food & drink federation
passionate about food & drink

# How the food and drink industry is preparing for EU Exit

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# Food and Drink Federation

## Who we are

**The Food and Drink Federation (FDF) is the voice of the UK food and drink industry, the largest manufacturing sector in the country.**

We account for 16% of the total manufacturing sector by turnover and employ around 400,000 people in the UK across 6,620 businesses. We are an incredibly diverse sector, speaking on behalf of global brands and thriving small businesses.

We help our members operate in an appropriately regulated marketplace to maximise their competitiveness.

We communicate our industry's values and concerns to Government, regulators, consumers and the media. We also work in partnership with key players in the food chain to ensure our food is safe and that consumers can have trust in it.

# The Food and Drink Federation

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Mondelēz International
FERRERO
apetito
Birds Eye
Unilever
Relish · the hawkshead relish company ·
A FAMILY COMPANY FOUNDED 1953 MACSWEEN
McCain
Morning FOODS
BRITVIC soft drinks
HARIBO
Associated British Foods plc
DAILYCER GROUP
PEPSICO
Typhoo Great British Tea since 1903
Kellogg's
BETTYS & TAYLORS GROUP A GREAT YORKSHIRE FAMILY BUSINESS
Total
MARS food
THE WEETABIX FOOD COMPANY
PREMIER FOODS
FAGE
GENERAL MILLS
TREGROES Waffles TOFFEE WAFFLES WITH SOFT BUTTER TOFFEE CENTRE
dorset cereals
Coca-Cola Great Britain
Warburtons Family Bakers
Rachel's
Nestlé
pladis
DANONE

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# “If you can’t feed a country then you haven’t got a country.”


Ian Wright CBE

Director-General, FDF

# Issues of great importance to our sector

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- ✓Access to EU workers
- ✓Easy future trade with the EU
- ✓Certainty over future food regulation
- ✓An intra-UK single market
- ✓Same safety and quality standards for consumers
- ✓An open border in Ireland
- ✓Clarity over transitional arrangements
- ✓New opportunities for growth

# Access to workers

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- 410,000 employed in UK food manufacture;
- 30% of whom are EU nationals; at all skill levels
- 31% of companies report that some of their EU nationals have already left
- 33% of companies report difficulty in filling vacancies
- What would be the effect on your business of no longer having access to EU workers?
  - 17%: “would relocate overseas”
  - 36%: “business would become unviable”

# Future trade with the EU

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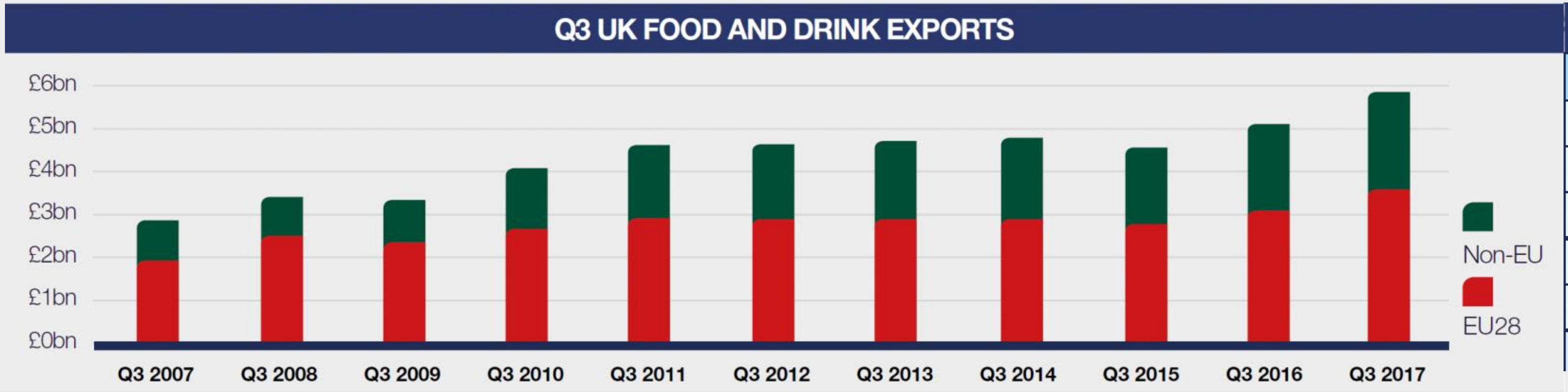
- 61% of our food and drink exports go to the EU.
- UK is only 60% self-sufficient in food; 70% of what we import comes from the EU.
- WTO agricultural tariffs average 22%.
- There are 13,608 separate tariffs on biscuits, chocolate, bakery goods and confectionery alone.
- Food is part of our critical national infrastructure. Just in Time (JIT) supply chains mean empty shelves in four days or fewer if supply is delayed or interrupted.
- Most food has a limited shelf life and some is highly perishable.




