



# A NEW UK-EU RELATIONSHIP

## PRIORITIES FOR THE FOOD AND DRINK MANUFACTURING INDUSTRY

July 2016

Food and Drink  
Federation 

Delivering Sustainable Growth

## A NEW UK-EU RELATIONSHIP. PRIORITIES FOR THE FOOD AND DRINK MANUFACTURING INDUSTRY

**The Food and Drink Federation (FDF) is the voice of the UK's food and drink manufacturing industry. Food and drink is the largest manufacturing sector in the UK, accounting for 16% of the total manufacturing sector, turning over £83.7bn per annum; creating GVA of £21.9bn and employing around 400,000 people.**

This document sets out our industry's priorities for a new relationship between the UK and the EU in response to the vote to leave in the referendum on 23 June 2016. A poll of our members in March 2016 showed that more than 70% favoured Britain remaining in the EU. With the decision to leave, Government must now set out a clear agenda for the development of a new relationship with the EU and ensure the Civil Service is appropriately resourced to deal in the short-term with the renegotiation and in the long-term with legislative impacts of a shifted burden of regulation.

Government has recognised the strategic importance of our industry, including food as part of the UK's Critical National Infrastructure, as well its vital economic contribution as the UK's largest manufacturing sector. Now more than ever, we need Government's support and we believe that it should be treated as a priority sector, as it has been in Scotland for years. Government and industry must now work

together to develop a new vision to support the success of UK food and drink that focuses on four key priorities:

1. OUR WORKFORCE
2. INTERNATIONAL TRADE
3. REGULATORY STABILITY
4. DOMESTIC SUPPORT

FDF will work with the new Government and others to deploy our policy expertise and political intelligence to ensure the best possible trading and regulatory environment is put in place to support growth and jobs in the UK's food and drink industry. We will work with our members and the wider industry as we continue to develop the vision set out in this document, as well as with Government as they begin to map out a new relationship between the UK and the EU.

## CONTINUED ACCESS TO A SKILLED WORKFORCE FOR FOOD AND DRINK MANUFACTURERS AND THE WIDER AGRIFOOD SUPPLY CHAIN

- *Food and drink manufacturers in the UK, like the rest of the agrifood supply chain, benefit from bringing in skilled labour from outside of the UK.*
- *Around 27% of the UK's food and drink manufacturing workforce are non-UK EU nationals – almost 100,000 workers. They bring with them talent, spending power, flexibility and huge diversity. All are great for our industry and for the UK.*
- *While we continue to take steps to develop home-grown talent through ambitious graduate and apprenticeship programmes, EU workers provide a highly valued solution to our skills gap.*
- *Our sector's growth potential is undermined by a UK skills gap – we will need to recruit a further 130,000 workers as our ageing staff retire over the next decade.*

### FDF recommendations:

#### 1. Reassurance for our workforce

EU workers in food and drink are highly valued and deserve reassurance in these very uncertain times. The UK food industry benefits from bringing in skilled labour from the EU and UK Government must confirm that EU nationals working and studying in the UK will be granted leave to remain. This will be important for the UK's negotiations with the EU due to the significant number of UK nationals that currently work elsewhere in the EU.

#### 2. A new UK migration policy

Our industry will need 130,000 new skilled workers by 2024. FDF has already taken steps to ensure that the UK develops more home-grown talent, especially skilled food engineers and scientists, through ambitious graduate and apprenticeship programmes. However, workers from other EU Member States will continue to provide a highly valued solution in helping to close the skills gap.

Government must develop a new migration policy that ensures manufacturers have continued access to the workers we need to address a looming skills gap and the drive for future innovation to support the UK's competitive advantage. We believe the best way of achieving this is to retain the free movement of labour without disincentives for people coming to the UK to work. This would help to ensure continued rapid transfer of expert knowledge to the UK which helps to build the skills level in the UK's workforce.

## CONTINUED TARIFF-FREE MARKET ACCESS FOR BOTH UK FOOD AND DRINK EXPORTS AND FOR VITAL IMPORTS OF RAW MATERIALS

- *The overwhelming majority of UK trade in food and non-alcoholic drink is with the EU – more than 70% of both exports and imports.*
- *94% of exports and 97% of imports of food and non-alcoholic drink are with the EU or with countries that the EU has signed or is negotiating a trade agreement.*
- *We have seen 15 years of consecutive growth for exports of value-added food and non-alcoholic drink, boosted by improved market access secured via EU Free Trade Agreements (FTAs).*
- *Our members are committed customers of UK farmers, however they also need to import ingredients that are not produced in the UK or not produced in sufficient quantity to supplement their use of UK ingredients.*
- *To meet consumer demand for food, our industry must have access to sufficient supplies of raw materials that are safe, of high quality and competitively priced.*

### FDF recommendations:

#### 1. Tariff-free customs union with the EU

The EU is the UK's largest market for exports of food and non-alcoholic drink. Many manufacturers will struggle to substitute EU customers for ones in other parts of the world, including emerging markets, because of differing consumer tastes and limited product shelf-lives. Government must therefore prioritise tariff-free market access via a comprehensive UK-EU trade deal before proceeding with the Article 50 exit negotiation process. As a matter of urgency, Government must address the lack of capacity and capability for conducting trade negotiations. UK Government also needs to begin discussions with the Government of the Republic of Ireland on the long-term future of cross border trade. Changes to shopping and trading patterns engendered by currency fluctuations in the days following the referendum demonstrate that this is an urgent matter.

