

Food and Drink Federation – Supplementary Written Evidence (TIG0016)

Following FDF’s appearance at the committee session, FDF committed to providing the supplementary written evidence on the data we cited and a number of proposals we pressed for the UK and EU to come to an agreement on to facilitate trade:

1. Trade data and FDF member surveys

We highlighted the impact the TCA has had to trade in food and drink using data collect. These can be found below.

We also share a number of surveys we have collected since the beginning of the year to accompany this document. These include a survey on the impact of the TCA and a survey on the Northern Ireland Protocol.

a) Exports of food and drink to the EU

United Kingdom HMRC (Incl N Ireland) Export Statistics to EU27				
Value: Year To Date through August 2021 (January 2021 to August 2021)				
Rank	Trade Partner	United Kingdom Pounds		Percent change 21/18
		2018	2021	
	EU27	8,767,575,883	6,864,517,892	-22%
1	Austria	55,393,508	34,938,106	-37%
2	Belgium	444,386,411	382,245,897	-14%
3	Bulgaria	31,881,592	27,125,941	-15%
4	Croatia	16,679,539	8,877,810	-47%
5	Cyprus	50,782,024	33,740,572	-34%
6	Czech Republic	88,330,926	59,010,690	-33%
7	Denmark	215,025,344	144,184,452	-33%
8	Estonia	14,928,953	12,860,789	-14%
9	Finland	56,915,566	38,305,989	-33%
10	France	1,387,047,763	1,398,921,524	1%
11	Germany	903,263,268	516,496,763	-43%
12	Greece	77,676,032	52,568,169	-32%
13	Hungary	27,667,186	31,506,518	14%
14	Ireland	2,623,553,958	1,909,219,287	-27%
15	Italy	365,095,007	207,959,245	-43%
16	Latvia	108,762,319	120,585,732	11%
17	Lithuania	19,599,134	36,494,898	86%
18	Luxembourg	5,444,749	3,254,353	-40%
19	Malta	41,833,998	29,379,399	-30%
20	Netherlands	1,034,780,219	972,922,708	-6%
21	Poland	241,431,231	252,019,264	4%
22	Portugal	94,982,646	62,763,854	-34%
23	Romania	41,598,639	47,350,646	14%
24	Slovakia	13,988,719	8,650,306	-38%
25	Slovenia	12,489,196	9,622,462	-23%
26	Spain	610,585,478	301,851,470	-51%

27	Sweden	183,452,478	161,661,048	-12%
----	--------	-------------	-------------	------

b) Imports of food and drink to the UK

United Kingdom HMRC (Incl N Ireland) Import Statistics from EU27				
Value: Year To Date through August 2021 (January 2021 to August 2021)				
Rank	Trade Partner	United Kingdom Pounds		Percentage change 21/18
		2018	2021	
	EU27	20,065,203,848	18,387,972,273	-8%
1	Austria	154,570,753	186,561,235	21%
2	Belgium	1,498,698,034	1,601,489,719	7%
3	Bulgaria	43,881,360	40,453,420	-8%
4	Croatia	5,006,976	9,518,878	90%
5	Cyprus	62,414,061	76,339,047	22%
6	Czech Republic	86,586,092	92,168,658	6%
7	Denmark	898,286,250	677,569,653	-25%
8	Estonia	6,272,373	27,235,424	334%
9	Finland	16,721,112	10,835,848	-35%
10	France	2,705,233,676	2,611,151,922	-3%
11	Germany	2,660,063,851	1,927,871,569	-28%
12	Greece	197,747,211	195,298,599	-1%
13	Hungary	104,250,183	126,490,257	21%
14	Ireland	2,820,294,836	2,218,031,830	-21%
15	Italy	1,653,003,722	1,807,532,500	9%
16	Latvia	28,929,016	56,318,059	95%
17	Lithuania	80,712,803	141,327,674	75%
18	Luxembourg	3,355,681	853,074	-75%
19	Malta	2,310,761	3,118,323	35%
20	Netherlands	3,315,099,872	2,717,319,228	-18%
21	Poland	1,058,622,287	1,258,453,993	19%
22	Portugal	146,869,529	187,121,889	27%
23	Romania	87,334,802	58,423,435	-33%
24	Slovakia	36,219,273	28,661,194	-21%
25	Slovenia	15,437,994	18,502,560	20%
26	Spain	2,104,990,196	2,070,498,414	-2%
27	Sweden	272,291,144	238,825,871	-12%

