

**wta**

# Trading with the EU: Unlock tips for success.

Logistics doesn't have to be a maze.

## A brief history....of delays.

**Pre-Brexit.** Until 31<sup>st</sup> January 2020, the UK traded freely with the EU as part of the Single Market and Customs Union.

**Transition Period.** From January 31<sup>st</sup> 2020 until December 31<sup>st</sup> 2020 the UK had officially left the EU, although trade continued freely as part of a transition period.

**January 1<sup>st</sup> 2021.** The transition period comes to an end. Customs declarations for goods moving between the UK and EU came into effect. New health certification requirements and sanitary and phytosanitary (or SPS) checks on animal and plant products were introduced for goods exported from the UK to the EU. SPS checks on goods imported into the UK from the EU to be phased in as part of the Border Target Operating Model.

- This put UK exporters at a cost disadvantage in the EU market – as their counterparts in the EU didn't require health certification for products to enter the UK, but UK exporters did to get into the EU.
- **Case study:** Fish exporters in Scotland is just one example industry which faced huge issues when these health certificates were implemented for UK exports. In January 2021, some fish prices fell 80% at Peterhead market in Scotland as they were held up because of new customs requirements. Issue was amplified by the perishable nature of fish.

**Delays, delays, delays.** [The UK delays the implementation of full border checks of imports from the EU 5 times](#): March 2021, September 2021, December 2021, April 2022 and August 2023. Reasons for doing so included: giving businesses more time to be ready, pandemic-disruption and the unresolved Northern Ireland protocol.

**31<sup>st</sup> January 2024.** FINALLY, the introduction of health certification on imports of medium-risk animal products, plants, plant products and high-risk food and feed of non-animal origin from the EU. The removal of pre-notification requirements for low-risk plant and plant products from the EU.

- Anything less than medium-risk goods do not require an EHC (European Health Certificate), which means in effect EU firms are still at a competitive advantage when exporting to the UK, compared to UK firms exporting to Europe.
  - For example, honey & canned pet food are two product types where EHC is required GB to EU but not EU to GB.

## Upcoming deadlines.

**30 April 2024** - The introduction of documentary and risk-based identity and physical checks on medium risk animal products, plants, plant products and high-risk food and feed of non-animal origin from the EU. Existing inspections of high-risk plants/plant products from the EU will move from destination to Border Control Posts. Health certification and routine checks on low-risk animal products, plants, and plant products from non-EU countries will be removed as well as a reduction in physical and identity check levels on medium-risk animal products from non-EU countries. Estimated to cost UK firms £330 million per year.

**31 October 2024** - The requirement for Safety and Security declarations for imports into Great Britain from the EU or from other territories where the waiver applies will come into force from 31 October 2024 as set out in the original Target Operating Model. Alongside this, a reduced dataset for imports and use of the UK Single Trade Window will be introduced, removing duplication where possible across different pre-arrival datasets – such as pre-lodged customs declarations.

The latest timeline can be read in the governments [Border Target Operating Model](#)

*WTA tip – Group products of the same risk category together. That means products of low risk can move through customs with reduced requirements and chance of checks.*

## How Brexit impacted food and drink trade

It's fair to say the food and drink sector has been among the most disrupted by Brexit – because of the import controls and checks introduced. Added to that is the uncertainty of deadline changes and Covid-19. The Value of UK food exports to the EU dropped £2.4bn in the immediate aftermath of Brexit although EU food exports to UK didn't suffer anything like as much – mainly because legislation implementation has been so delayed and staggered. But trade has recovered

and is now at record levels, Food and drink exports to UK were at £3.2bn in the first 3 quarters of 2023.

## Windsor Framework Latest

Announced in February 2023 and entered into force onto 1<sup>st</sup> October 2023, replacing the Northern Ireland Protocol, the arrangements are designed to significantly reduce the formalities, checks and controls on the movement of goods from Great Britain (GB) into Northern Ireland (NI) across the emerging post-Brexit 'Irish Sea' border. Trusted traders, authorised under the UK Internal Market Scheme (UKIMS) can move their goods through a 'green lane', using a reduced dataset.

