Your EU exit update

IGD Webinar

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Source: *The Border With The European Union*, HM Government, July 2020

Your presenters

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Your agenda

1. The EU-UK Trade and Co-operation Agreement (TCA)
2. Ireland and Northern Ireland
3. Shopper sentiment
4. Q&A

Your agenda

1. The EU-UK Trade and Co-operation Agreement (TCA)

No tariffs or quotas on trade in “originating” goods

“Rules of origin” (ROOs) determine which goods qualify

 Image: Getty

The burden of proof is on traders

Acceptable proof of product origin

"Exporter statements" on commercial documents (*eg*: invoices)

and / or

"Importer knowledge", based upon sound evidence (*eg*: supply chain audits)

Supplier statements should take an approved form – an example is provided in UK govt guidance

There will be a limited *"grace period"* for evidence, lasting one year

Refer to:

The Trade and Co-operation Agreement (TCS) – detailed guidance on the rules of origin

HM Government, December 2020

Image: Getty

Goods may be “originating” if they are “wholly-obtained”

Method One
Wholly Obtained

Goods are created or obtained in a single country, within either the EU or UK

No inputs of components or activities from outside that country are permitted

(Exceptions are made for minimal processing, to keep products in good condition)

Wholly obtained items automatically qualify for preferential treatment

This method covers many basic, unprocessed agri-food products

Examples:

Fish, caught in a nation’s waters

Meat, from animals raised on national territory

Vegetables, grown on national territory

Goods may also “originate” via “substantial transformation”

Method Two
Substantially Transformed

Goods have undergone *“substantial transformation”* within the EU or UK

“Substantial transformation” is determined through one or more mechanisms:

Change in value (the *“ad valorem”* rule)

Change of tariff code

Specified industrial processes

Product-specific rules (PSRs) describe treatment of different goods

Examples:

Turning apples into cider (change of code)

Weaving and dyeing cotton (specified process)

“Product-specific rules” (PSRs) create some complexity

Processing

Fresh tomatoes

HS code 07.02.00

Must be *“wholly-obtained”* to have *“originating”* status

See TCA p. 423

Chopped canned tomatoes

HS code 20.02.10

All Chapter 07 materials (*ie*: the tomatoes) must still be *“wholly-obtained”*

See TCA p. 427

Tomato juice

HS code 20.09.50

Change of tariff chapter demonstrates *“transformation”*
(but)
Weight of non-originating sugar must not exceed 40% of product weight

See TCA p. 427

Tomato ketchup

HS code 21.03.20

Change of tariff chapter demonstrates *“transformation”*
(and)
“Non-originating” mustard may be added

See TCA p. 427

“Insufficient production” may disqualify goods

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Examples of insufficient production under ORIG 7

Animal slaughter
Certain cereal processing
Certain sugar processing
Labelling
Peeling, shelling or stoning of fruit, nuts or veg
Preserving (*eg*: freezing)
Simple cutting
Simple mixing or diluting
Simple packing (*eg*: bottling)
Sorting or classifying
Washing

Image: Getty

The TCA uses HS codes to classify goods

Harmonised Commodity Description and Coding System (HS)

Section
(21 of these)

Chapter

Heading

Sub-heading
(and suffixes, where used)

HS code for ketchup
(IV) – 21.03.20

Section IV – prepared foodstuffs
Chapter 21 – misc edible preparations
Heading 03 - sauces
Sub-heading 20 – tomato sauces

The TCA allows "bi-lateral cumulation"

Production

EU (Italian) tomatoes

"Wholly-originated"

Exported to UK

ROOs met

No tariff payable

Processing

Tomatoes cooked, chopped, herbed, canned

"Significant transformation"

Cumulation

Tomatoes now treated as UK origin

Re-exported to EU

ROOs still met

No tariff payable

Retail

Sale in Italy

(or other EU market)

Tolerances may apply in some cases

Example of the general tolerance rule

A shipment of olive oil travels from the EU to the UK

The importer claims exemption from any tariffs that apply

The oil is 90% EU-origin and 10% non-EU-origin (by weight)

This is within the general tolerance for agri-food products of 15% (by weight)

The oil would count as an EU product and would therefore qualify for preference

Image: Getty

“Accounting segregation” can be used for “fungible” goods

Some agri-food inputs are hard to distinguish and keep track of – they are considered *“fungible”* (*eg*: flour, oil, sugar)

For these, *“accounting segregation”* may be used (*ie*: content of goods is determined via financial records, not physical separation)

Tolerances do not necessarily have to be met for every shipment

A trader can still claim preferential treatment, if tolerances are met over several shipments (*ie*: average content is considered)