c) Exports of food and drink product categories to the EU

United Kingdom HMRC (Incl N Ireland) Export Statistics to EU27			
Value: Year To Date through August 2021 (January 2021 to August 2021)			
Product	United Kingdom Pounds		2018/21 percentage change
	2018	2021	
Fruits	108,874,552	54,908,474	-50%
Beef	304,506,429	209,737,250	-31%
Savoury snacks	177,776,282	181,255,735	2%
Butter	172,925,004	97,322,021	-44%
Cheese	328,134,211	242,933,770	-26%
Condensed milk	3,026,256	16,333,598	440%
Pet food	206,066,044	146,876,991	-29%
Eggs	35,741,045	28,191,071	-21%
Fish	200,877,396	149,064,662	-26%
Gin	190,640,331	139,707,715	-27%
Ice cream	86,090,851	74,413,497	-14%
Juices	54,010,879	23,812,509	-56%
Vegetables	93,946,397	59,526,124	-37%
Milk and cream	219,040,062	177,069,199	-19%
Milk and cream	69,479,614	48,916,825	-30%
Miscellaneous products	449,755,846	399,302,674	-11%
Sugar	64,685,547	5,073,219	-92%
Oilseeds	59,328,251	25,405,556	-57%
Spirits	131,147,628	126,268,306	-4%
Poultry	5,652,857	1,329,902	-76%
Rice	31,073,983	19,077,459	-39%
Salmon	201,703,727	304,467,085	51%
Sausages	9,745,489	8,005,304	-18%
Spices	23,861,637	24,790,412	4%
Pork	180,622,867	115,320,684	-36%
Beer	138,148,128	133,214,933	-4%
Breakfast cereals	218,278,151	179,212,672	-18%
Chocolate	331,034,494	300,239,323	-9%
Cider	20,260,853	13,194,631	-35%
Cocoa	52,958,023	38,472,290	-27%
Coffee	108,421,180	97,056,727	-10%
Animal feed	335,816,358	212,821,511	-37%
Honey	12,524,576	4,420,321	-65%
Infant food	9,458,980	10,448,302	10%
Jams and spreads	74,030,501	57,805,015	-22%
Lamb and mutton	227,080,663	250,060,693	10%

Waters	18,807,435	12,961,803	-31%
Nuts	37,645,131	15,543,287	-59%
Tinned vegetables	38,599,675	34,515,863	-11%
Crisps	61,748,376	32,615,161	-47%
Sauces and condiments	183,951,228	169,004,602	-8%
Confectionery	94,188,476	64,792,804	-31%
Sweet biscuits	152,257,050	103,220,895	-32%
Vodka	12,364,221	5,969,661	-52%
Whisky	872,543,189	831,665,130	-5%
Wine	164,678,515	76,000,801	-54%
Yogurt	27,670,169	12,400,511	-55%
Tea	37,666,049	30,559,188	-19%
Tinned tomatoes	4,181,041	2,054,337	-51%
Vegetable oils	191,954,191	124,659,063	-35%
Soft drinks	224,529,121	201,560,489	-10%
Chicken	197,500,216	120,400,984	-39%
Fish fillets	87,475,838	36,149,967	-59%
Animal fats and oils	1,334,742	1,669,446	25%
Bread	68,509,811	62,177,063	-9%
Potatoes	75,343,203	46,630,705	-38%
Oats	19,791,663	17,663,215	-11%
Smoked fish	2,241,863	1,119,054	-50%
Soups	28,532,753	9,096,308	-68%
Turkey	18,899,060	4,838,237	-74%
Animal and vegetable oils - mixed	43,432,603	74,012,624	70%
Vegetable flours	8,865,259	9,713,201	10%
Ingredients	95,296,793	64,952,500	-32%
Sugars and syrups	20,398,747	22,268,959	9%
Edible animal products	406,138	100,263	-75%