## Safeguarding The Union

To bring the Democratic Unionist Party back into power-sharing after the Windsor Framework, the UK govt signed a "Safeguarding the Union" agreement, which provided a basis for the DUP to return to Stormont. Within this agreement are a raft of measures for businesses to be aware of:

- Legislation guaranteeing Northern Ireland's unfettered access to the UK's internal market, through amending the UK Internal Market Act 2020.
- Replacing the green lane with the UK internal market system – with a commitment from the government that more than 80% of all freight movement will take place under the system.
- "Not for EU" labelling now applicable for all agri-food products sold in the UK, irrespective of whether they're going to NI. Designed to ensure no incentive arises for businesses to avoid placing goods on the Northern Ireland market. Special labelling for NI was feared would put some businesses off the market altogether.
- Key dates for the introduction of "Not for EU" labelling on all UK agri-food products:  
**October 2023.** Meat and fresh dairy products.  
**October 2024.** All other dairy products.  
**July 2025.** Composite products, fruit, vegetables, and fish.

- The establishment of Intertrade UK – a body which is going to promote trade within the UK and provide advice to facilitate business across the UK.

*WTA tip – prepare well in advance of upcoming deadlines. Fully understand your requirements, don't 'kick the can', so to speak.*

## UK / EU future trading threats

Despite most UK / EU trading relationship changes being bedded in by the end of 2024, there are still many risk factors to be aware of:

### Diverging legislation

As the UK and EU grow apart, regulation around food and drink standards and labelling could get increasingly divergent, meaning it's more complicated and costly for UK products to sell on the EU market, and vice-versa. Businesses must navigate dual regulatory environments.

Investment in internal compliance mechanisms and third-party audits can ensure adherence to regulations is all additional costs.

Novel ingredients, additives, chemical toxicology testing requirements and residual pesticide levels in food are all areas at heightened risk of further regulatory divergence.

- **Recent example: Titanium dioxide (E171), which is used in bakery products, soups, broths, sauces, salads, savoury based sandwich spreads, processed nuts and more. Since August 2022 the additive is not permitted in the EU, but still allowed in the UK.**

Environmental legislation divergence is a particular threat here too.

- **An example of this is the EU Emissions Trading System (EU ETS), which was widened to maritime transportation for the EU in Jan 2024 – meaning shippers will have to pay surcharges on goods arriving at EU ports – UK has not introduced such legislation.**

EU Packaging and Packaging Waste Regulation (PPWR) now states all packaging placed on the EU market must be recyclable by 2030. Regulatory compliance threatens to become an

increasing cost. But the same is true for EU companies looking at the UK market. It slowly becomes less and less viable to manufacture products to two separate sets of legislative requirements.

*WTA tip - Businesses need to stay agile, work with trusted partners, closely monitoring developments to adapt their compliance strategies promptly.*

**Case study:** We work with a major pet food manufacturer, who were recently in trouble importing goods into the UK. Their vet had made an error on the EHC and their goods were at risk of being denied by customs. However, our lovely food team moved quickly to correct the discrepancy between the trailer load and the EHC form, meaning that the goods flowed through without delay. Using supply chain partners who are experienced in customs and food logistics is vital for success post-Brexit.

Local authority-based food standards enforcement might cause further divergence of standards within the UK in the future. Local authorities are subject to differing financial pressures, resource limitations and skills shortages.

### Labour shortages

Already been a real issue for the food and drink sector in 2021 and 2022. UK govt themselves predict these labour shortages are to continue. The UK's stance on immigration is getting tougher, which presents a further labour shortage problem to the food and drink sector. Particularly with the UK's aging population and low birth rate. It is worth noting that UK Skilled Worker visa minimum salary is rising from £26,200 to £38,700.

### Data sharing

Reduced data sharing presents problems to food and drink manufacturers who are selling product across the UK and EU. The long term implications of reduced data sharing remain unknown.

- Example: the Rapid Alert System for Food and Feed (RASFF) on incidence reporting has been restricted for the UK since 2021. This threatens food safety, scientific collaboration, and food fraud detection.