**KEY INDICATORS**

| | Q3 2017 | Change | YTD 2017 | Change |
|---|---|---|---|---|
| All food & drink | £5.9bn | 14.7% | £16.1bn | 11.0% |
| EU | £3.5bn | 12.5% | £9.7bn | 10.7% |
| Non-EU | £2.4bn | 18.2% | £6.4bn | 11.4% |
| EU share | 58.8% | -0.01pp | 60.4% | -0.16pp |
| Non-EU share | 41.2% | +0.01pp | 39.5% | +0.16pp |
| Trade balance | -£5.6bn | 0.7% | -£18.0bn | 11.1% |

# Ireland

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- The UK is the destination for 37% of all Irish food and drink exports
- Ireland is also a significant importer of food, with almost €2.8 billion sourced from the UK.  45% of all UK live exports go to Ireland
- Most UK food businesses treat the island of Ireland as a single territory.  Workers, raw materials, part-finished and finished goods cross the border, sometimes several times
- Ireland is a critical test case for future trade arrangements
- We have offered to facilitate an industry / government task force to resolve these issues

THE IRISH TIMES

Tue, Aug 22, 2017

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## Brexit could have 'frightening' impact on Irish agri-food sector

UK should stay in Customs Union, farming and food bodies tell Seanad committee

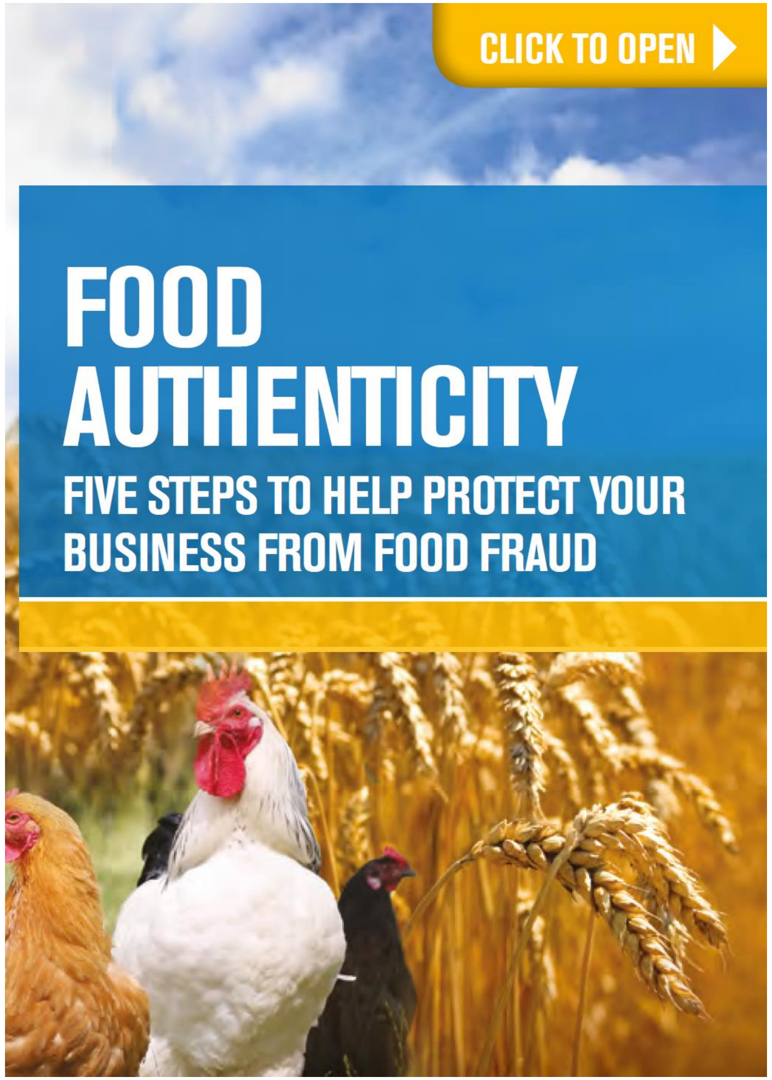
Thu, May 18, 2017, 17:02 | Updated: Thu, May 18, 2017, 17:03

Elaine Edwards

The UK was the market for 50 per cent, or 270,000 tonnes, of Irish beef exports - a loss of access due to Brexit would destabilise the overall dairy sector in Ireland, Irish Farmers' Association president Joe Healy said. File photograph: iStockPhoto