2. Negotiated steps the UK should take:

At the committee I mentioned two areas we would suggest the Government should pursue an agreement with the EU:

a) SPS agreement

Firstly, we believe an agreement in sanitary and phytosanitary (SPS) equivalence area would be beneficial. Whilst much of the benefits mentioned by commentators focus on the reduction of physical checks, it would also simplify the Export Health Certificates (EHCs) and process of getting them signed by the relevant officials. For example, the agreement between the EU and New Zealand provides for simpler certification, and allows the official to sign the consignment on the basis that it meets the exporters own legislation, rather than the importers legislation. This is due to the agreement deeming each parties SPS rules as equivalent to the others:

An example of the EHC to send a product of animal origin from New Zealand to UK/EU - <https://www.legislation.gov.uk/eudn/2015/1901/annex/I>

Current EHC that is required for dairy products to be sent from the UK to the EU

-

https://assets.publishing.service.gov.uk/media/5f68974b8fa8f51064e88acf/Specimen-8287_Milk-RMP.pdf

b) Sweden/Norway Customs border

Secondly, a welcome step the Government could take to negotiate with the EU, or relevant member states, would be to pilot or replicate at roll-on roll-off crossings the customs model that applies across the Norway and Sweden border. This allows for a single customs office, that reduces the customs requirement and declarations into a single submission of a customs declaration (rather than both an export and import declaration, as well as entry and exit summary declarations) and that is policed by both the Norway and Swedish customs officials, and both sides are able share data and assess the risk more effectively.

This would greatly reduce the customs documentation required, and reduce the data duplication that currently exists on the import and export declaration.

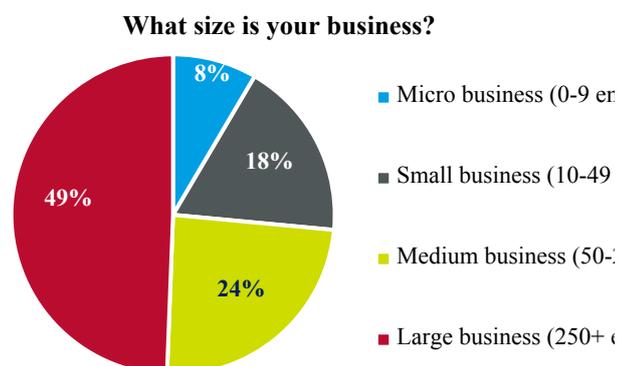
FDF Trade Survey: Northern Ireland Protocol

FDF carried out a survey between 4 October and 19 October to gauge impacts of the Northern Ireland Protocol. We received 83 responses from businesses representing all sub-sectors of our industry.

Trade with Northern Ireland

We asked about how volumes of goods companies in Great Britain (GB) send to Northern Ireland (NI) has changed since 1 January 2021.

Some businesses have maintained previous flows of goods since 1 January, however on average businesses reported a significant decrease in their sales from GB into NI. Small businesses have faced the largest drop in sales, while large businesses that would make up the majority of the volume of products sold into NI have seen a drop in trade of 10%.



GB to NI sales volume change since the end of the transition period	Average change
Micro and small businesses	-23%
All businesses	-13%
Large businesses	-10%
Medium sized business	-6%

If the current grace periods for GB-NI trade end and goods face the EU's full import requirements, a large share of businesses would stop supplying NI, either permanently or temporarily while they assess if it remains a viable market. Nearly half would have to raise prices, while more than a third would reduce the number of product lines they sell into NI.

How will your business respond if grace periods end... (select all that apply)

We will continue supplying into NI	46%
Increase prices for customer in NI to continue supplying	44%
Reduce the number of product lines in NI	39%
Pause deliveries while we assess if it remains viable	33%
Stop supplying into NI	15%

Stockpile product in NI ahead of implementation	7%
Move production away from GB	7%
Don't know	6%
Reduce shelf life for products going to NI	4%

We asked if these changes were likely to be permanent or temporary. Nearly half indicated that this would be a permanent change, while a further third don't know at this stage.

