitchens cooking nutritious and affordable food.^[50]

Longer-Term Policy Interventions

Increased local food production

In his speech on 29 June, Andy Burnham emphasised the importance of “sovereign manufacturing and production capability” in critical sectors, including food and agriculture. Shorter food supply chains are less vulnerable to geopolitical shocks: in the inflationary period of 2022/3, imported food prices rose at twice the rate of domestic food, and countries like Spain and Italy which produce a higher proportion of their own food experienced lower food prices.^[51] Shorter supply chains also produce fewer emissions from transporting food, and can be made more resilient to the effects of climate change.

Investment in local food production should be targeted to support climate adaptation and agroecological forms of farming. This should include support for farmers to move away from fossil-fuel based fertilisers and adopt more sustainable, regenerative farming practices.^[52] Strategic use of contracts with public food providers (like school canteens and community kitchens) can also be used to subsidise local production.^[53]

Combating labour shortages in domestic agriculture will also be a challenge. A basic income for farmers — as called for by the Green Party^[54] — would help improve workforce retention and give farmers greater financial security.^[55]

Finally, policies such as funding for farming co-operatives, community or co-operative land buyouts and financial support for community land trusts, as well as extending the eligibility of farming subsidies to small-scale and urban farms. These would all help to counter the consolidation of agricultural land, the trend towards “megafarms” and rebalance power in the agricultural sector.^[56]

Buffer stocks

When supply shocks lead to shortages of certain goods like food or energy, this can be a significant driver of inflation. Buffer stocks of key commodities like wheat, as well as important agricultural inputs like feed and fertiliser, built up in times of good harvests and lower prices, would be one way to minimise the effects of these inflationary shocks.^[57] The government can also use procurement in the buildup of buffer stocks to support smaller producers and target purchases to reward sustainable growing practices.

Community-owned food distribution and retail

Across the world, the spread of large supermarkets tends to displace smaller, informal markets that sell locally sourced food, as well as increasing imports and sales of ultra-processed foods.^[58] In the UK, the four largest food and drink retailers (Tesco, Sainsbury’s, Asda and Aldi) control two-thirds of the grocery market.^[59] While this level of concentration was not found by the CMA to have a significant effect on consumer prices, an Environment and Rural Affairs Committee investigation into supply chain unfairness did allege an imbalance of power between supermarkets and other food producers that could be damaging for the UK’s long-term agricultural sustainability.^[60]

Greater support for alternative ownership models in the food system, such as community-owned food shops and food co-operatives, could offer more local democratic control and management over food retail and help reorient the food system away from profitability towards serving public nutritional needs.^[61]

Footnotes

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