# Future food safety and security regulation

- Our food regulation – covering production, safety, security, movements, labelling etc – has come from Europe for 40 years
- FDF has called for:
  - Continuity at the point of departure
  - Carefully planned divergence – where appropriate - taking into account the effect on trade
  - Caution about intra-UK divergence
- Government has committed to no reduction in food safety/quality ‘standards’ for consumers, or in animal welfare ‘standards’



# Regulatory stability is essential

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**Regulatory stability: An appropriate regulatory framework that ensures the continued confidence of consumers and industry**

- The safety and authenticity of our products remains paramount for industry.
- The **production, processing, distribution, retail, packaging and labelling** of food and drink is governed by a wealth of **laws, regulations, codes of practice, and guidance**.
- The regulatory framework is dominated by EU provisions, which the UK has been a major contributor to.
- Common regulatory and legal requirements informed by sound science and evidence allow companies to do business and trade on a level playing field, while also protecting consumers.

# Our asks of the Westminster Government

- Maintaining confidence in UK Food and Drink
- A new regulatory landscape
  - Mechanisms to be put in place to ensure mutual recognition of potentially different regulatory systems, without the need for Export Health Certificates, burdensome customs barriers, and other non-tariff barriers.
- Ongoing regulatory developments that support our sector

# Beyond Westminster

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- Food and drink are strong economic contributors in the devolved administrations and Ireland and confer considerable cultural identity
- High interdependencies between the countries

| | | |
|---|---|---|
| Food + drink | = | raw materials |
| | | packaging |
| | | finished goods |

- Frictionless borders are essential – non-tariff barriers are a key concern

# Food safety

- Risk assessment and management
  - No more access to European Food Safety Authority (EFSA)????
  - But also, will EFSA have access/want to use our experts?
  - Potentially Food Standards Agency will need to ramp up risk assessment role.
  - Their role in risk management is a given but the mechanisms are yet to be agreed.

- Phytosanitary rules and checks could act as non-tariff barrier – delays at borders
- EU resources in third party countries for importation checks – impact on Defra?
- EU food operatives in UK including veterinarians
- Importance of access to RASFF and intelligence sharing
- Regulatory divergence is a two way process – EFSA/Commission could well miss the UK's pragmatic approach

# Other Regulatory Issues

- Health and nutrition claims
  - Pivotal role of EFSA – again
  - Has the bar been set right?
  - Is it helping consumers make right choices?
- Labelling
  - Front of pack
- PGIs

# Important Truths about Brexit

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1. This will be a political, not an economic, negotiation.  There are deeply-held principles - and some deep distrust of compromise - on both sides.
   - Some in the UK think it is worth some bearing economic pain to be free of the EU
   - Some in the EU think it is worth bearing some economic pain to show that leaving the EU is not a desirable thing for other members states to do
2. The government will struggle to get its Brexit legislation passed, particularly in the House of Lords (no majority and no standing orders)
3. Resolving future trade with the EU – particularly around food and agriculture - is 100 times more complicated than most people realise.  Not insoluble... just very difficult

# Important Truths about Brexit

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4. Stating a desired outcome from the negotiations is not the same as securing that outcome (for both sides)
5. Time is very short to agree everything before any deal goes to the EU27 member states for ratification (and possibly to their regional assemblies too)
6. This will be an asymmetric negotiation (‘you don’t get a deal on cars unless I get a deal on free movement’…)
7. Nothing is agreed until everything is agreed.  There will be bumps in the road…

# Causes for optimism

- We can surely design a better system of agricultural support than CAP
- The UK is a significant economic player and many countries will want to strike trade deals with us
- Many EU businesses sell to the UK and will want that to continue unhindered; no deal will hurt them too
- Business people are resilient and adaptable and will always make the best of prevailing circumstances
- Brexit has brought the UK food chain closer together and raised its profile

# Causes for pessimism

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- Time is very short
- Agriculture is different from cars.  Higher tariffs and more fragile, time-sensitive supply chains
- The customs issue must be resolved very very soon if we are to avoid very bad consequences
- Ireland is willing to use its veto to prevent progress
- Hard to see how the EU can agree a trade deal on agriculture without knowing what our system of agricultural support will be
- The political dimension means that common sense may not always prevail

# The food industry after Brexit… hopefully

- Still seamlessly connected to its biggest export/import markets
- A single market within the UK
- New opportunities to access high quality ingredients / raw materials
- The UK still a beacon for providing consumers with a wide range of high quality, safe, affordable food at all price points
- Driven by talented people from wherever, operating at all skill levels
- Fantastic local and regional specialties from across the UK are being sold across the world under appropriate IP/PGI protection
- Free to operate and innovate without undue regulatory burdens
- A resilient and trusted world leading sector

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