



EU – UK Transition: Latest Moves

IGD webinar

11.00h, 24th February 2021

Your presenters



James Walton
Chief Economist



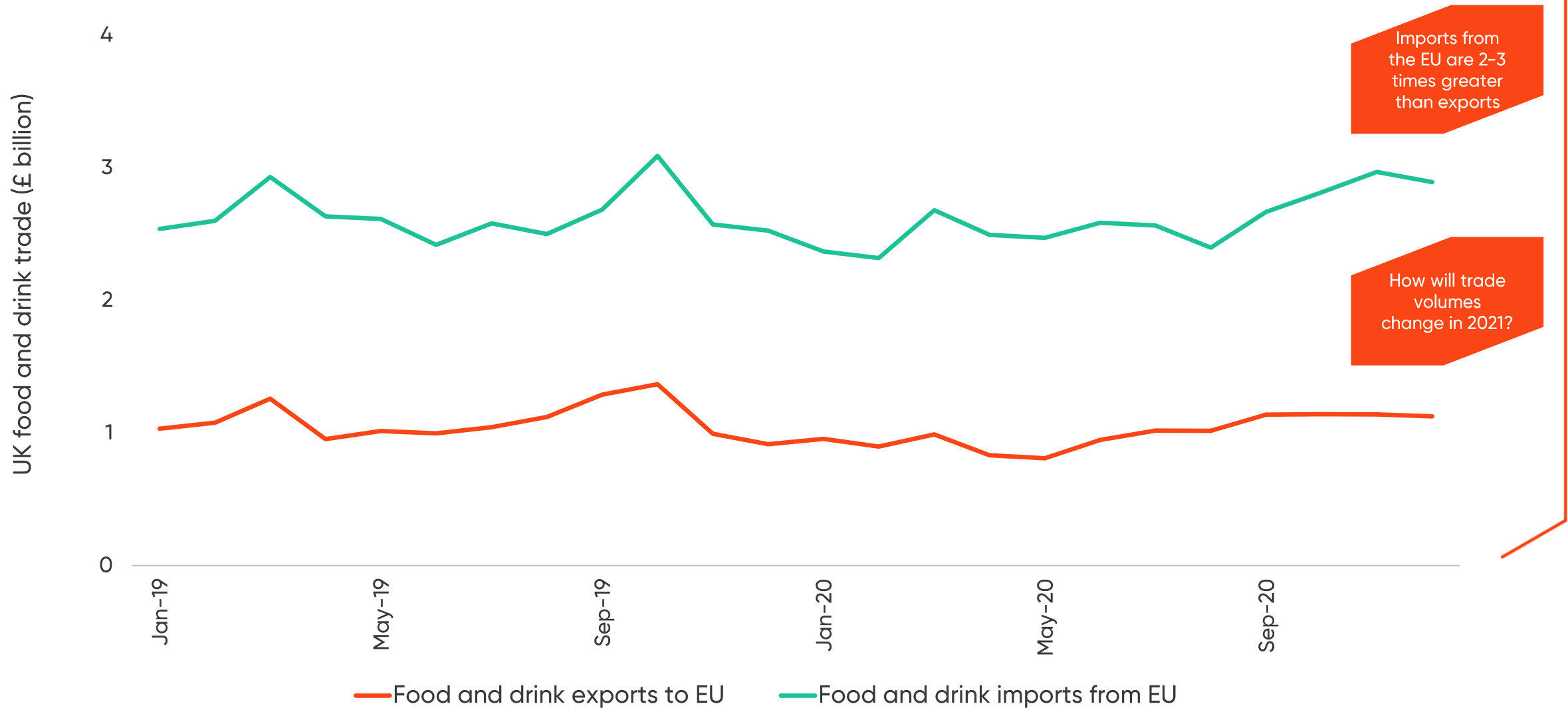
Michael Freedman
Senior Shopper Insight Manager

Your agenda

- ▲ The story so far
- ▲ What next?
- ▲ Economic update
- ▲ Shoppers and citizens
- ▲ Q&A

1. The story so far

Imports from the EU rose a little in Q4



The EU imposed changes from Day 1

- The EU has implemented border measures on UK exports from Jan 2021 (eg: SPS checks on food)
- The UK is implementing change in stages over Jan – Jul 2021, with further development later



Outbound movement is mostly OK

- IT systems are working
 - ✓ Some issues with Irish customs
- UK government is upbeat re outbound traffic flows
 - ✓ Not everyone agrees!
 - ✓ System not tested under stress
- Long distance sea freight faces other challenges:
 - ✓ Lack of containers
 - ✓ Low capacity, high cost



Focus is switching to inbound movement

- Little is known about readiness of EU businesses for new UK border regulations
- The UK government is providing guidance, but businesses should reach out to partners in the EU



Financial support is available

- Grants to help prep for changes to imports:
 - ✓ IT
 - ✓ Recruitment
 - ✓ Training
- Scheme is administered by PWC
- Pool of money is starting to run out!



UK shellfish exports to EU are blocked

- The EU does not allow imports of untreated shellfish from "3rd countries"
- The European Commission has therefore blocked imports of untreated UK shellfish



Under- loved fish have been renamed

- ▲ Megrim – now called *"Cornish Sole"*
- ▲ Spider Crab – now called *"Cornish King Crab"*



Checks at NI ports were suspended in Feb

- Checks on GB animal products at Belfast and Larne halted on 01st Feb
- Security has been strengthened and checks resumed on 10th Feb



Article 16 implemented (sort of)

"If the application of this Protocol leads to serious economic, societal or environmental difficulties that are liable to persist, or to diversion of trade, the Union or the United Kingdom may unilaterally take appropriate safeguard measures."



Food supply to NI has been disrupted

- ❑ Poor food availability was reported in NI in early 2021
- ❑ Several causes have been suggested, incl weather
- ❑ More recently, availability seems to have improved



GB – NI supply chain challenges

- Border readiness
 - ✓ Some temporary concessions on agri-food movements
- Groupage
- Tariff liability



Groupage solutions for NI

Consolidation model

- Goods assembled at central location
- Goods certified as border ready and sealed for dispatch

Linear model

- Haulier collects sub-loads *en route* to port
- Sub-loads are certified and sealed individually
- Complete load is then certified and sealed for dispatch



Groupage solutions for Ireland

- Groupage solutions were developed for GB / NI trade
- The solutions are currently being trialed for GB / Ireland trade
- If successful, solutions could be extended to the rest of the EU

