

Brexit red tape costs are penalising British meat producers

BPC urges swift action by Government to solve severe trade issues with EU

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It is nearly seven weeks since Britain departed the EU single market and customs union, and British poultry meat producers are facing insurmountable difficulties with Brexit red tape and disruption at the UK-EU border.

UK businesses are facing significant losses due to absence of digitalisation and lack of clear and consistent instructions on certification of products of animal origin. This briefing paper talks about the knock-on impact of further delays in shipments, mountains of new paperwork and ever-increasing confusion around different rules applied at inspection posts on businesses viability and the flow of food.

IMPACT OF THE 'NEW NORMAL' ON POULTRY MEAT TRADE

- The British poultry meat sector has been dealing with significant challenges thrown up by the new UK-EU trading regime that we had a handful of days to implement. Every day presents a new challenge and we have had our share of rejected loads for the wrong colour stamp on documentation or out of order page numbering. These challenges are far bigger than 'teething problems' and have resulted in severe delays at the border.
- Poultry meat businesses have been cautious in sending product to the EU, due to concerns over the administrative barriers, fear that the systems would not work, or simply unable to find hauliers to make the journey. Overall trade in the first week of January was only one-fifth of normal volumes, and at the date of this document volumes are around a half of normal. (A normal week would see around 200 lorries of fresh poultry meat departing the UK to go to the EU.)
- It is essential that perishable products of animal origin such as British poultry meat and breeding stock cross borders without delays to maintain value, shelf life and viability. As a highly integrated sector that relies on an efficient just-in-time supply chain, it is crucial that the trading arrangements we operate to do not penalise our businesses.
- British Poultry Council members have found themselves at the sharp end of the new trading arrangements as our fresh produce cannot be stockpiled and requires the most onerous EU paperwork reserved for imports of animal and plant origin. The administrative errors, physical checks, and the lack of clear and consistent instructions are incredibly frustrating and costly, but they are problems that can and will be solved.

THE COST CONUNDRUM

- All of this is happening at a time when we are dealing with a pandemic, and as an industry facing the challenge of avian influenza, and both have their own costs. Every delay, every piece of additional paperwork, every additional check, every new requirement, every rejected load impacts the flow of food, adds to the cost of production and challenges business viability and sustainability.

- Cost of production is affected from both directions. The addition of new requirements needs more people, more time, and more resources, and disruption of the flow of food leads to increased cost in the supply and demand dynamic.
- The flow of food, and ingredients, is essential for a just-in-time supply chain. Stockpiling of perishable goods is not realistic in the way that automotive businesses may keep higher stocks of car parts. Delays and interruption to the flow of food may mean that while overall there is sufficient supply it is not where it needs to be. This may lead to a reduction in the variety of products on offer - those with fewer ingredients or ingredients that can be substituted - and the cost of production rising where supply cannot reach where the demand is.
- These new processes do add cost and extend the journey time to our EU based customers, but the more optimised and reliable they become the lower this impact. These additional costs will have to be recovered in some way across the whole supply chain.
- Any delays during the export process could result in businesses losing 50-100% of the value of the product depending on the length of delay and the amount which might have to be redirected to rendering or elsewhere. The cost per lorry load of fresh meat would see a swing of up to £15,000 per load rejected (this includes the value of the load plus the cost of disposal/rendering).
- Any delays during the transport of breeding stock will result in a lower yield due to damage to the embryo. Hatching eggs lose their viability after 5 days and will need to be destroyed. Each lorry load of hatching eggs is valued at around £200,000. If the hatching eggs must be destroyed it leaves the importer with a shortage of eggs to hatch for breeding and commercial purposes.
- The loss of value, additional administrative costs, and the waste of food must be recouped in some way through the supply chain. In 2018 we modelled that with a free trade deal between the UK and EU and minimum trade friction we would see the cost of chicken breast rise by 5%. We are an efficient and productive supply chain so it would not be unreasonable to speculate that other food sectors would see an equivalent or greater increase.

OUR ASKS FROM GOVERNMENT

- Since 1st January, this vital trade route has been chaotic and costly for our members' businesses, way above and beyond what should have been expected from the new system. Our industry is keen to work constructively with the Government, including increased delegation of responsibilities where regulations permit.
- The issues outlined below are in the interests of finding practical solutions that would be of mutual benefit to all parties. We need:
 - A bilateral UK-EU SPS agreement that includes products of animal origin, animal by-products, breeding stock, and zoonotic disease control (particularly avian influenza).
 - A fully digital trade documentation system, including full participation in TRACES, and a 'trusted trader' element that reduces administrative burden for consistent compliance.
 - A rapid review and increase of UK capacity and capability to deliver SPS requirements for both exports and imports.

ADDITIONAL COSTS AND RESOURCES IN THE NEW SYSTEM

- BPC members prepared for changes in Enterprise Resource Planning (ERP) systems, which included, but are not limited to, additional human resources, new training requirements, additional processes such as revised labelling needs, new logistics and stock management, and the need for customs agents in EU destinations. On top of the internal business additions there have been significant increases in documentation and administration that can only be carried out in conjunction with Government resources, such as Export Health Certification or customs declarations.
- The trading system we are now using for short journeys to the EU was never designed for just-in-time supply chains, and perishable goods are suffering from a lack of flexibility, such as the inability to change destination port whilst in transit. Our members are reporting a collective increase in cost of applying the new system over the last six weeks of around £1 million. While we cannot now eliminate that cost on an ongoing basis, we must minimise it by optimising the processes and reducing the administrative burden.

EXCEPTIONAL INCIDENTS AND LOSSES

- The barriers we have faced are well documented, including rejected loads, varying interpretation at Border Control Posts (BCPs), closure of BCPs, inconsistent guidance, and shortage of hauliers. These have had a significant impact on businesses and have led to food waste, as product that cannot move through the trade process is rendered. We estimate that since 1st January it has cost our sector, through lost revenue, rejected loads, delays in transit, and disposal of food as waste, around £1.2 million.

BILATERAL UK-EU SPS AGREEMENT

- A bilateral SPS agreement will not eliminate checks and bureaucracy but the equivalence within such a system should greatly reduce the amount of administration, differences in interpretation, and delays in transit.
- We urgently need a process that reflects the just-in-time nature of our supply chains, not just for the sake of businesses but to facilitate the flow of food that feeds the UK and supports our companies.
- The poultry meat sector has its own unique challenge in the form of avian influenza. A SPS agreement should include immediate regionalisation to avoid trade being interrupted in the event of an AI incident. Such an agreement would be of mutual benefit to both the UK and the EU as the challenges we are dealing with – in food and avian influenza – will shortly be faced by those importing into this country.
- Looking ahead to April and July we are seriously concerned that the resources and systems are simply not sufficient to deal with the imports. We see them struggling now to cope with the everyday activities around exports. From impact on businesses to food waste these trading issues are having a detrimental effect on how we feed the nation and must be fixed on an urgent basis.

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