#### 2. Access to tariff-free raw material imports

The EU is our largest market for imports of ingredients that are not produced in the UK or not produced in sufficient quantity. The loss of tariff-free access to imports from the EU would pose a grave threat as many manufacturers

would struggle to secure alternative sources. Government must also prioritise continued tariff-free market access for imports via a comprehensive UK-EU trade deal before proceeding with Article 50.

#### 3. Access to EU Free Trade Agreements (FTAs)

The UK benefits from 53 FTAs that the EU has secured and should continue to benefit from these deals. EU preferential trade agreements allow our sector to better compete in these export markets and provide improved access to key imports of ingredients. The conditions agreed in these FTAs should continue to apply without renegotiation.

#### 4. UK market access and public sector procurement

The potential for a Scottish referendum increases uncertainty and many food and drink manufacturers are concerned that this could in time impact on market access within the UK. Further concerns arise around the risk of changes to UK public procurement policy, where the focus should remain on ensuring best value given the huge financial pressure faced by the public sector.

## AN APPROPRIATE REGULATORY FRAMEWORK THAT ENSURES THE CONTINUED CONFIDENCE OF CONSUMERS AND INDUSTRY

- *The safety and authenticity of our products remains paramount for industry and continues to be the top priority for FDF.*
- *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 majority of which is in place at an EU level.*
- *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.*
- *However, EU regulation can also create barriers and burdens that limit the ability of businesses to innovate, so improvements are possible.*

### FDF recommendations:

#### 1. A roadmap for future legislation

Businesses need a clear roadmap setting out how Government will manage the exit process in the complex area of food legislation. Dialogue with industry is important to ensure an effective regulatory landscape is developed, including discussion of scenarios for the future regulation of UK food and drink. Consideration should also be given to how industry's ability to innovate might most effectively be supported.

#### 2. Maintaining confidence in UK food and drink

Recognition of the UK as a producer of safe, high quality food and drink shouldn't be harmed by withdrawal from the EU. Domestic consumer confidence and our ability to export must be maintained. Regulation should continue to be based on sound science and evidence. Government must ensure relevant bodies are appropriately resourced.

#### 3. A new regulatory landscape

The existing EU regulatory framework facilitates trade on a level playing field and allows UK businesses to access the Single Market. Industry needs to be assured that mechanisms will be put in place to ensure mutual recognition of potentially different regulatory systems, without the need for Export Health Certificates or burdensome customs barriers.

#### 4. Ongoing regulatory developments

Government should continue to play an active role in ongoing EU policy negotiations. All current and 'in the pipeline' regulations, whether on food safety, labelling or on broader issues such as health and safety, will apply to UK business until the day we exit, at least. However, there are concerns about the potential impact UK manufacturers might face in terms of the cost and time spent adapting to comply with new EU legislation that could then be revised or revoked by Government.

#### 5. UK-EU regulatory cooperation

Consideration must be given to high-level initiatives that are best addressed at a multinational level, such as global emissions reductions, environmental controls and cross-border operations. It would be hard for the UK, in isolation, to achieve these objectives without significant cooperation. The UK must secure a seat at the negotiating table for significant EU legislation that will directly impact our trading relationships, similar to the regulatory cooperation set out in modern Free Trade Agreements.

## A BUSINESS ENVIRONMENT THAT IS FOCUSED ON INCREASING COMPETITIVENESS AND REDUCING REGULATORY BURDENS

- *Our sector underpins the UK economy by creating wealth for the nation. It also ensures UK future food security against the combined effects of climate change, higher global demand and increasing pressure on finite resources.*
- *Government recognises our sector's strategic importance, including food in the UK's Critical National Infrastructure. Food and drink manufacturing and its wider supply chain should be prioritised by UK Government as it has been in Scotland.*
- *Since 2009, UK food and drink manufacturing productivity has increased by 11%, compared to just 0.5% for the whole economy.*

### FDF recommendations:

#### 1. Minimise disruption from new UK legislation

Government should delay the introduction of measures that will impose extra burdens – like the proposed Apprenticeship Levy and Soft Drinks Levy – on business at a time of such economic fragility. Regulatory stability and predictability is essential.