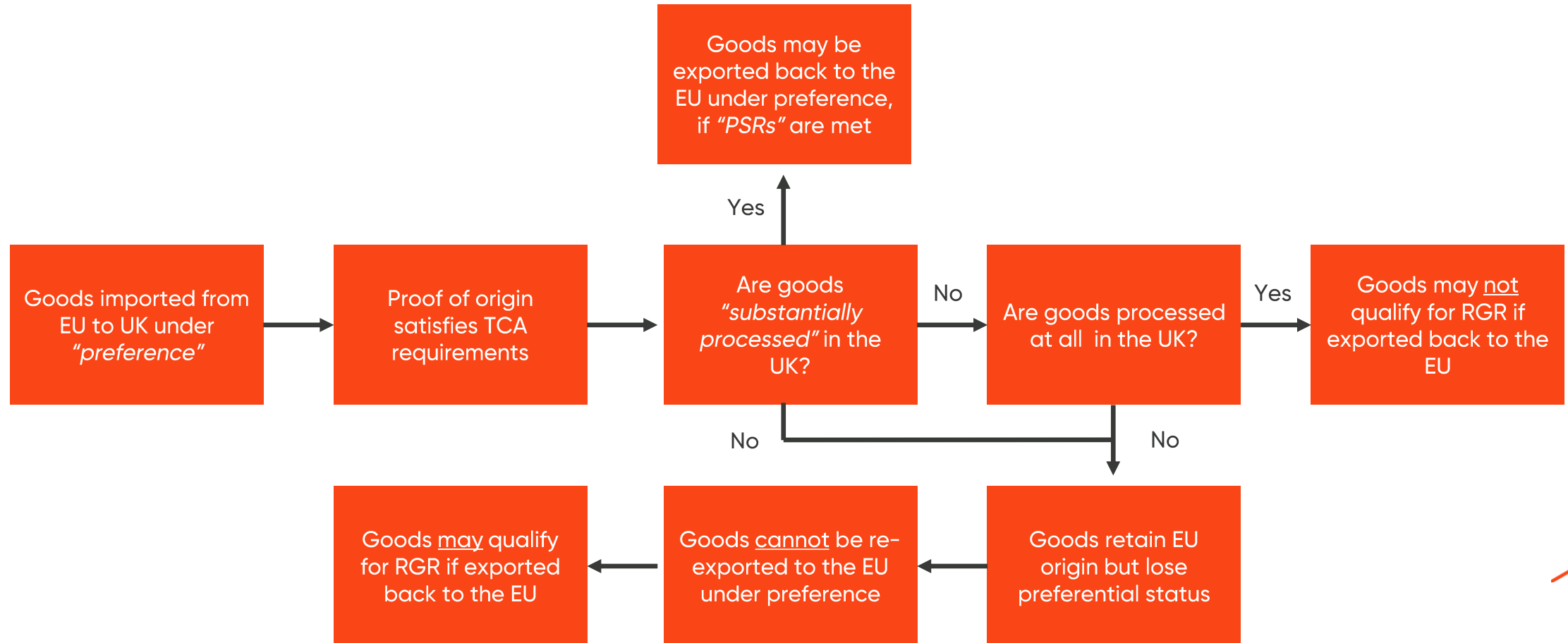


Possible tariff solutions

- Common Transit Convention (CTC)
 - Some users struggling with NCTS IT system – refer to government advice on closing transit movements
- Returned Goods Relief (RGR)



Eligibility for Returned Goods Relief



2. What next?

Next steps on EU-UK transition

Mar 2021

Advanced testing for Stage II of UK border arrangements

Selected businesses will be involved

01 Apr 2021

Stage II of UK *Border Operating Model* (BOM) implemented

Imports of all agri-food products must be pre-notified

Some physical checks will occur, away from the border

01 Jul 2021

Stage III of UK *Border Operating Model* (BOM) implemented

Checks on imports will be expanded and will occur at the UK border

Complete customs declarations will be needed, no deferment

UK tariffs, where applicable, must be paid at time of import

New EHCs needed for exports to EU

- ❑ Current EHCs not valid from 21 Apr 2021
- ❑ New EHCs must be used – awaiting more info
- ❑ Some items that do not need EHCs now will do so
- ❑ UK may also require new EHCs – policy not clear



Next steps for Northern Ireland

22 Feb 2021

Certification of
*"prohibited and
restricted"* goods begins

Special P&R EHCs must
be used, signed by an
official vet

Special labelling rules will
also apply – packs must
specify NI sale only

Refer to APHA briefing
note 0521



Completed this
week

28 Feb 2021

Frontier Transit Doc
needed to obtain *Goods
Movement Reference*

This document available
from Trader Support
Service (TSS)

01 Apr 2021

End of *"grace period"*
for supermarkets and
their suppliers

After this, all
shipments of POAO
from GB to NI will need
EHCs

30 Jun 2021

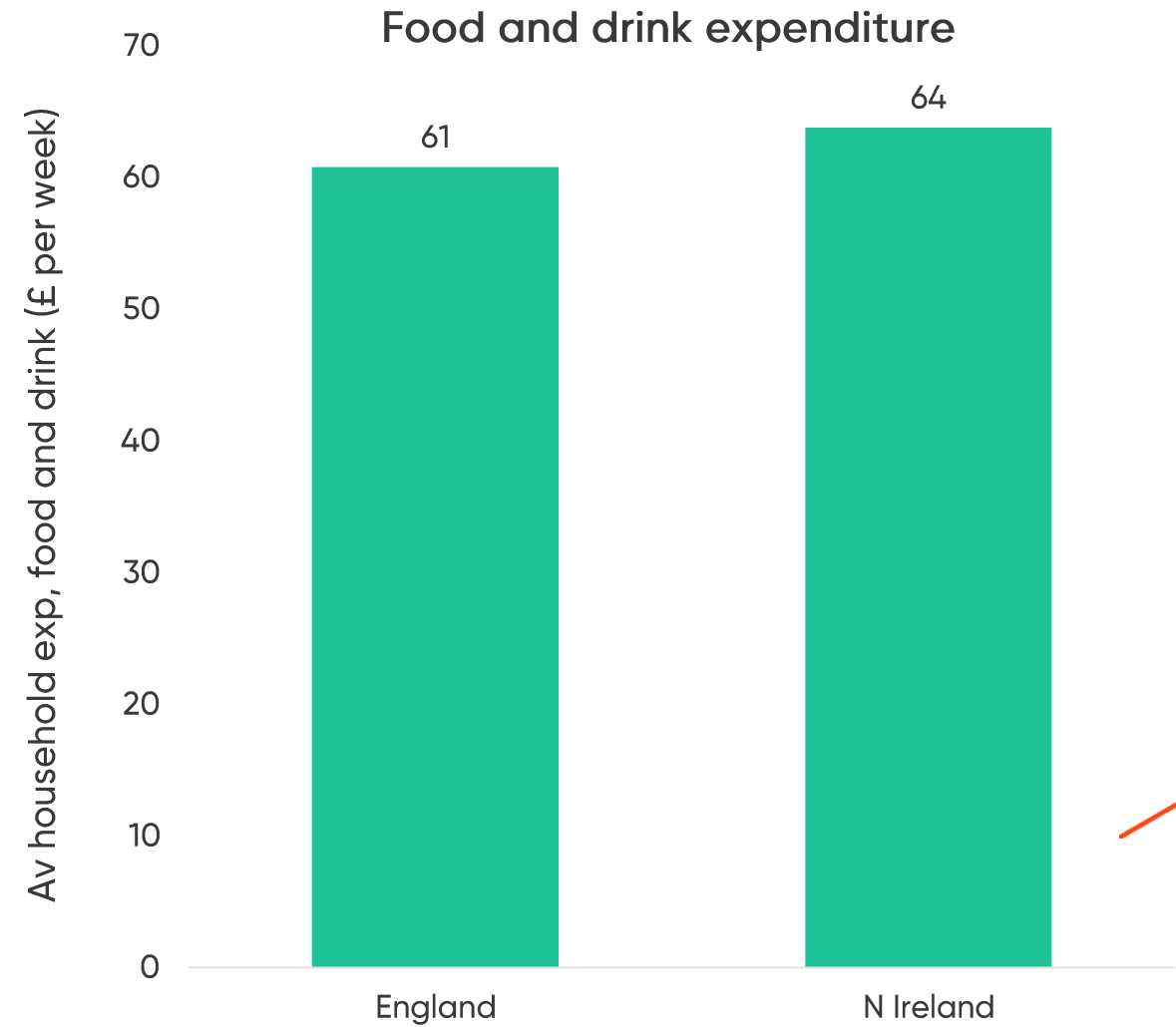
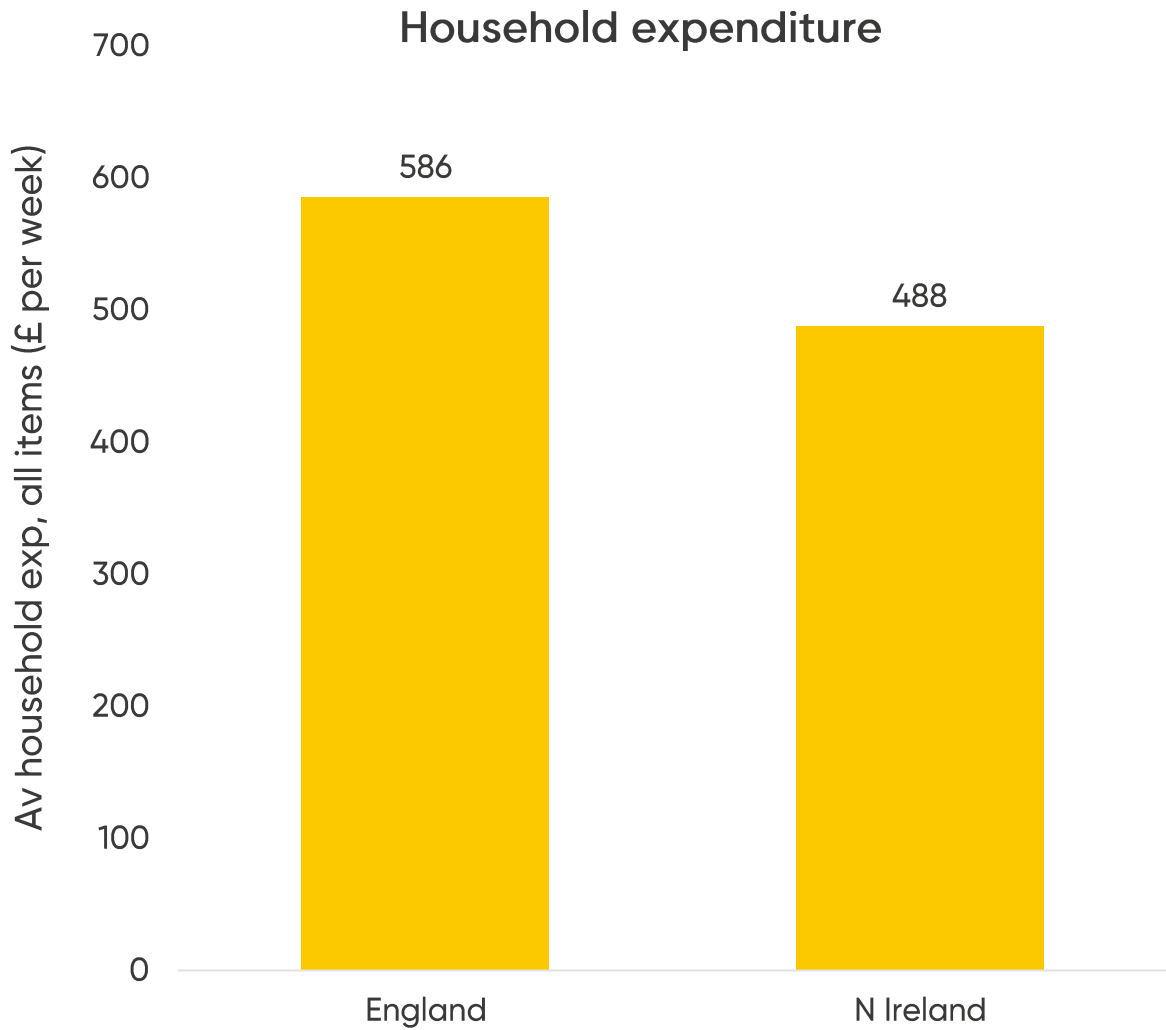
End of special
concession on
*"prohibited and
restricted"* goods

