

# Brexit -

the best and worst outcomes for the UK  
food and non-alcoholic drink sector



**Let the people decide**



**This is our summary of a paper written by the Food and Drink Federation (FDF) in August 2018.**

The FDF is the voice of the UK food and non-alcoholic drink industry. Its members range from large international manufacturers, such as Associated British Foods, to thriving small businesses manufacturing organic products.

The FDF also works in partnership with key players in the food chain to ensure our food is safe and consumers can trust it.



# Key Arguments

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## **The food and non-alcoholic drinks industry**

- ❖ is the largest manufacturing industry in the UK
- ❖ is larger than the aerospace and automotive industries combined
- ❖ comprises 7,000 businesses, 97% of which are SMEs
- ❖ employs over 400,000 people
- ❖ of whom one in three workers are from the EU

## **1. UK food and non-alcoholic drink imports and exports**

- ❖ 80% of UK exports go to the EU and EU free trade partners
- ❖ 78% of UK imports come from the EU and EU free trade partners
- ❖ rely heavily on just in time supply chains with the EU
  - for exporting value added food and drink
  - for importing ingredients and raw materials

### *What the sector requires from Brexit:*

- ❖ **no damage to just in time supply chains**
  - this means no new tariffs, rules of origin, customs, VAT or physical checks at the border
- ❖ **preferential trade agreements with non-EU countries similar to those the UK/EU has now**
  - these connect the UK to vital markets for ingredients and finished goods



***Worst case scenario would be a “no deal” Brexit:***

- ❖ **40% of food and non-alcoholic drink consumed in the UK comes from or via the EU**
- ❖ **the cost of these imports would increase**
  - caused by WTO tariffs and a likely weakened Pound
- ❖ **potential for serious disruption to supplies**
  - caused by rules of origin, customs and other physical checks
  - leading to reduced product availability and consumer choice
- ❖ **supply chain delay would also be inevitable if upfront VAT payments are required**

**2. Food and drink workforce**

- ❖ **20% of EU workers in the UK work in the food and drink supply chain - 400,000 in total**
- ❖ **117,000 EU workers are employed in food and drink manufacturing**
- ❖ **the Government says it wishes to restrict the number of EU workers in the UK**

***What the sector requires from Brexit:***

- ❖ **Government support to help replace EU workers**
  - to assist investment in new automation and digitalisation
  - to access and train UK workers at all skill levels
  - SMEs in particular need this support
- ❖ **A flexible immigration system while the industry transitions**
  - a system that is fast and simple, so businesses can react quickly to changing weather and consumer demands/peaks
  - that attracts skills and innovative thinkers to ensure UK businesses can compete internationally



***Worst case scenario would be if the same immigration rules applied to EU workers as non-EU workers after Brexit:***

- ❖ tier 2 visa cap likely to lead to a labour shortage – in 2018, cap was hit for 5 straight months, NHS workers prioritised
- ❖ system *'painful, difficult, administratively challenging, incredibly frustrating in terms of speed'* – businesses would be unable to react to short term demand peaks eg caused by a sunny weekend
- ❖ additional costs for employers - licence fees, charges for skilled EU workers, extra admin to change visas if workers' roles change
- ❖ restricting access to skills without time to train young UK workers would be devastating

### **3. Farming**

- ❖ EU payments comprise around 50% of typical farm income in the UK
- ❖ EU laws govern health, food safety and consumer information concerns
- ❖ the Government says it wishes to design its own agricultural policy
  - this would guarantee the same level of payments until 2022
  - so far little has been said about food production or trade

***Best outcome of Brexit for the food industry:***

- ❖ free and frictionless trade for imports and exports
  - of both raw materials and added value food products
- ❖ Government policy to encourage competitive and sustainable agricultural production



***Worst case scenario for the food industry:***

- ❖ **if the UK agricultural base is weakened or made less resilient – jeopardising our food supply**
- ❖ **UK food security would be threatened if trade becomes more costly**
  - through new tariff or regulatory barriers
- ❖ **or if Government policy leads to a reduction in UK produced raw materials**
  - through less incentive on farmers to produce, or new regulations

**4. Fishing**

- ❖ **most of the fish caught by UK fishing boats is exported to the EU**
- ❖ **most of the fish we eat is imported from EU trade partners**
- ❖ **the EU sets and regulates access to waters, total allowable catches, conservation and fishery management policies**
- ❖ **EU laws also cover food hygiene, food safety and consumer labelling**
- ❖ **the UK fish processing sector relies heavily on EU workers**

***Best outcome of Brexit for the food industry:***

- ❖ **free and frictionless trade for fishery product imports and exports**
  - including continued regulatory alignment on hygiene and consumer safety/ information
- ❖ **future framework for co-operation with the EU on fisheries management**
  - including need to drive up standards in global supply chains



***Worst case scenario for the food industry:***

- ❖ **a breakdown in existing fishery management arrangements**
  - if fish stocks and conservation are threatened, this could damage the reputation of fishery products and lead to reduced consumer demand
- ❖ **increased costs and border delays**
  - caused by new tariff and/or regulatory barriers
  - if exports to the EU are jeopardised, parts of the catching sector would also suffer significant economic consequences

## **5. Regulation**

- ❖ **most UK food law comes from the EU**
- ❖ **the Government proposes a “common rule book”**

***What the food and non-alcoholic drink sector requires from Brexit:***

- ❖ **regulatory equivalence on food safety and labelling is essential**
  - including, if divergence occurs, mutual UK/EU recognition of food regulations
- ❖ **if there is a common rule book, the UK must have input into EU regulations**
  - to ensure they incorporate UK requirements
- ❖ **continued access to the European Food Safety Authority**
  - at least until a robust and independent UK scientific assessment body is set up
- ❖ **continued access to EU intelligence gathering tools**
  - to ensure the UK is aware of food safety issues from non-EU countries
- ❖ **manufacturers to be required to undergo only one set of authorisations**
- ❖ **no difference in regulations between Scotland, Wales, N Ireland and England**





***Worst case scenario for the food industry:***

- ❖ **the UK being tied to EU regulations without any input into them**
- ❖ **no mutual recognition of regulations, leading to extra paperwork and inspections**
  - this would make exporting more difficult and costly for UK businesses
- ❖ **any requirement for duplicate authorisations in the UK/EU**
- ❖ **regulatory fragmentation between Scotland, Wales, N Ireland and England**