Is this change like to be temporary or permanent?

Permanent	48%
Don't know	32%
Temporary while adjusting to new requirements	9%
Temporary due to both of the above	7%
Temporary due to previous stockpiling	4%

We asked businesses to estimate how their sales into NI would be impacted if the grace periods end and full EU customs and SPS requirements are applied to goods moving from GB into NI. On average, the volume sold would fall by a third.

Volume change if grace periods end

...sales from GB to NI	-34%
-------------------------------	-------------

Which product categories would be most negatively impacted?

- 1.** Raw materials and ingredients
- 2.** Composite products
- 3.** Fish
- 4.** Organics
- 5.** Meat products

Trade with the Republic of Ireland

Food and drink supply chains are deeply integrated between NI and GB. Lessons that have been learned since the start of the year as businesses adapt to the new trading relationship with the EU cannot simply be applied to GB-NI trade if faced with full EU import controls.

However, given similar consumer preferences and levels of integration, we can look to impacts on trade between GB and the Republic of Ireland, where businesses report sales having dropped by more than a fifth.

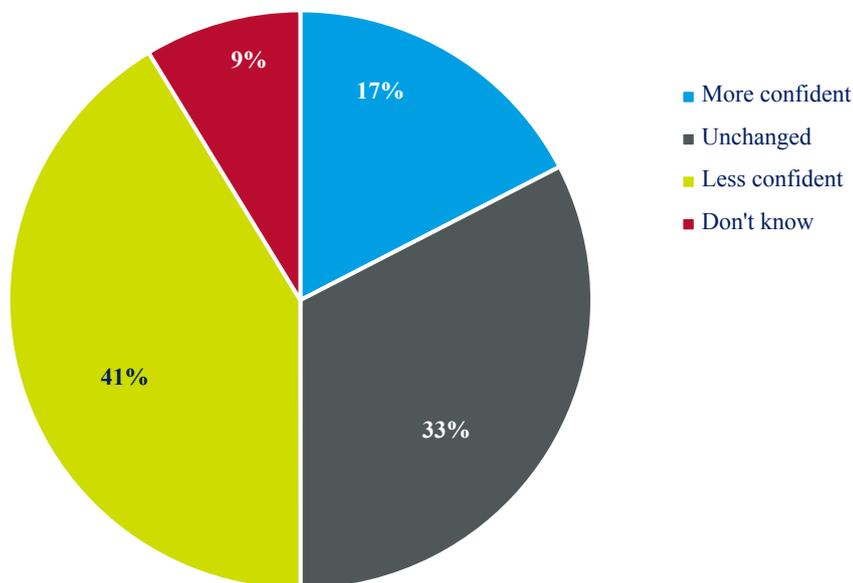
How has the volume of your exports changed since the end of the transition period?

...sales from GB to ROI

-22%

Having traded with ROI since 1 January 2021 under full EU customs and SPS rules, nearly a fifth of businesses are now more confident that they would be able to adapt and supply NI if the grace periods end. However, more than a third are now less confident.

Has your experience of supplying into ROI made you more or less confident that you can supply NI if the grace periods end?



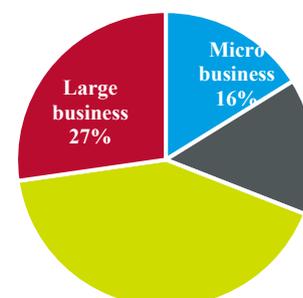
The three biggest challenges food and drink businesses have faced trading with ROI:

- 1.** Customs processes
- 2.** Customer readiness
- 3.** SPS processes

FDF Trade Survey: February 2021

FDF carried out a survey between 19 February and 1 March to gauge impacts on the UK's trade in food and drink since the end of the transition period on 1 January 2021. We received 74 responses from businesses representing all sub-sectors of our industry.

What size is your business?



The five biggest challenges identified by food and drink businesses when trading with the EU are:

6. Adapting to new customs processes
7. Rules of origin and tariffs
8. Inconsistency at EU borders
9. Documentary/ID checks at borders
10. Customer readiness

While some businesses have been able to maintain previous flows of goods since 1 January, on average businesses reported that they have seen a significant decrease in the volumes of goods they are moving to the EU, Republic of Ireland and Northern Ireland.