After this, certain
POAO (eg: sausages)
cannot be sent from
GB to NI in chilled form



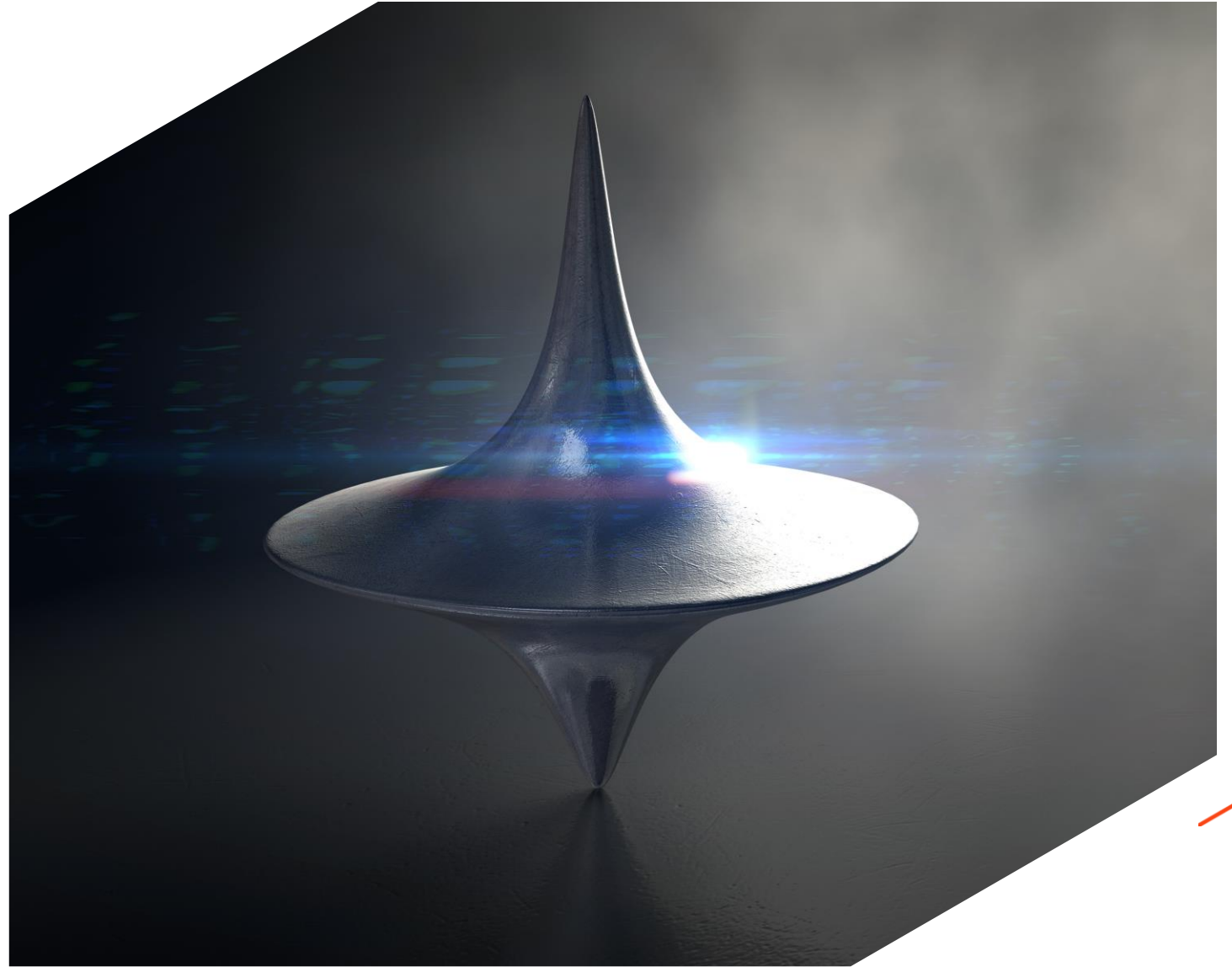
Talks happening today
Timings may change – wait for official updates

