

## FDF Scotland – The TCA and food and drink manufacturing – Brief for Constitution, Europe, External Affairs and Culture Committee

This submission is made by the Food and Drink Federation – the member organisation representing food and drink manufacturers. We welcome the opportunity to provide an overview of the key issues for our sector relating to the current TCA.

We would welcome the opportunity to discuss these issues in more detail with the committee members.

The FDF released [a paper](#) on the opportunities and challenges around trade and investment last year - Key issues for food producers in the UK under this agreement include:

1. **Tariffs and Trade Barriers:** The agreement aims to eliminate tariffs on goods traded between the UK and the EU, reducing costs for businesses. However, non-tariff barriers, such as customs checks and regulatory differences, can still pose challenges for food producers.
2. **Rules of Origin:** To benefit from tariff-free trade, products must comply with rules of origin requirements. This means a certain percentage of the product must originate in the UK or the EU. Meeting these rules can be complex for industries with global supply chains, potentially affecting the cost and efficiency of production.

- 3. Regulatory Compliance:** The UK has the flexibility to set its own regulatory standards post-Brexit. However, maintaining access to the EU market requires compliance with EU regulations. For food producers, this involves meeting specific food safety and quality standards, which may differ from UK standards.

### Case Study: Mycotoxins in oats

Food safety regulation is a significant and complex part of EU regulation, covering a wide range of issues including residues, contaminants, food contact materials and more.

EU risk analysis, assessment and regulation in these areas continues as normal, and where regulations change to set new product standards for the EU this means that exporters from Scotland to the EU need to match those standards in order to continue to export.

Since leaving the UK there is of course no formal mechanism for UK engagement in this process, and this means that decisions are taken where the interests of UK food businesses who export to the EU are not fully taken into account.

This is beginning to have a material impact, with a new set of EU limits for mycotoxins in cereals due to come in later this year, where the levels proposed may disbenefit UK (and particularly Scottish) producers and dent their export opportunity. (Further reading – page 7 of [FSS report into Mycotoxins](#))

This also shows an area where solely copying EU legislation in the future would not be of benefit to Scottish producers – as the regulation has been created without consideration of UK production and climate, copying it without due consideration of business risk would be detrimental to businesses who produce here.

- 4. Customs Procedures:** New customs procedures, including documentation and checks, can create delays and additional administrative burdens for food producers. This is particularly relevant for perishable goods, where timely transportation is crucial.
- 5. Supply Chain Disruptions:** Changes in customs procedures and regulatory requirements can disrupt established supply chains. This can impact the timely delivery of raw materials and finished products, affecting production schedules and overall efficiency.
- 6. Certification and Labelling:** Products exported to the EU need to comply with EU certification and labelling requirements. Food producers must ensure that their packaging and labelling meet EU standards to maintain access to this market.
- 7. Services and Labour Mobility:** The agreement mainly focuses on goods, and the access of UK service providers to the EU market may be subject to separate negotiations. Additionally, changes in the free movement of labour can impact the availability of skilled workers in the food production industry.

Some **specific challenges and opportunities** relating to TCA for the food and drink manufacturing sector include:

8. The need to create a **permissive sample import system**: To develop new cutting edge products, businesses need to import product samples for testing and research. The current regime for importing these samples, inherited from the EU, is overly burdensome and costly leading companies to outsource innovation to other countries. A more pragmatic solution for samples needs to be found to encourage investment in the UK as part of the development. ([see appended paper](#) by FDF member company)
9. The opportunity to develop a dedicated **UK trade information portal** to ensure SMEs can access essential information on international trade, building business confidence and ensuring compliance with new trading requirements.
10. An ask of the governments across the UK to minimise regulatory divergence within the UK through a **common policy framework at the border** that underpins UK trade ambitions through the UK's Single Trade Window to standardise a common approach between all stakeholders involved in UK border policy with the aim of also delivering a physical Single Trade Window.
11. Remove the unnecessary requirement for **UK-wide 'not for EU' labelling** to help reduce unnecessary cost burdens for businesses. This proposal will make exporting from the UK less attractive. (see [appendix 2](#) )
12. **restart trade in prohibited and restricted items**. EU law currently prohibits the import of some products from outside the bloc entirely. Other products can only be imported if they meet very specific standards some of which make trade unfeasible. The UK has reciprocated by blocking EU exports. Products affected include organics, seed potatoes, bivalve molluscs and chilled meats.

To ensure farmers on in the UK and EU have access to pest-free, resilient seed potatoes. All trade would still be subject to SPS and other plant health requirements.

### **Seed potatoes case study**

- Pre-Brexit – GB supplied EU with 25,000-30,000 tons of seed potatoes annually
- High grade Scottish seed potatoes have lower levels of diseases and viruses
- Scotland applies very high plant health standards, certified by accreditation e.g. Safe Haven Certification Scheme
- Seeds of certain varieties are only available in Scotland and nowhere else
- Whilst Ireland is heavily dependent on GB seed potatoes, many other Member States have been impacted particularly Spain – the second largest EU importer (around 30% of needs). These seeds were used for further multiplication creating a significant value for the EU potato sector.

## Key facts

For the food and drink industry, many ingredients have to be imported. UK government statistics show the value of imported food and live animals to Scotland as over £1 billion for 2021 to date<sup>1</sup>.

- Whilst there is no Scotland specific data, the table below is a useful indicator to highlight the areas where the UK are heavily reliant on imports<sup>2</sup>. It is reasonable to assume that the picture in Scotland is not drastically different from the UK as a whole.
- The table clearly shows the value of imports was greater than the value of exports in each of the broad categories of food, feed and drink except 'Beverages' which had a trade surplus of £1.81 bn, largely due to exports of Scotch Whisky. 'Fruit and vegetables' has the largest trade deficit. In 2019 imports were £11.5 bn while exports were worth £1.3 bn, giving a trade gap of £10.2 bn.
- *Table 1: 2019: UK trade in different food groups, 2019*

| 2019                    | exports £billion | imports £billion |
|-------------------------|------------------|------------------|
| Fruit and veg           | 1.3              | 11.5             |
| Meat                    | 2.1              | 6.6              |
| Beverages               | 7.9              | 6.0              |
| Cereals                 | 2.4              | 4.2              |
| Dairy & eggs            | 2.0              | 3.3              |
| Fish                    | 2.0              | 3.5              |
| Misc                    | 2.2              | 3.4              |
| Coffee, tea, cocoa etc. | 1.5              | 3.8              |
| Animal feed             | 1.1              | 2.4              |
| Oils                    | 0.6              | 1.9              |
| Sugar                   | 0.4              | 1.2              |

<sup>1</sup> [https://www.uktradeinfo.com/media/0lzdbabz/rts\\_q2\\_2021.xlsx](https://www.uktradeinfo.com/media/0lzdbabz/rts_q2_2021.xlsx)

<sup>2</sup> <https://www.gov.uk/government/statistics/food-statistics-pocketbook/food-statistics-in-your-pocket-global-and-uk-supply>

## Appendices



impact of not for EU  
labeling.docx