Consult customs officials if in doubt

Image: Getty

Product and markets are now regulated separately

 Image: Getty

SPS checks now apply to agri-food goods at the border

EU fishing access to UK waters is reduced, not ended

Summary of provisions relevant to grocery businesses

Provision	Key references
No tariffs or quotas on trade in goods between EU and UK	GOODS 5, 6, 10, 18
To benefit, goods must originate from the EU or UK	ORIG 3, 4, 5, 6, 7, 18
Product regulations should be based on existing standards	TBT 4, 11
SPS checks can be applied to trade in agri-foods goods	SPS 5
Pest- and disease-free areas will be recognised	SPS 10
Co-operation on animal welfare, disease control, sustainability	SPS 12, 16, 17, 18
Simplification and streamlining of customs procedures	CUSTMS 2, 5, 9, 18
UK vessels to take greater share of fish caught in UK waters	ANNEX FISH 1, 2
Co-operative, science-based management of fisheries	FISH 2, 4, 6

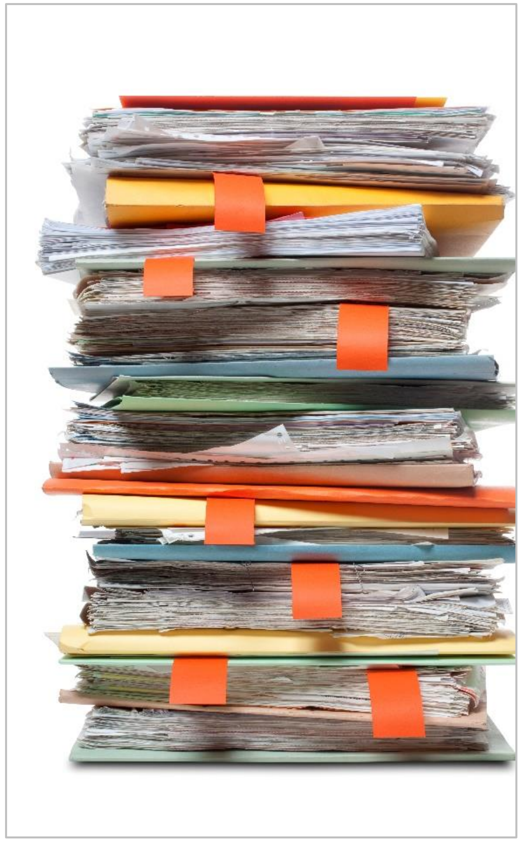
Trader experiences were … OK … at least initially

Much will depend on the approach taken by officials

The deal has not fully resolved the challenge of EU Exit

Deal does not give “continuity” for businesses

Refer to government guidance on *Border Operating Model*



Deal does not remove extra admin for businesses

IT and physical infrastructure have not yet been tested under heavy *“load”*

Deal does not allow businesses to relax

Development of border operation will continue for years

Images: Getty

The trade deal does not cover everything

Service trade

Limited market access for services – may affect UK more than EU

Transport

Market access for hauliers, but cabotage rights limited

Market access for sea freight is more comprehensive

Freedom of movement

Limited visa-free movement for business travel

No mutual recognition of qualifications (maybe later)