Any food price rise would hit NI hard



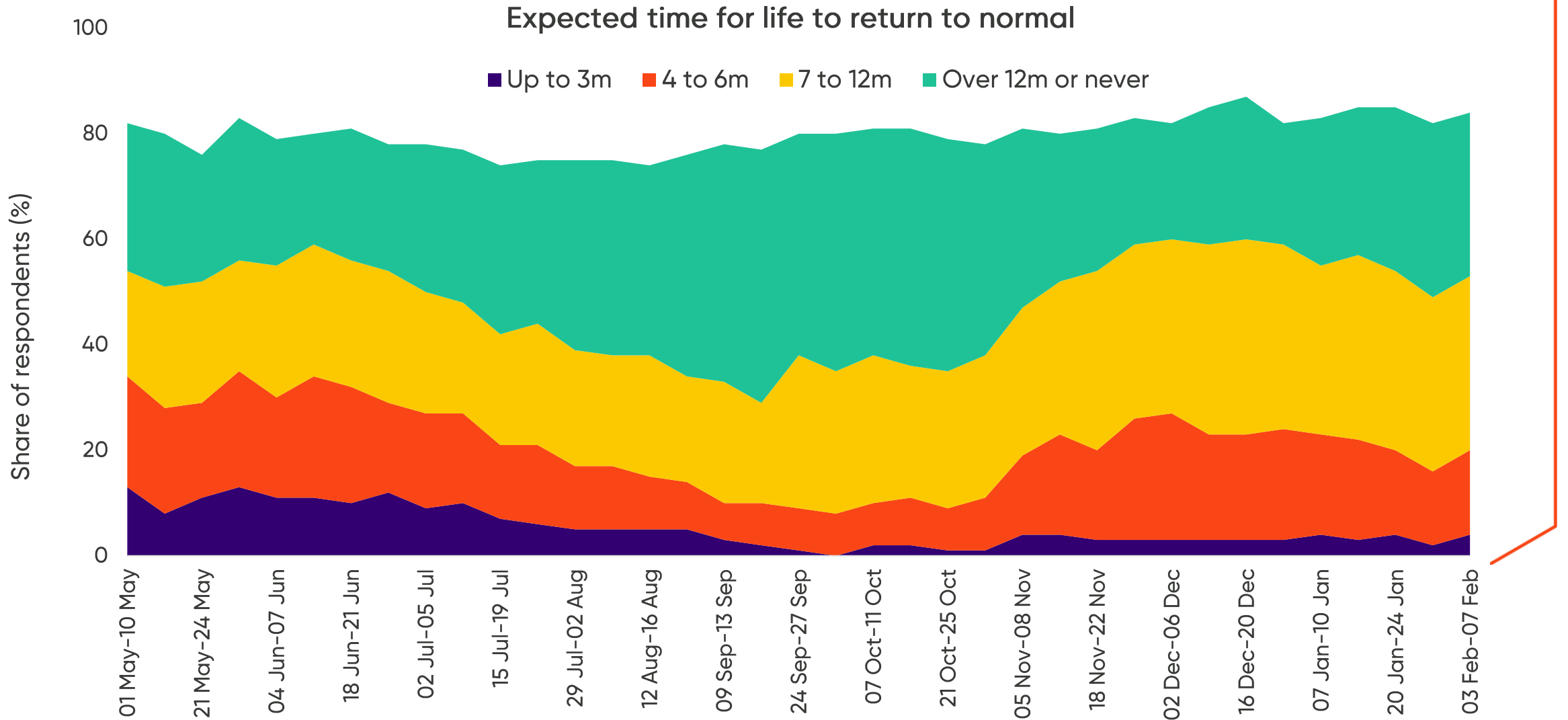
Will EU Exit mean deep change?

- Current UK grocery supply chain was developed within EU
- Leaving the EU creates new operational costs and frictions
- Will this overcome "*inertia*" and drive system change?

