

# PREPARATIONS FOR BREXIT - MARCH 2019

## viewpoint



Empowering  
smarter  
buying decisions.



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## Political Manoeuvring

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While 'uncertainty' has been the Brexit byword in each of our hospitality sectors, to ensure that the supply chain can keep our customers provided with the resources required post Brexit to maintain their usual business continuity, for many months we have been immersed in the extensive contingency plans within our supply chains, whatever the outcome of events on 29<sup>th</sup> March.

Whether we face a 'soft' or 'hard' Brexit, deal or no deal, a substantial portion of additional warehouse space has been acquired and set aside to build stock to ensure the most popular non-perishable products will continue to be available to customers and consumers.

Despite inflammatory and unsubstantiated statements reported in the media, reflecting indecision and cross-party political jostling, the supply chain has made multiple in-depth

assessments of possible scenarios, resulting in meticulous contingency planning that should ensure that supplies will be least affected. Working for months on an unclear outcome has required each scenario to be examined in order that sourcing, customs and clearance processes, supplier level reviews and product level assessments are protected for the optimum outcome by our key National wholesalers.

For their part, HMRC has also assessed suppliers' Brexit plans and concerns by introducing new regulations.

- The Taxation (Cross-border Trade) Act 2018 (TCTA 2018).
  - impose and regulate import duty on goods imported into the UK.
  - make provisions in relation to import duty, VAT or excise in consequence of or connected with the UK's withdrawal from the EU.
  - These powers are flexible enough to accommodate a range of negotiated outcomes including a 'no deal' scenario.
- Customs, VAT and Excise regulations if the UK leaves the EU without a deal. <https://www.gov.uk/government/collections/customs-vat-and-excise-regulations-leaving-the-eu-with-no-deal>
- EU Exit - Long-term economic analysis [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/760484/28\\_November\\_EU\\_Exit\\_-\\_Long-term\\_economic\\_analysis\\_1\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760484/28_November_EU_Exit_-_Long-term_economic_analysis_1_.pdf)

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## Supply Chain Mitigations

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In addition to increased storage space, stocks are being increased on European produced products by the major food producers and distributors while an increased demand for UK produced alternatives is expected. Additionally, considerable progress has been made on identifying appropriate substitutions for the most at risk short-life goods.

Discussions with non-EU countries continue to source alternative ingredients and products, although there remains uncertainty over infrastructure at ports, airports and land borders, the Irish Border; not least by the threat of industrial disputes and strikes. It is therefore likely that food prices will be affected, especially if, without a trade deal with the EU, importing food products result in high tariffs and complications. The concern of a possible lack of personnel and capacity in inspection facilities is being examined by the perishable importers by obtaining guidance and assurances from the port authorities and by Planning with existing logistics partners.

Following discussions with DEFRA, they have advised that products imported from the EU which require additional DEFRA checks at the UK borders be directed through an independent supply chain route to market from regular imported products that do not require specific checks. However, wholesalers have been exploring and seeking strategies to import to the north of the UK to avoid potential delays in the south.

A review of fish supplies has found that many of the UK's most popular seafoods, such as prawns, plaice, trout, smoked salmon and squid will have low impact on availability and price; cod, haddock and salmon had a medium risk of impact on price and availability whilst seabass and seabream carried a risk of high prices and shortages.

Non-EU countries such as Norway, Iceland and Turkey supply some of our core fish products, including cod and haddock. Tuna comes mostly from countries in the Indian Ocean so will be similarly unaffected, although may be sensitive to exchange rates therefore impacting on cost. The Norwegian Fisheries Minister Harald Tom Nesvik confirmed that Norway will reach a separate deal with the UK regardless of the outcome of Brexit. Norway enjoys a close trade relationship through the important export markets to the UK of oil, gas, wind power and seafood, with the UK market being Norway's fourth largest for direct seafood exports.

According to Nesvik, the UK consumes the most cod and haddock in the world and both countries share responsibility on sustainability and the issues of over fishing in already crowded oceans and seaways.

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## Supply Chain Action

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Even though 95% of its product range is UK produced, a leading dairy wholesale company has been preparing for Brexit. They reported *"We are monitoring the Brexit situation closely but since 95% of our product range is UK produced which includes the core produce such as such as, fresh milk & cream, butter, eggs, bread and yogurt we do not foresee too many issues with supply.*

*We anticipate an increased demand for UK produced product so have prepared by stepping up our sourcing of cheese with predominantly UK produced as well as alternative options in a British variety e.g. West Country Brie can replace French Brie.*

*We have begun to increase stocks on European produced products where viable and shelf life allows. To protect our workforce from a reducing pool of European applicants, we are employing more UK staff and have launched an apprenticeship scheme.*

*In summary we believe we have minimised the interruptions to maintain continuity of supply on the range we supply should be largely unaffected but will keep our customers advised"*

The supply base has invested much time and resource protecting their trading abilities in the run up to Brexit with contingency around stocking of products, managing labour for service and deliveries so whatever the outcome on March 29<sup>th</sup> we are confident that our sector maintains a high integrity and professionalism to overcome the shortcomings of our European political wrangling

Caterers should be on standby to accept and pass on WTO tariff increases which could be in the region of 20% on some processed foods and finished goods in the event of a "NO-Deal" Brexit. With this and potential shortages, they will be required to change menus and be flexible with their production as well as communicate closely with their customers as events unfold.

Chefs and Operators should keep their eye on the market and maintain close relationships with suppliers, building flexibility into their menus and keeping their clients well informed and up-to-date with developments.