## Red Sea Crisis

Although not directly impacting EU trade the Red Sea crisis poses a threat to all involved in international logistics. Container ships continually diverting around the Red Sea caused a huge spike in container freight rates at the start of the year. There is currently no prospect of re-using the Red Sea whilst threats to vessels remain. There have been over 30 separate attacks on ships since mid-November and targeted military action in response from the US and UK and sadly 3 seafarers were killed in an attack on the True Confidence vessel at the start of March – highlighting it remains an extremely dangerous area.

### So does this impact trade with the EU?

The vulnerability comes from fuel prices – as tanker vessels are forced to transit around the Cape.

- Fuel has been trending upwards since December.
- Shippers are exposed to fuel surcharges from hauliers.
- Hauliers themselves are already operating on tiny margins of typically between 1 and 2%.
  - 450 hauliers went bust in the UK in the last 12 months.
  - Increased costs have to be passed on.
- The Fuel Duty Freeze announced in the Spring Budget doesn't do much to alleviate the risk here.

*WTA tip – knowledge is power. Stay informed on world affairs, even if not on a trade lane you are directly involved with. Their ripple effects can be felt.*

## Market opportunities: Germany

- Largest and wealthiest EU country - \$4.26 trillion GDP.
- Grasp of English is extremely good.

- Typically, UK businesses have only competed at the high end of the market, but interest in other ranges is growing.
- Don't be put off by the recent gloomy outlook for the German economy... the German consumer is becoming more open-minded to new flavours and products but also more health conscious – as is the case with many key European markets.
- Significant growth opportunities in spirits, including low and non-alcoholic spirits, confectionery, sweet and savoury snacks, vegan, organic, free from ranges.
- Like the British consumer, in Germany there is interest in products with sustainability credentials.
- Demand for private label goods from retailers is growing.
- Packaging/labelling is very important to the German consumer in their buying decisions – ensure your products on compliant with the German Packaging Act.

## Market Opportunities: Spain

- Food and drink exports to Spain surged 7.4% in 2023 – biggest % increase of any EU nation. Up to £881m
- Over 16 million UK tourists each year and 1 million British residents.
  - Tourists are in concentrated areas – making them easier to target.
- Strong demand for gourmet and premium products.
- Logistics considerations: Road freight takes 3 to 4 days for full or partial loads

## Market Opportunities: Sweden

- Scandinavia's largest economy.
- Opportunities for UK producers of health, organic, natural, vegetarian and plant-based food and craft alcoholic drinks.
- Niche and innovative products are enjoyed by the Swedish consumer.
- Grasp of English is extremely good.
- Route to market here is typically through a distributor.



- A product with a strong, unique selling point, sophisticated packaging and a clear marketing strategy is likely to find success in Sweden.
- Logistics considerations: Road freight takes 3 to 4 days for full or partial loads

## Market Opportunities: The CPTPP

Because of departure from the EU, the UK has been able to sign a free trade deal with the CPTPP – a free trading bloc of 11 countries that represents 13.4% of global GDP.

- Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.
- Ratification of the deal expected in the second half of 2024.
- Over 99% of UK current goods exports to CPTPP member countries will be eligible for zero tariffs, improving goods market access for British firms.
- In 2022, the UK exported £2.4 billion of food and drink to CPTPP countries in current prices.
  - UK food and drink exports to Singapore swelled 24.3% to nearly £600m in 2023.
  - Whisky, chocolate and dairy the sectors highlighted to see real benefits.
  - Specific opportunities:
    - Products emblematic of British culture popular in Japan - beer, black teas, whiskies, biscuits and shortbread, and Scottish smoked salmon.
    - High taxes on sugar, chocolate and whisky in Malaysia are removed.
    - Opportunity to build on the £23.9 million of dairy the UK exported to Canada, Chile, Japan and Mexico in 2022.

## Meet Keri

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If you have any questions on how government policies might impact your supply chain, reach out and let's catch up. I'd be more than happy to grab a brew and offer you and your team advice.