Data sharing

The EU has not yet issued a *“data adequacy”* ruling for the UK under GDPR

Images: Getty

Your agenda

2. Ireland and Northern Ireland

Ireland / UK trade has been disrupted, hopefully temporarily

“Groupage” of loads is creating particular headaches

Source: Getty

Some activities create tariff exposure

Easements in the NI Protocol have limited life

Source: Getty

Your agenda

3. Shopper sentiment

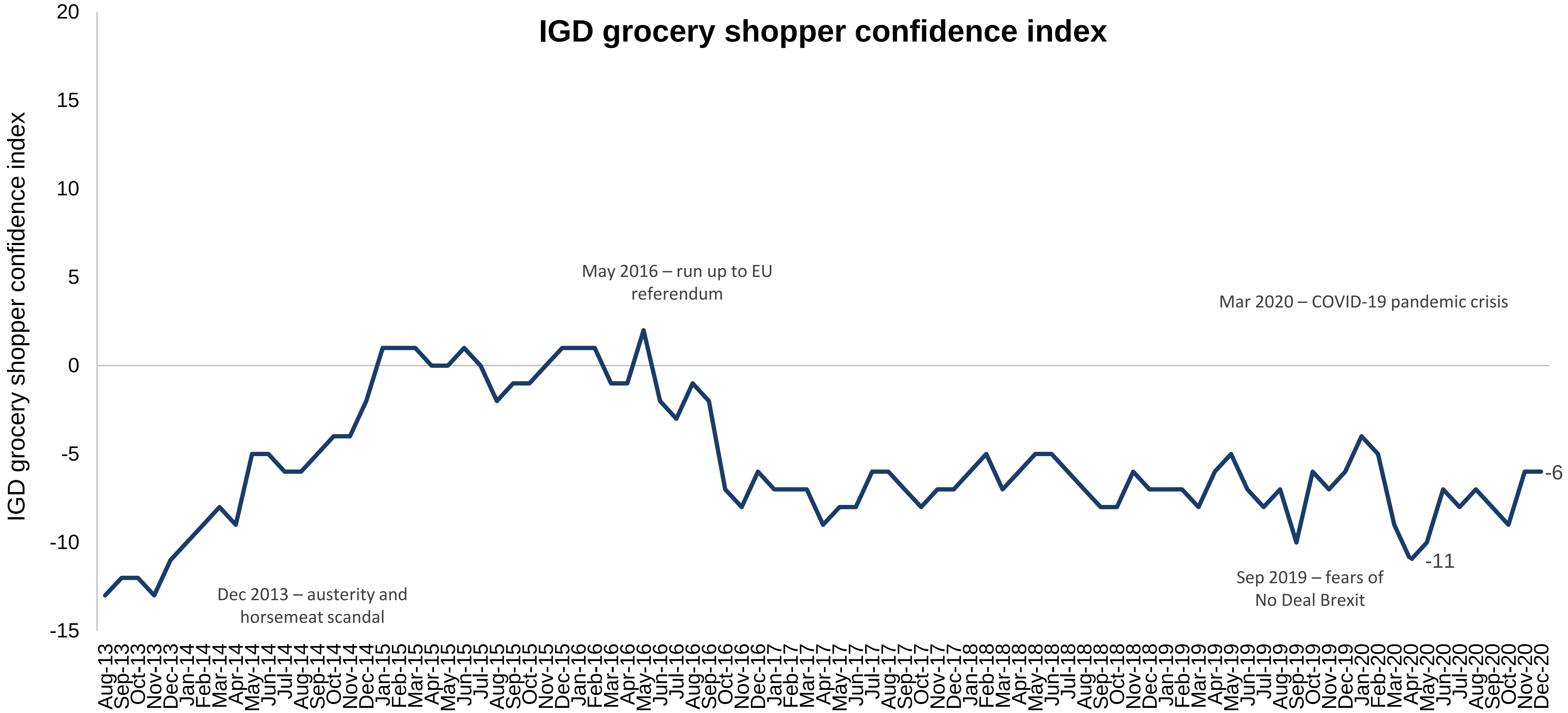