Volume change since the end of the transition period to...	Average change
...exports from the UK to the EU	-44%
...exports from the UK to ROI	-41%
...sales from GB to NI	-30%

We asked whether the impacts outlined above are likely to be temporary or permanent. In each case, around 45% of businesses believe these impacts to be temporary, whereas for between 20%-31% these impacts are permanent. Around a third do not know whether this lost trade with the EU, Republic of Ireland and Northern Ireland will recover.

Is this change like to be temporary or permanent	UK-EU	UK-ROI	GB-NI
Temporary due to previous stockpiling	3.8%	4.8%	2.2%
Temporary while adjusting to new requirements	24.5%	23.8%	17.4%
Temporary due to both of the above	17.0%	16.7%	23.9%

Permanent	20.8%	31.0%	23.9%
Don't know	34.0%	23.8%	32.6%

The use of groupage distribution typically by smaller businesses moving food and drink to the EU where their goods are combined in lorries/containers with cargo from other businesses presents continued difficulties.

More than two thirds of businesses face consistent delays and problems delivering to the EU and around 10% say most of their shipments are not reaching EU customers. Without practical solutions to the implementation of the UK-EU Trade and Cooperation Agreement (TCA), we believe small businesses in the EU will face these same difficulties supplying into the UK when the UK's Border Operating Model is fully operational in July.

What has been your experience of moving goods to the EU using groupage since the end of the transition period? (Responses only from those using groupage)

We are facing consistent delays and problems delivering to the EU	69.7%
We have faced problems but the situation is improving	18.2%
The majority of our shipments are failing to reach the EU	9.1%
It is working well for movements to the EU	3.0%

The experience of supplying food and drink into the Republic of Ireland has made nearly two thirds of businesses less confident that they will be able to continue supplying goods into Northern Ireland when existing grace periods end in April. Only 2% are more confident.

Has your experience of supplying into ROI made you more or less confident that you can supply into Northern Ireland when the grace periods end in April?



If these grace periods end in April and goods moving from Great Britain into Northern Ireland face the EU's full import requirements, nearly half of businesses indicate they would pause or stop delivering directly into Northern Ireland.

If the grace periods for selling into NI end and trade reverts to full EU requirements in April, how will you respond?

We will continue supplying into NI	42.9%
We will pause deliveries while we assess if it remains viable	26.5%
We will stop supplying into NI other than via GB retailer hubs	8.2%
We will pause deliveries to re-engineer supply chains	8.2%
Don't know	8.2%
We will stop supplying into NI	6.1%

Looking ahead to the changes that will apply after the second and third phases of the UK's Border Operating Model are implemented in April and July 2021, businesses are most confident in their own preparations and those of their customs agents. However, a majority are not confident in the preparedness of:

- groupage distribution to deliver continued EU-UK movements;
- EU suppliers;
- EU Member States (including Official Veterinarians);
- UK Government IT systems; and
- UK port infrastructure and port authorities successfully managing increased checks.

How confident are you that the below will be fully prepared for changes to the UK's Border Operating Model in April and July that will apply to imports from the EU?

	Very confident	Somewhat confident	Neither confident nor unconfident	Somewhat unconfident	Very unconfident
Your business (incl. IT systems)	18.3%	31.7%	25.0%	21.7%	3.3%
UK Government IT systems	1.7%	13.3%	26.7%	33.3%	25.0%
Your EU suppliers	6.8%	20.3%	22.0%	35.6%	15.3%
EU Member States (incl. veterinarians)	3.6%	9.1%	20.0%	47.3%	20.0%
Your customs agents	8.8%	43.9%	24.6%	15.8%	7.0%
Groupage from the EU	2.3%	11.4%	20.5%	34.1%	31.8%
UK port infrastructure (e.g. Border Control Posts)	1.7%	10.3%	22.4%	36.2%	29.3%
UK port authorities	0.0%	12.1%	25.9%	31.0%	31.0%

**(e.g. Port
Health
Authorities)**