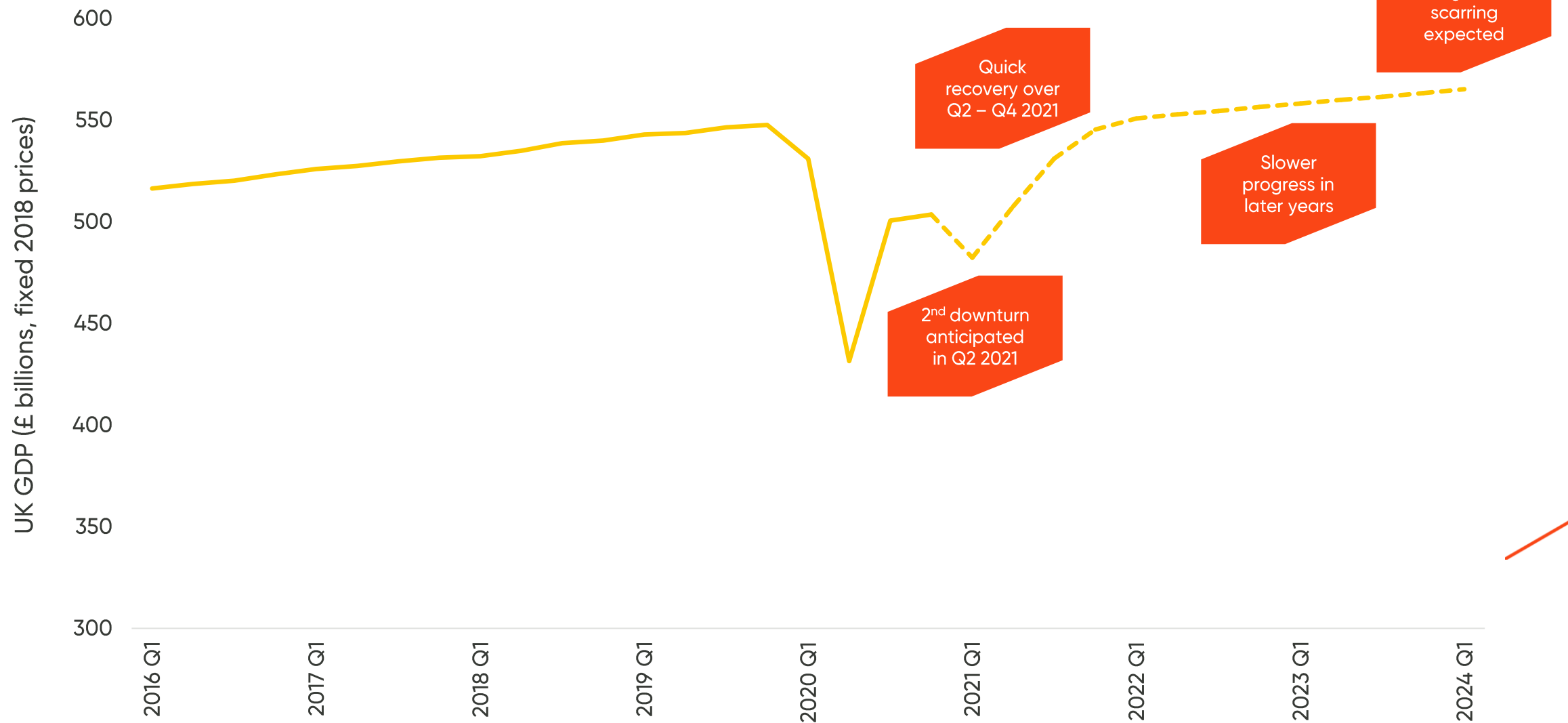


3. Economic update

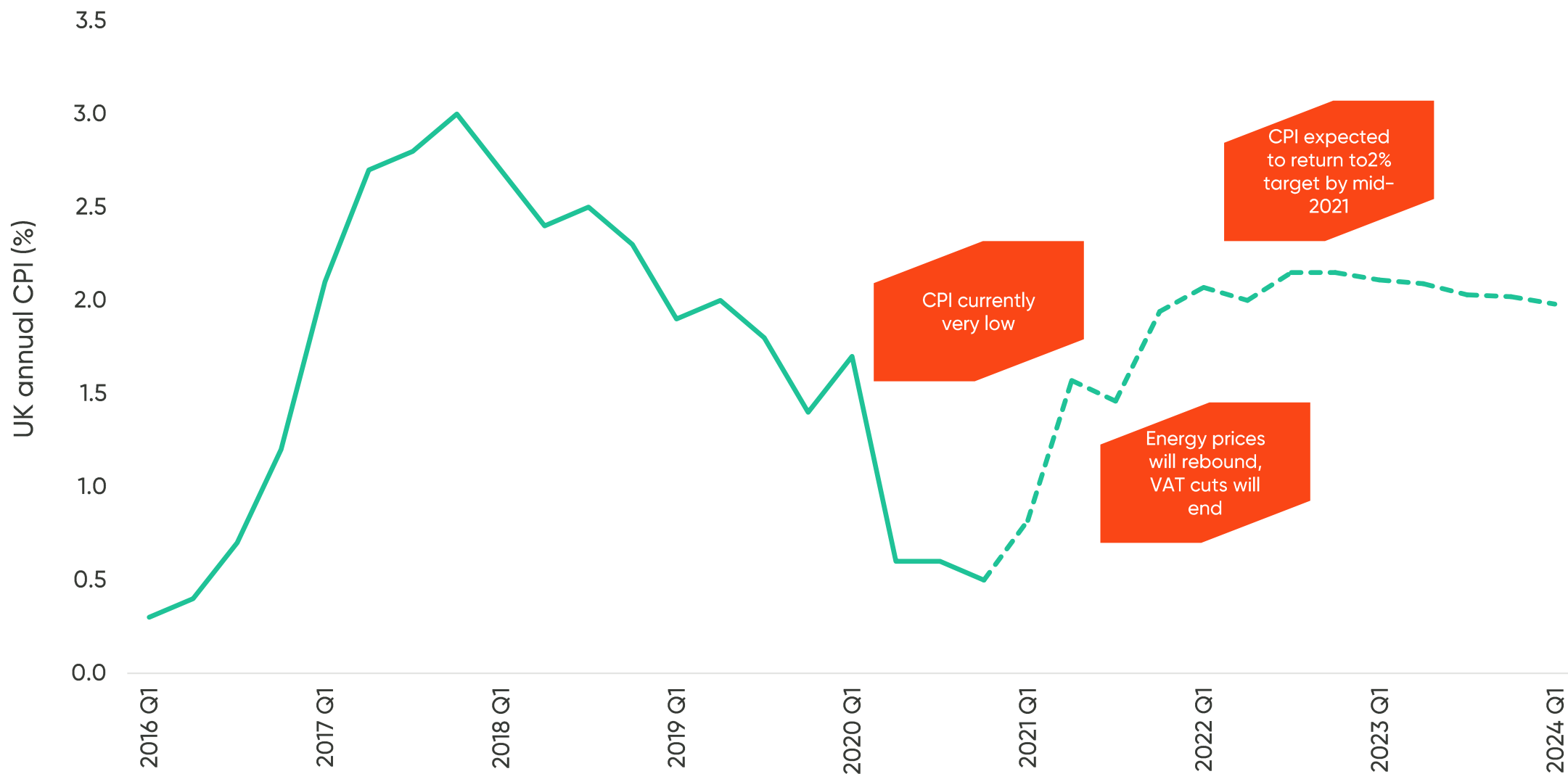
Vaccine rollout is raising morale