Shoppers’ focus is shifting

December

January

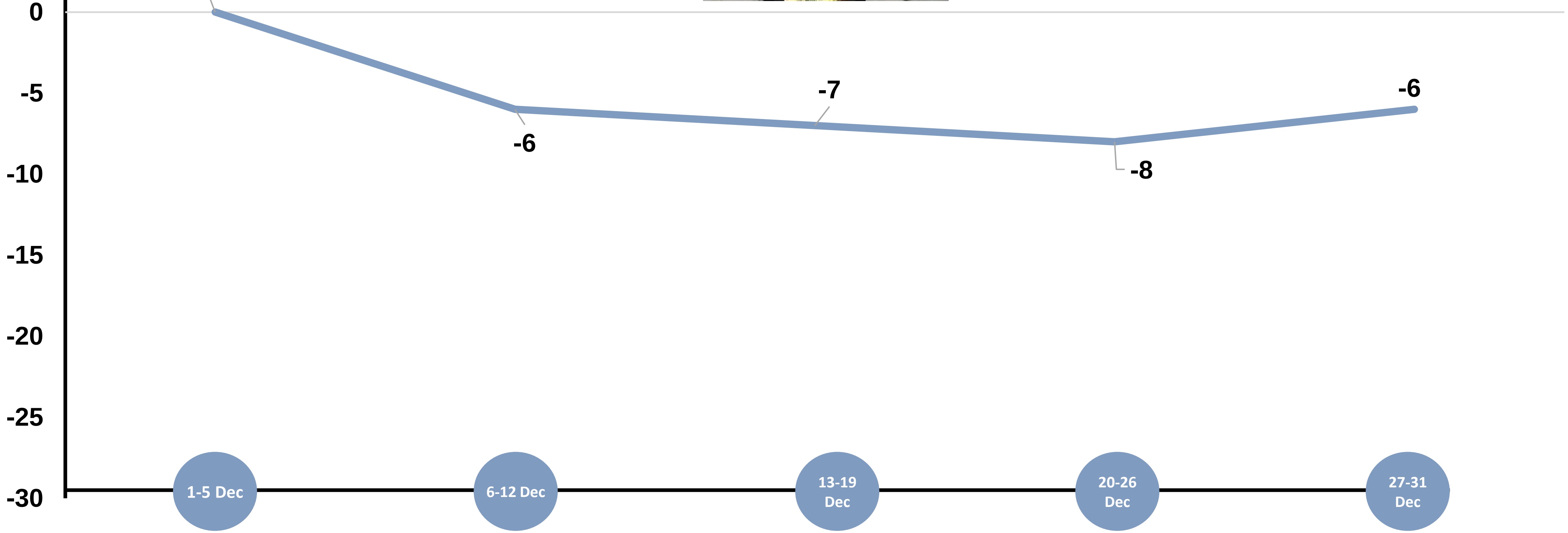
 Images: Getty

Shopper confidence stable in December



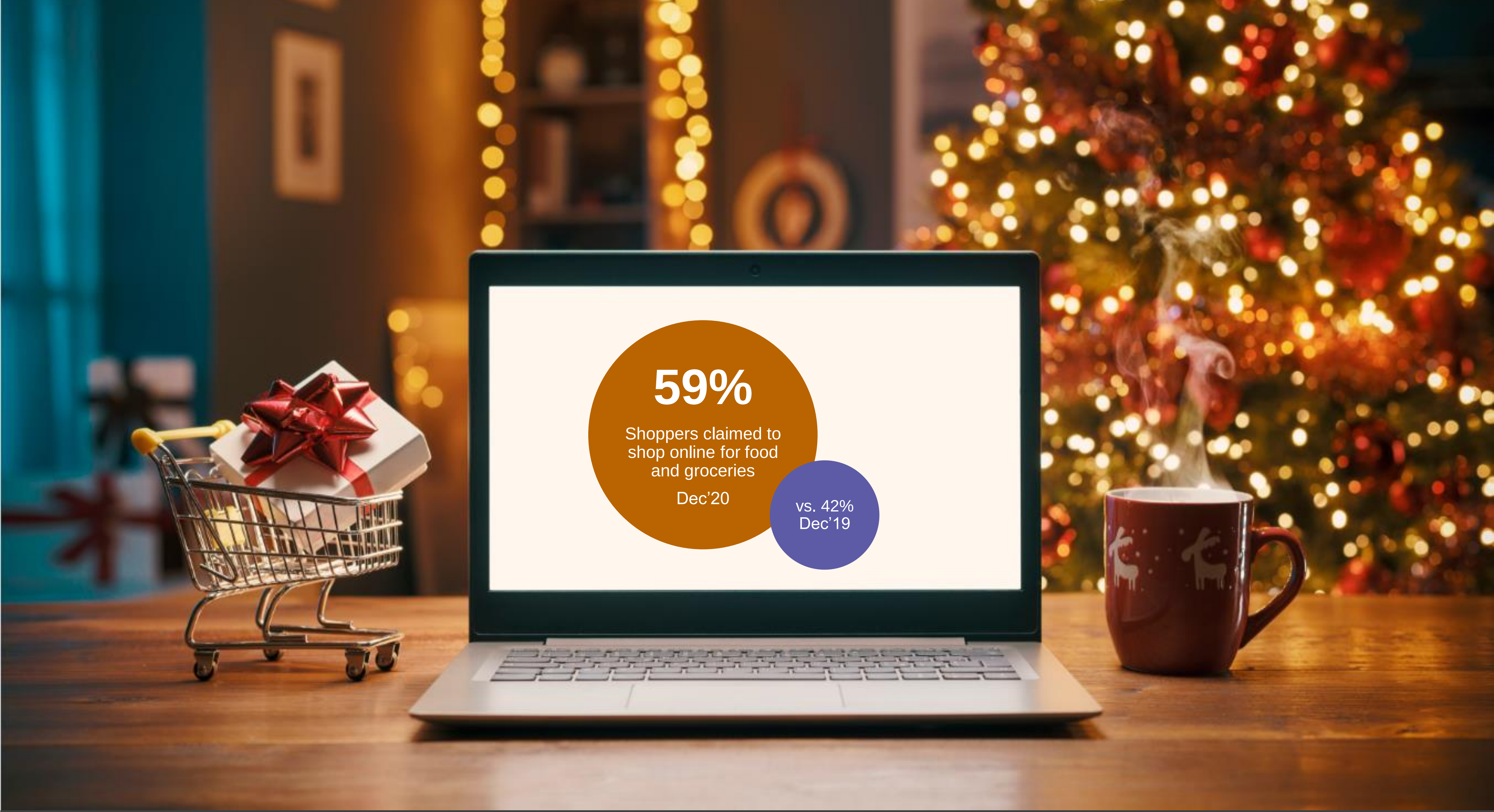
Shopper confidence stable in December