#### 2. Address currency volatility

Government must act to bring stability to the currency market and support businesses which have seen the cost of imported ingredients rise overnight by 10% or more. While many have acted to hedge against currency changes, this only helps for a short period of time and in the long term currency volatility poses a risk for jobs and growth.

#### 3. UK Food and Agriculture Policy

The food and drink supply chain needs the earliest possible indication of thinking on how the UK will replace the EU's Common Agricultural Policy (CAP) and the subsidies this provides UK farming.

#### 4. Clarification of innovation subsidies

Food and drink manufacturers self-fund three quarters of R&D. For many companies, the UK is at the heart of their R&D operations. We therefore need Government to quickly explain what will happen to those companies whose research utilises long-term EU innovation grants.

#### 5. An industrial strategy to support manufacturing

Food and drink makes a vital contribution towards rebalancing the economy and closing the productivity gap. Government must put in place conditions to deliver a more productive, investment and export-driven economy that is aligned with manufacturers' plans to grow in the UK. All Government departments must share this ambition by recognising the impact of policy changes on investment and developing solutions to environmental and societal challenges.

#### 6. Incentives to support innovation and growth

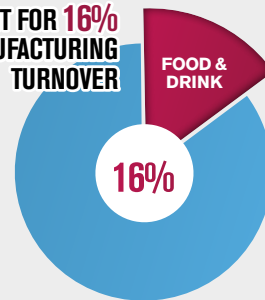
While exit negotiations are conducted, the UK is set to face an extended period of uncertainty about the economic and political landscape and potential future decisions by major customers or parent companies. Government must counterbalance any negative consequences from this uncertainty on investment, innovation and job creation with incentives to support growth. Time-limited policies should include a significant expansion of the Annual Investment Allowance to bring forward spending on productivity-enhancing modern machinery and a two year increase in Innovate UK's budget to anchor investment in research and development.

## OUR CONTRIBUTION

**OUR GROSS VALUE ADDED TO THE ECONOMY IS £219bn...**

**...ALMOST AUTOMOTIVE AND AEROSPACE COMBINED**

**WE ACCOUNT FOR 16% OF TOTAL MANUFACTURING TURNOVER**



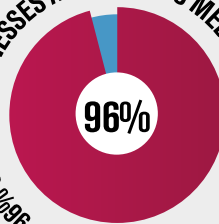
**MAKING US THE LARGEST MANUFACTURING SECTOR**

**WE HAVE DOUBLED EXPORTS OVER 10 YEARS TO £12.8bn IN 2014...**



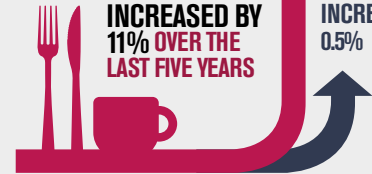
**...BUCKING A DECLINE IN TOTAL UK EXPORTS**

**96% OF OUR BUSINESSES ARE MICRO TO MEDIUM-SIZED**



**UK FOOD & DRINK PRODUCTIVITY HAS INCREASED BY 11% OVER THE LAST FIVE YEARS**

**COMPARED TO AN OVERALL UK PRODUCTIVITY INCREASE OF 0.5%**



**WE HAVE 6,620 BUSINESSES**



**WE EMPLOY AROUND 400,000 PEOPLE**



**THAT'S MORE THAN THE POPULATION OF LEICESTER**

**WE WILL NEED 130,000 NEW RECRUITS BY 2024**



**TO MEET THE SKILLS NEEDS OF THE SECTOR**

**WE SELF-FUND THREE QUARTERS OF THE SECTOR'S RESEARCH & DEVELOPMENT**



Related FDF publications:

- [Unlocking talent: The key to driving food and drink productivity](#)
- [UK food and drink export statistics for 2015](#)
- [Growth through exports: Five steps to food and drink export success](#)

Other FDF publications can be accessed [here](#)

## ABOUT **FDf**

---

The Food and Drink Federation is the voice of the UK food and drink industry, the largest manufacturing sector in the country. Our sector directly employs around 400,000 people and accounts for almost 16% of the UK's total manufacturing sector by value. We are an essential partner to UK farmers, buying the bulk of what they produce.

Our membership comprises manufacturers of all sizes as well as trade associations dealing with specific sectors of the industry. In representing the interests of our members, we focus on the following core priorities:

- **Food Safety and Science**
- **Health and Wellbeing**
- **Sustainability**
- **Competitiveness**

---

6 Catherine Street, London WC2B 5JJ

**Tel:** 020 7836 2460

**Email:** [generalenquiries@fdf.org.uk](mailto:generalenquiries@fdf.org.uk)

**Web:** [www.fdf.org.uk](http://www.fdf.org.uk)

**Twitter:** @Foodanddrinkfed

**Food and Drink  
Federation**   
**Delivering Sustainable Growth**

---