Economy, Jobs and Fair Work Committee
Economic Impact of Leaving the European Union
Food and Drink Federation Scotland

1. Food and Drink Federation Scotland (formerly Scottish Food and Drink Federation) is the independent trade association for food and drink manufacturers. Food and soft drink manufacturing employs some 36,000 people in Scotland, representing about 19% of all Scottish manufacturing jobs. Our industry is a fundamental part of Scotland’s economy, contributing £1.9bn gross value added.

2. Brexit means significant questions are raised for the Scottish food and drink industry. From labour access, to single market access, to imports and exports, to trade tariffs, non-tariff barriers, food regulations, contaminants, packaging safety, packaging and food waste. However we are a resilient industry and determined to make the best of it. We are optimistic about the potential opportunities that exist to grow the food and drink industry in Scotland and the UK, and expand on the industry’s record on exports.

3. Our members will be keen to seize post-Brexit opportunities through new FTAs – a survey of our members with Scottish manufacturing sites highlighted key markets including South Korea, South Africa and Mexico that could offer significant opportunities – these would need to be ambitious agreements that tackle non-tariff barriers as well as tariffs.

**Possible impacts and opportunities for Scotland’s exporters**

4. The majority of the Scottish food and drink industries exports are to the EU. one of our main concerns is whether that and the £1.9bn GVA it generates for the economy would be put in jeopardy.

5. We await further clarity from Government on how they plan to proceed on future UK-EU trading relationship. Our position remains that we support continued tariff-free customs union with the EU and are deeply concerned by the possibility of falling back on WTO rules post-Article 50.

6. Suggestions that UK may revert to WTO option of ‘Most Favoured Nation’ (MFN)\(^1\) tariffs are worrying. This could mean the UK imposes EU Common Customs Tariff to all imports – EU and non-EU. Trade in non-agri goods with EU would face average MFN tariff of only 2.3% – agrifood products would be hit by additional tariff averaging 22.3%. If UK also applies EU Common Customs Tariff rates as some suggest, imports from the EU totalling £27.7bn would face tariffs averaging 22.3%.

\(^1\) Current EU average MFN applied duties: dairy (42.1%), sugars and confectionery (25.2%), beverages (20.7%), animal products (17.7%), cereals (14.9%), fish (12%), fruit and veg (10.9%)
7. Non-tariff barriers are equally significant. NFU suggests reintroduction of customs checks with EU would push up cost of traded goods by a further 8% - this would likely be even higher for manufactured goods.

8. Businesses – and SMEs in particular – have seen cost of key imported raw materials rise by up to 20% this year. UK butter prices up 73%. These additional costs risk devastating Scottish exports to EU, causing lasting damage to Scottish-based manufacturing and triggering food price rises for Scottish and UK consumers.

9. Food is part of the UK’s Critical National Infrastructure. It is essential Government ensures continued access to essential raw materials needed by industry. Many key ingredients are not produced in the UK or not in sufficient quantities. Imports complement use of Scottish and UK raw materials.

Possible impacts and opportunities for non-UK companies investing in Scotland;

10. Our non-UK members are important to the Scottish economy. Non-UK companies with manufacturing in Scotland have to remain competitive with other manufacturing sites across the globe within their own company.

Potential impact on labour market issues, including migration and worker rights.

11. Before the outcome of the referendum, the food and drink manufacturing industry was already facing a skills shortage and needed to recruit about 19,000 new staff in Scotland by 2024 due to ageing workforce and talent shortages. With many of our members telling us that their non-UK EU employees are either strongly considering – or have already – gone back home, this could become a very serious issue.

12. Work permit system – if current non-EU rules were applied to the UK’s existing EU workers, only 15% would qualify.

13. We support the call for a ‘national conversation’ for Government to engage with communities, listening to concerns and securing consent for changes to the immigration system.

14. This should take place alongside a mapping of Scottish companies, identifying areas where business faces difficulty recruiting workers, and analysis of community impact and provision of services (schools, health and housing).

15. and a retention of access to the EU labour market – with no new onerous requirements for visas and permits.

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