IGD grocery shopper confidence index

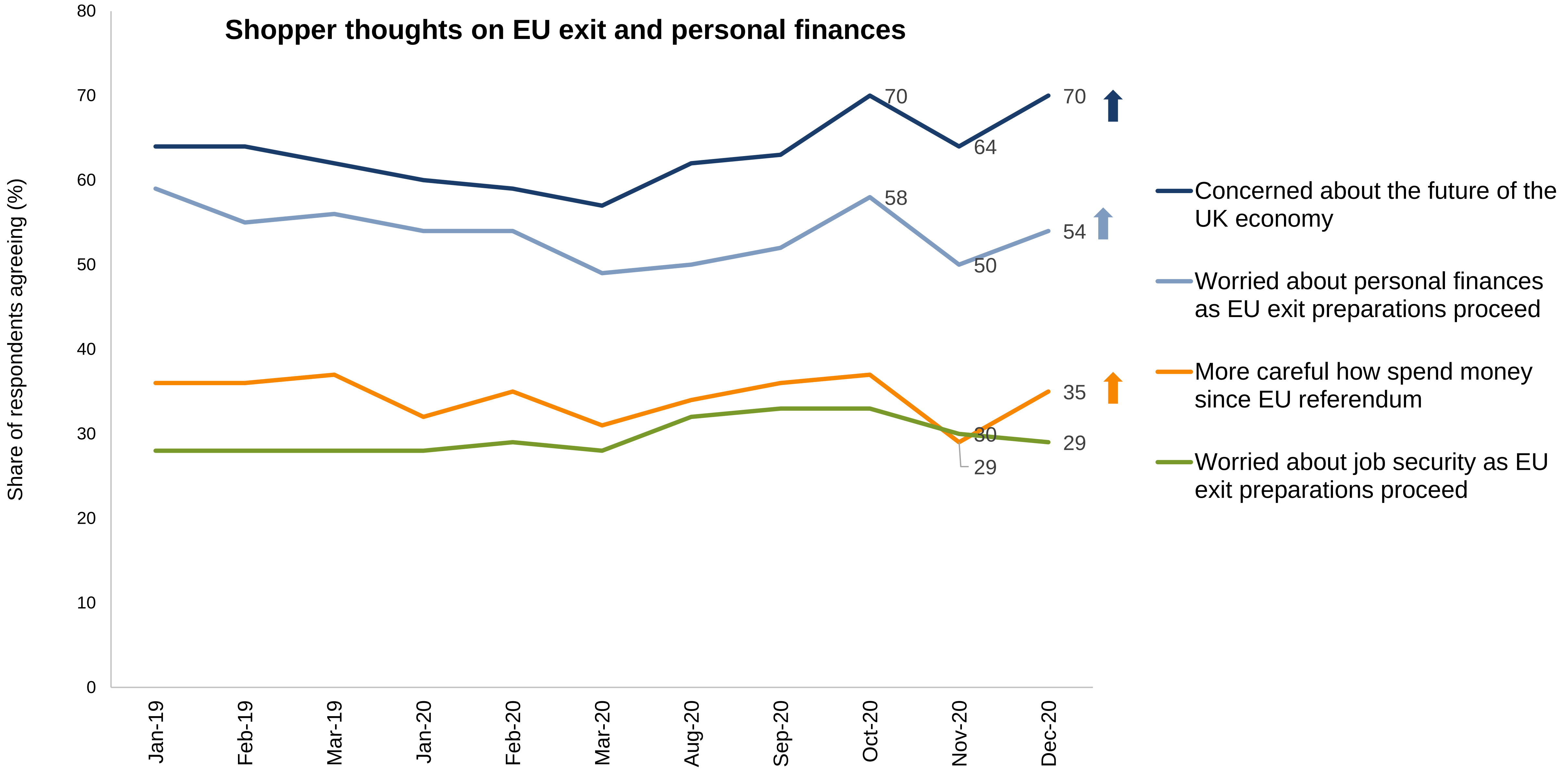


Source: *ShopperVista*, IGD Research, Dec 2020

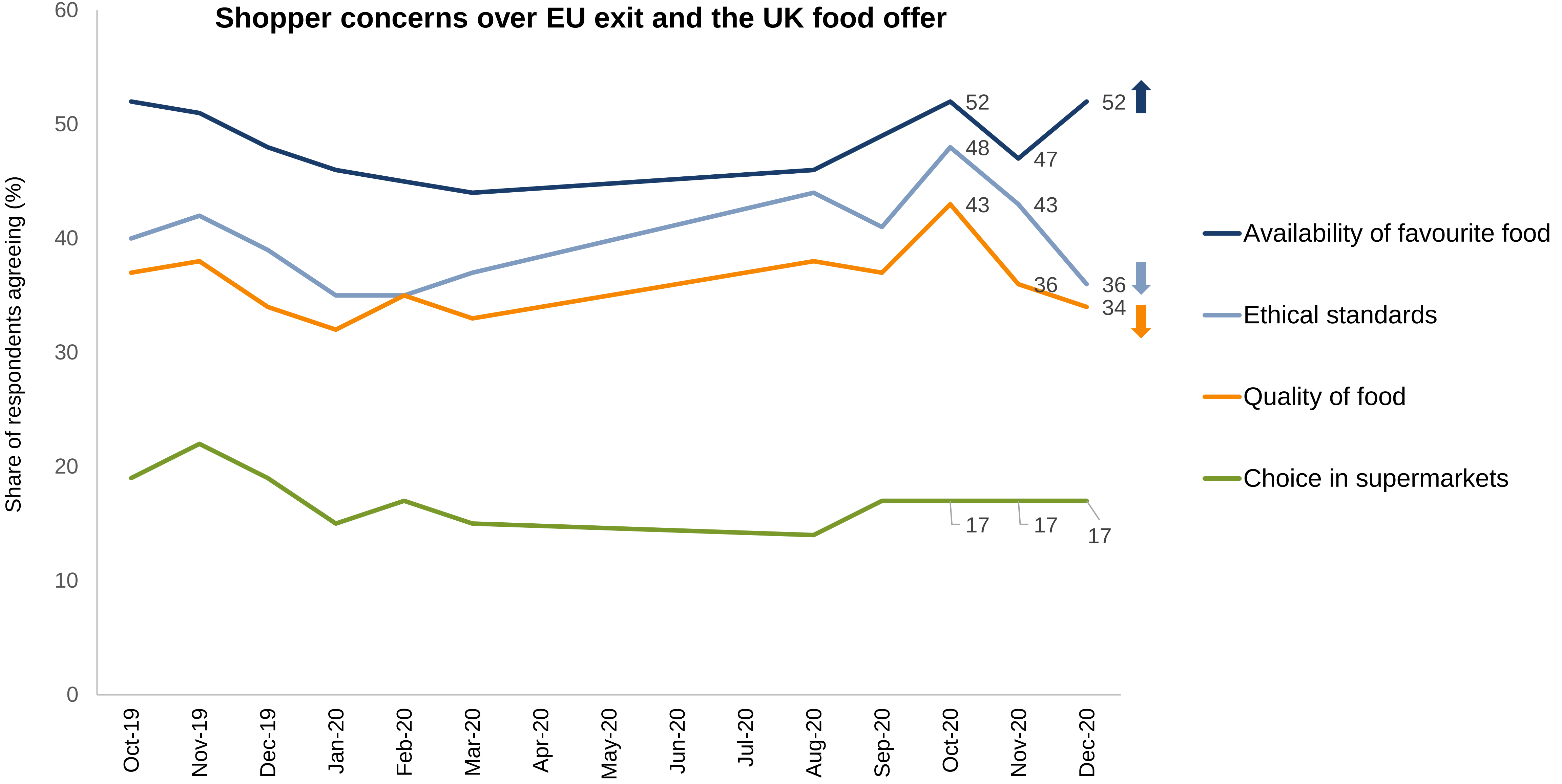
Base: 1,000 GB shoppers per month, balanced sample