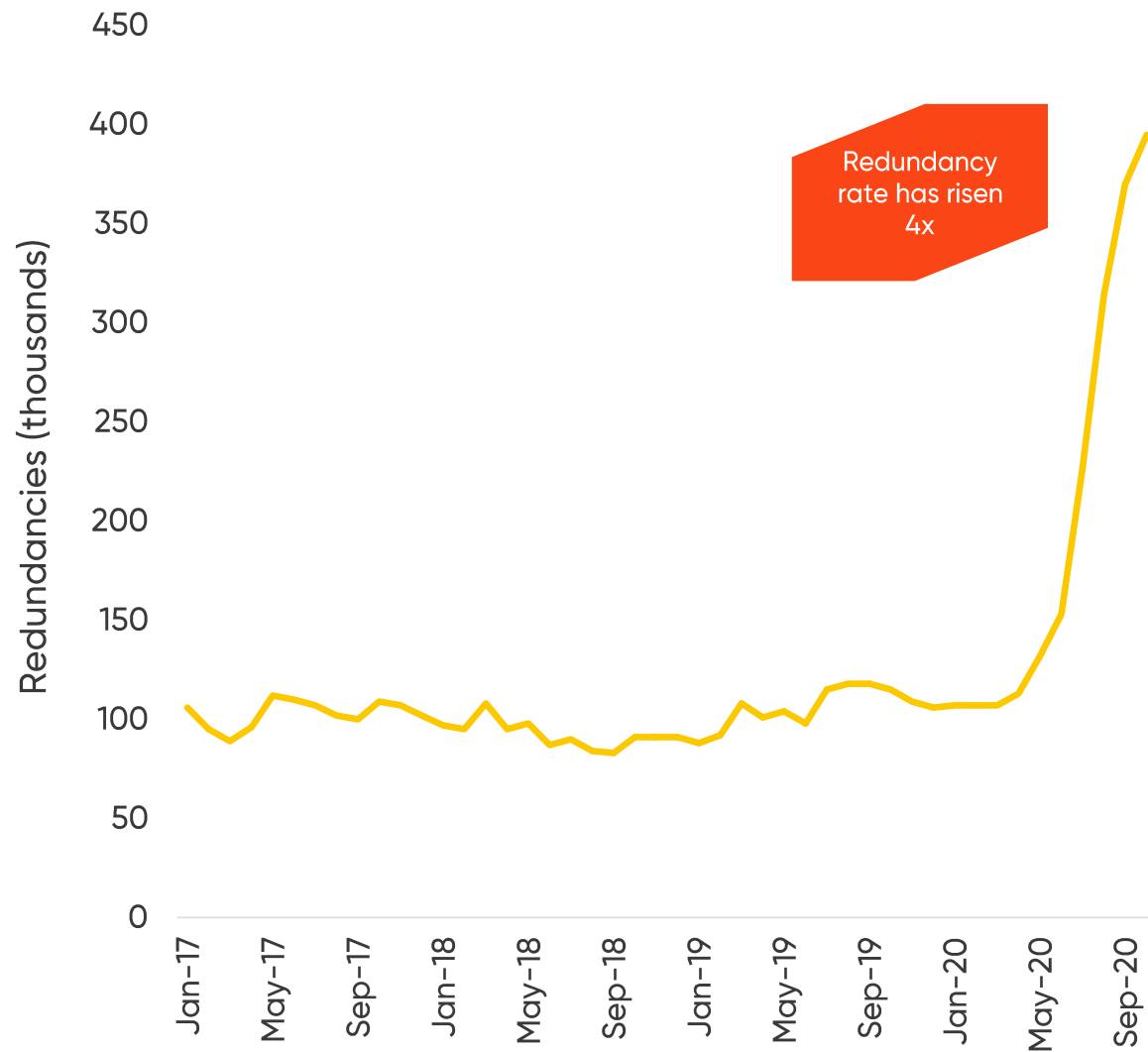
B of E expects quick recovery in 2021



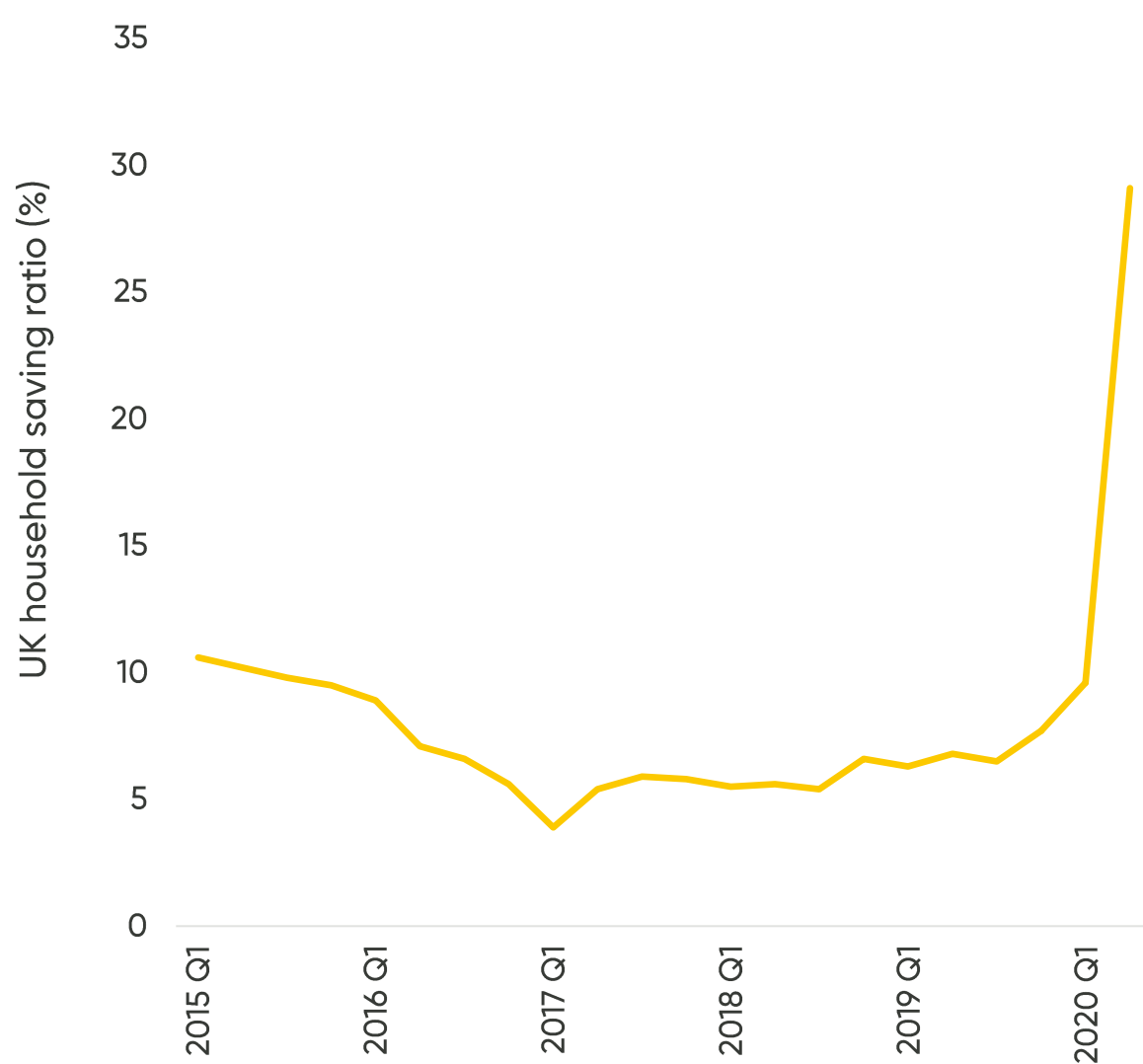
Inflation is also expected to strengthen