59%
Shoppers claimed to shop online for food and groceries
Dec'20
vs. 42% Dec'19

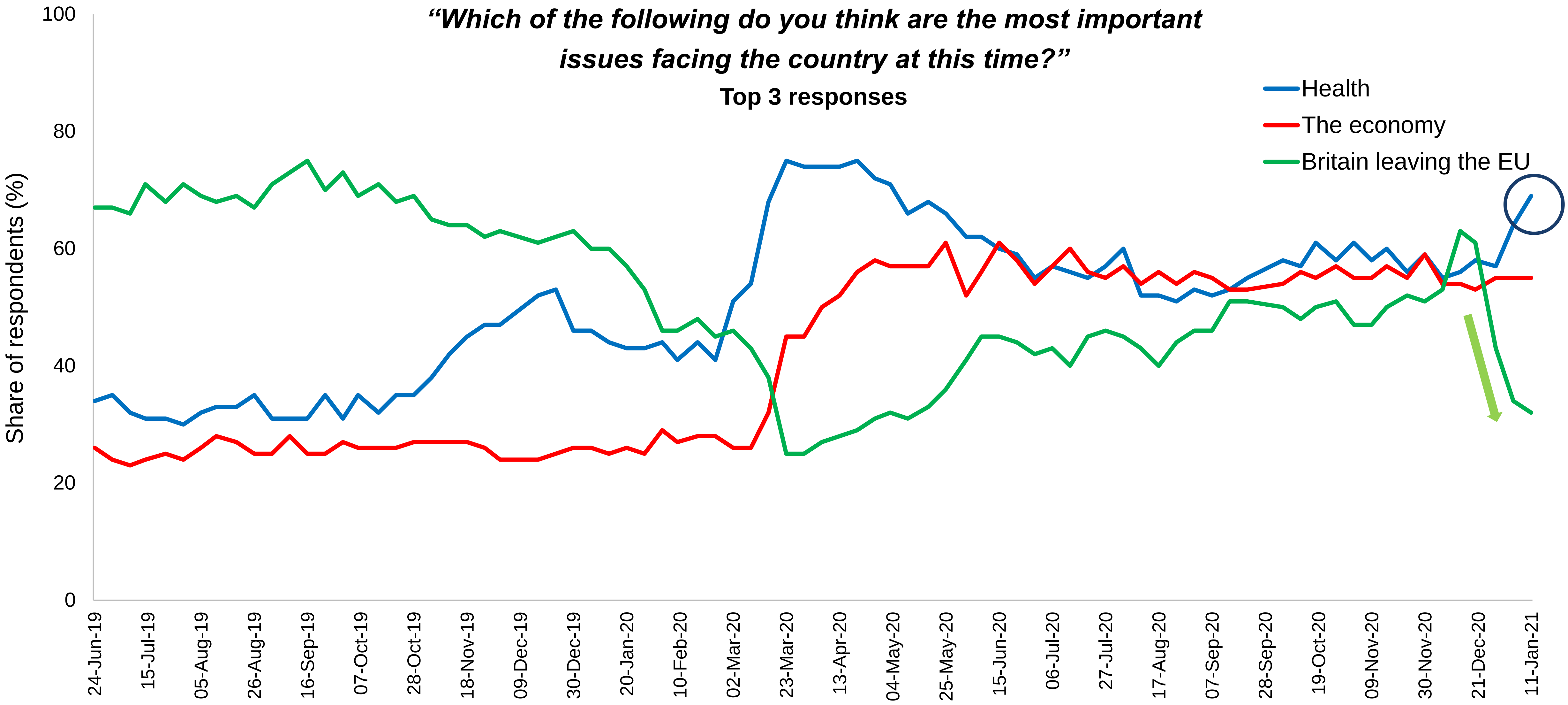
Concerns increased about EU Exit



Concerns about availability of favourite food



Shopper focus now on the pandemic



Concern for rising food prices due to EU Exit

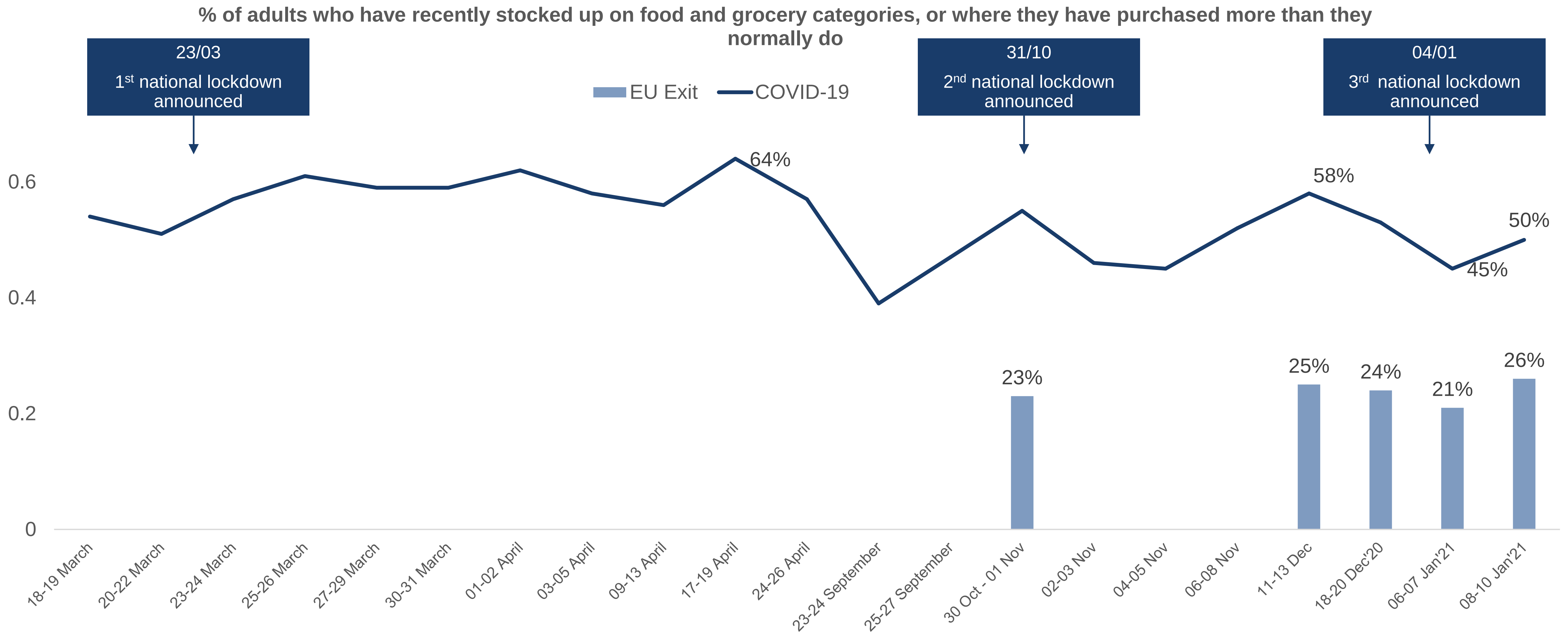
59% Higher than normal price increases

34% Having to eat lower quality food and grocery products

28% Having to stock up in case of food shortages

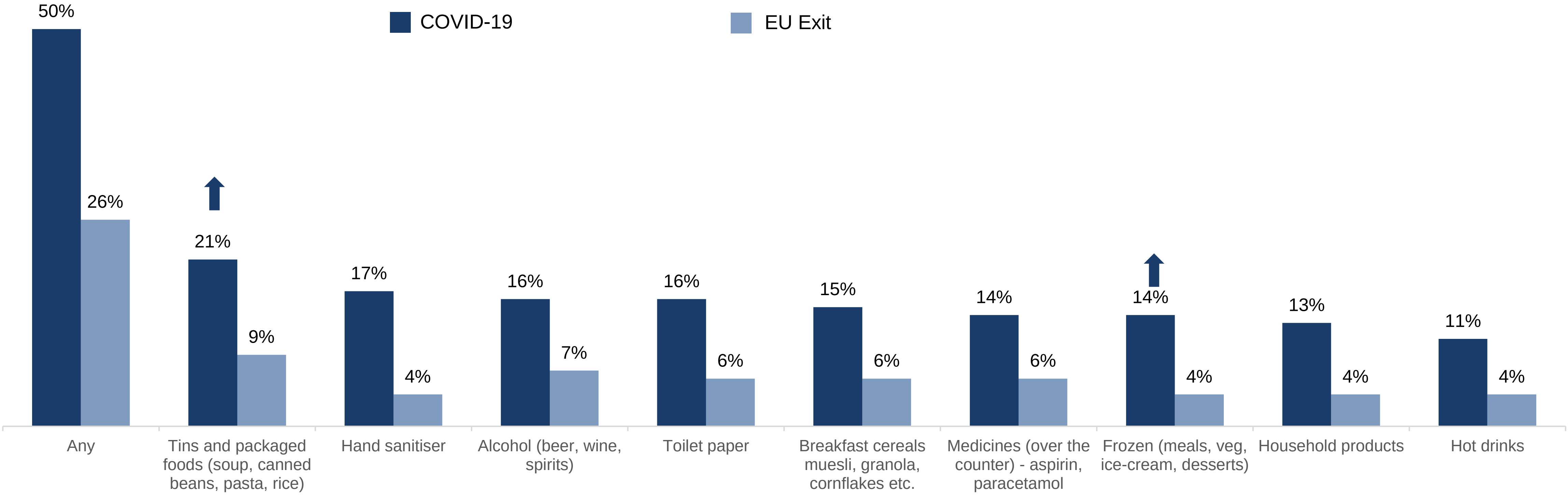
31% Having to eat a less healthy diet

Current shopper stockpiling – COVID-19 vs EU Exit

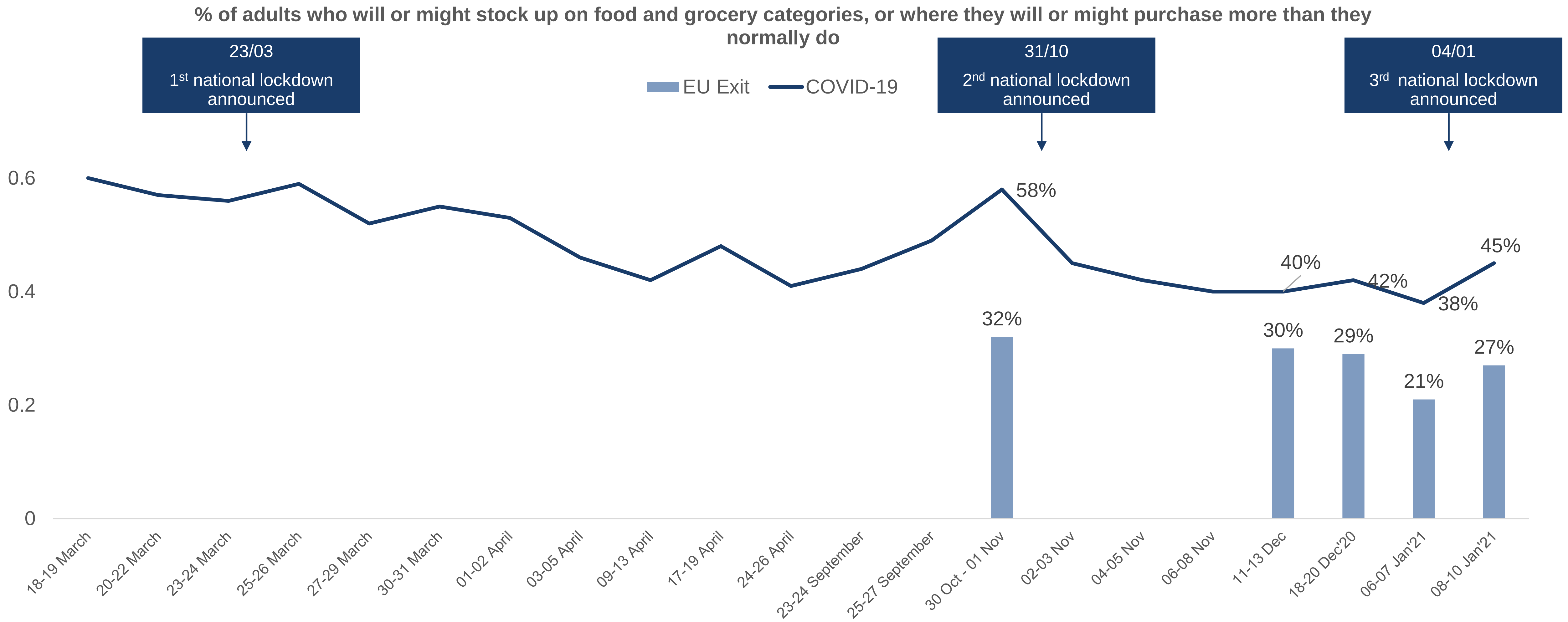


Similar categories being stockpiled for COVID-19 as EU Exit

% of adults who have recently stocked up on food and grocery categories, or where they have purchased more than they normally do



Planned shopper stockpiling – COVID-19 vs EU Exit



Your agenda

4. Q&A

Any questions?

Image: Getty

That’s all folks!