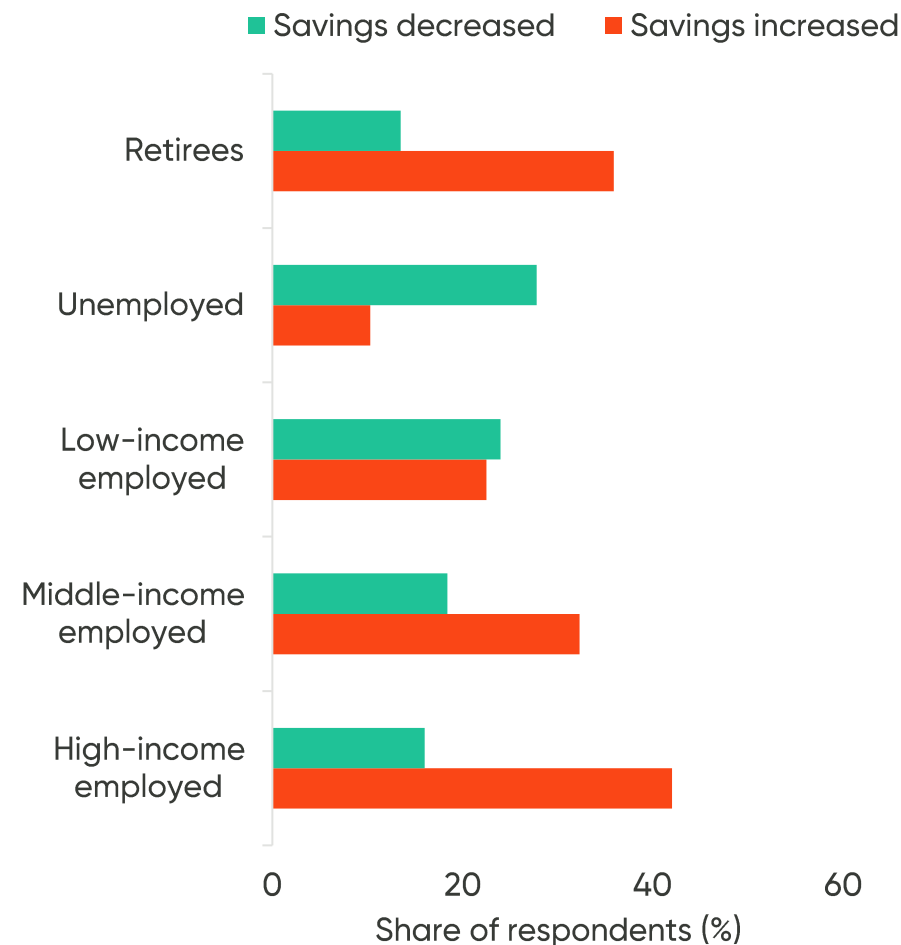
Redundancies are rising fast



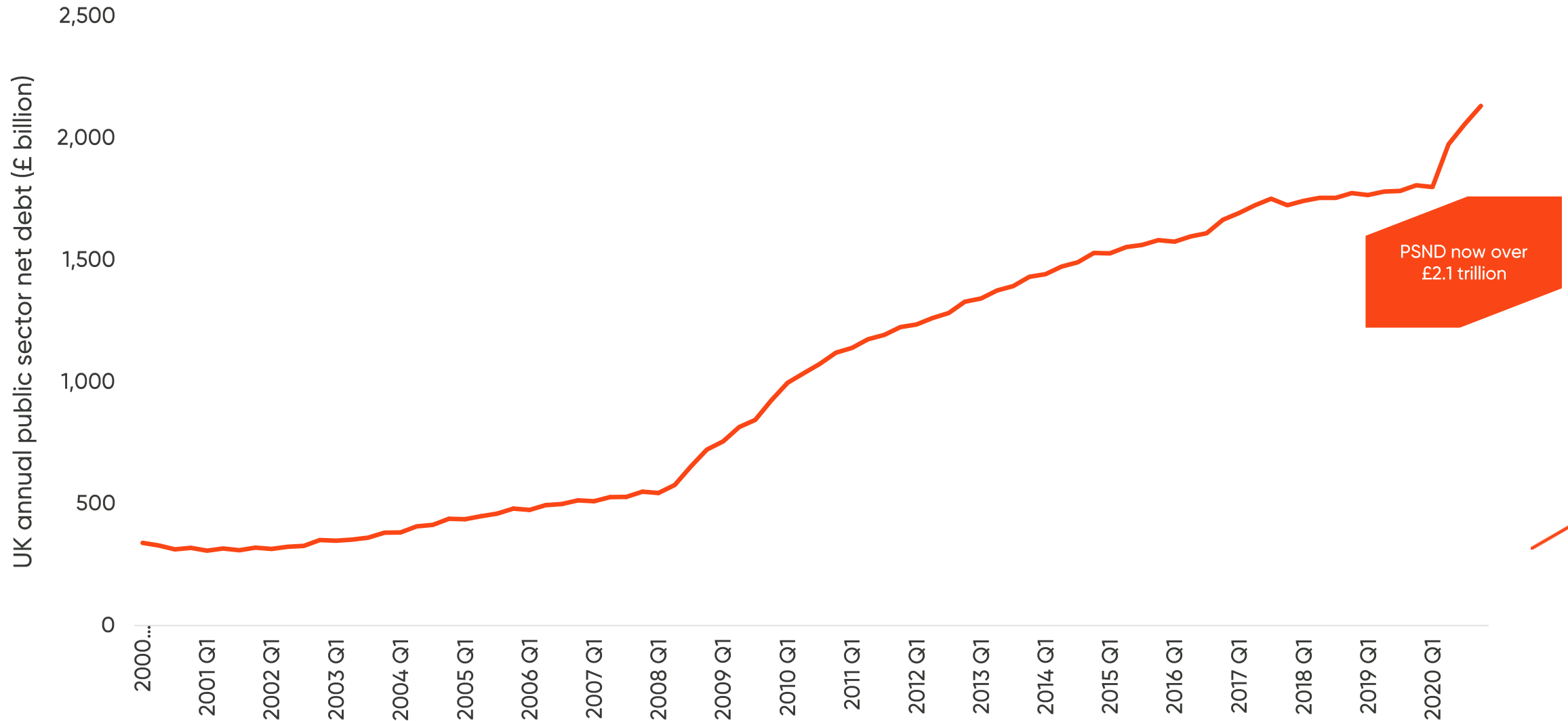
Some households have grown savings



Households reporting changes in saving

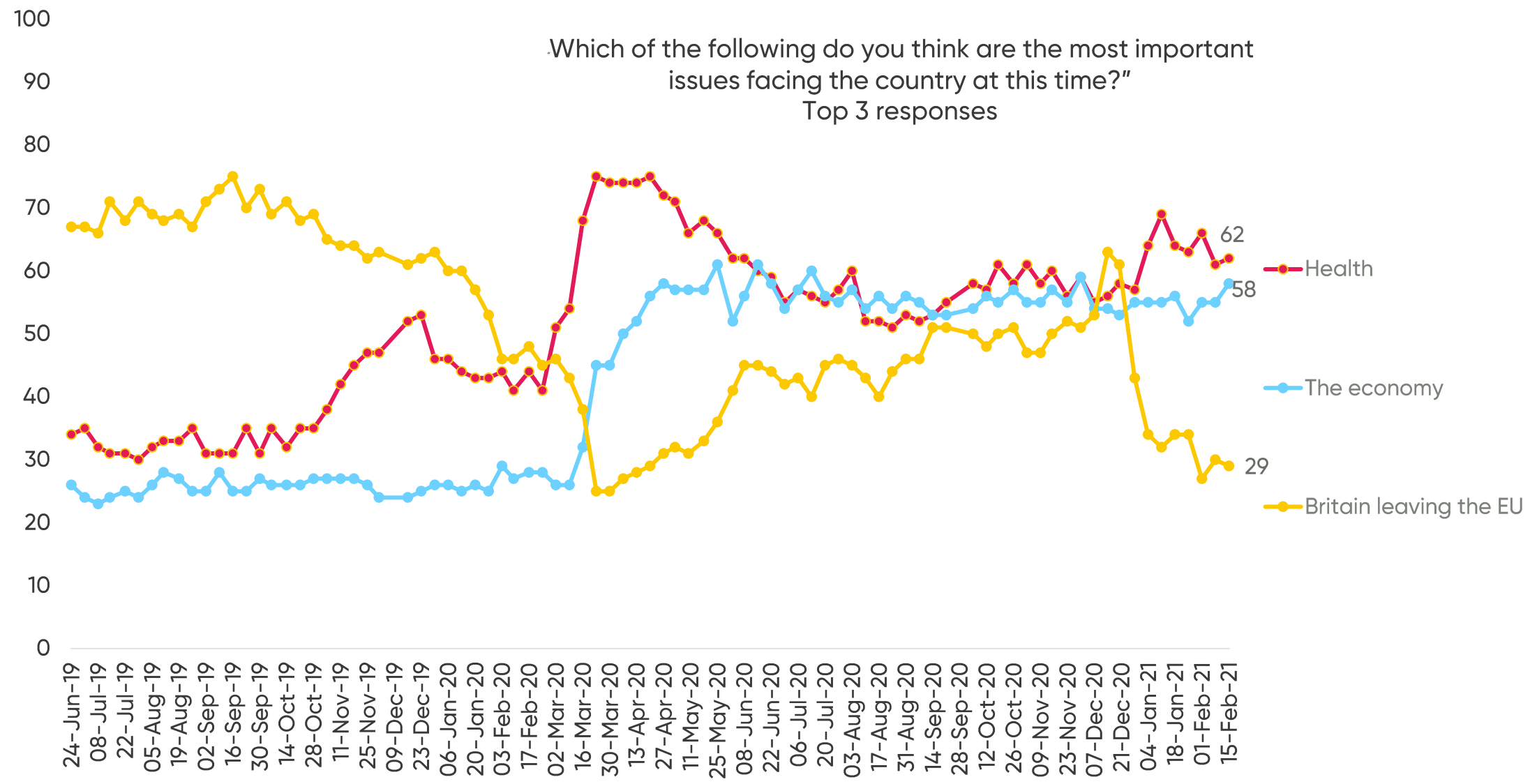


Public debt must be addressed urgently



4. Shoppers and citizens

Shopper focus on the pandemic and the economy

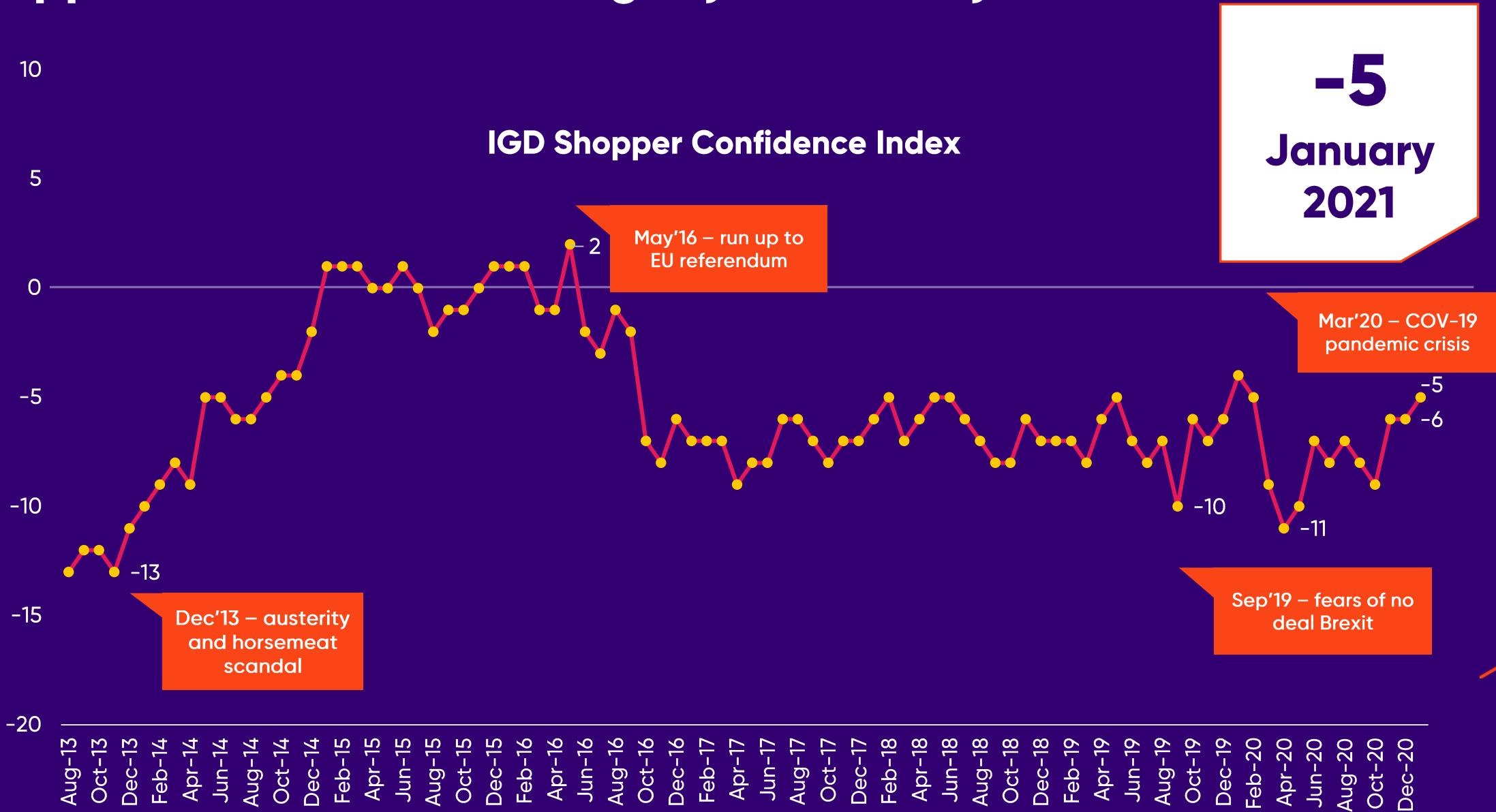


January ShopperVista update



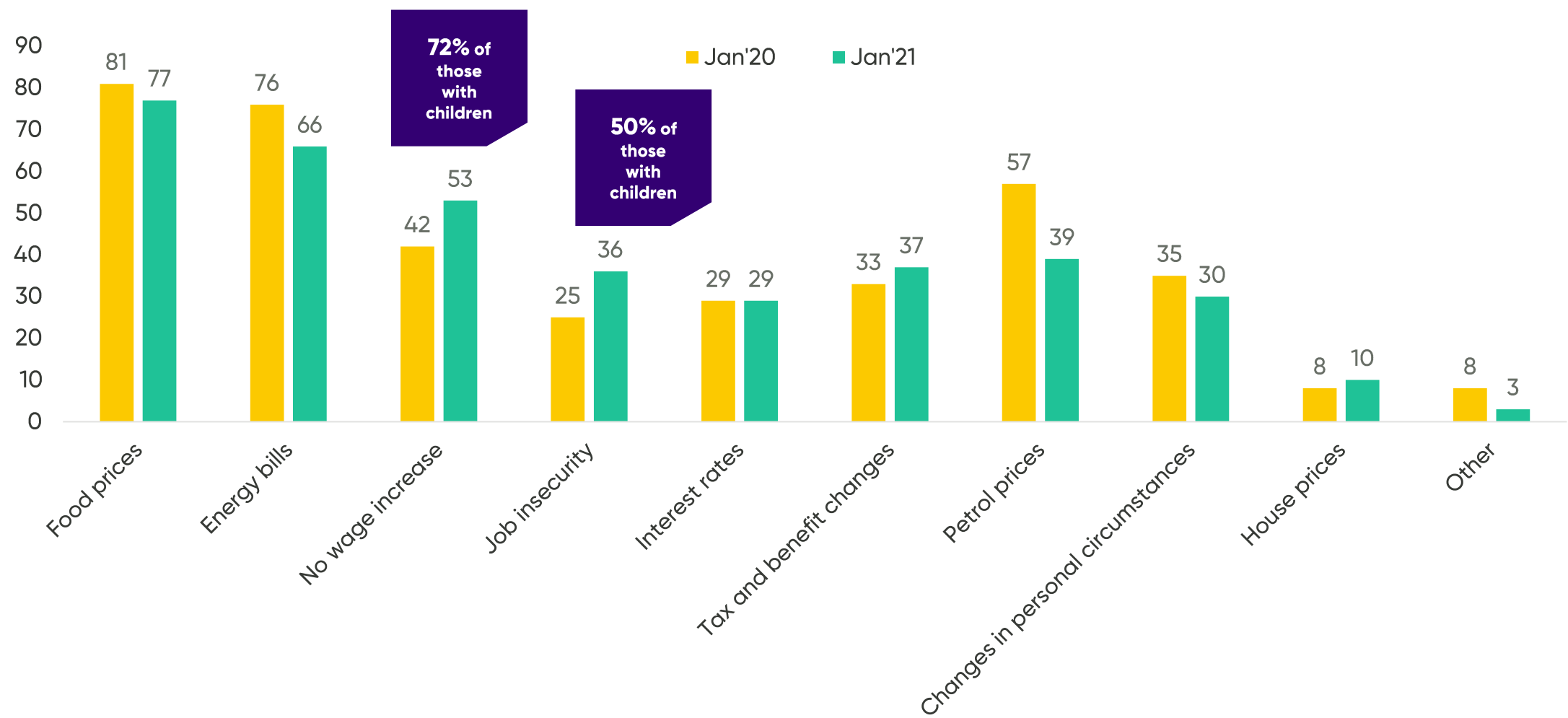
- ▲ Rising confidence
- ▲ Less shopping around
- ▲ Bigger baskets
- ▲ Changing financial concerns
- ▲ More planning

Shopper confidence rises slightly in January'21



Changing future financial concerns

Reasons for expecting be worse off financially in year ahead (%)



Many currently experiencing financial strain



37%

**Rising
energy bills**



42% C2DEs

35%

**Rising food
prices**



40% C2DEs

16%

**Reduced
wages**



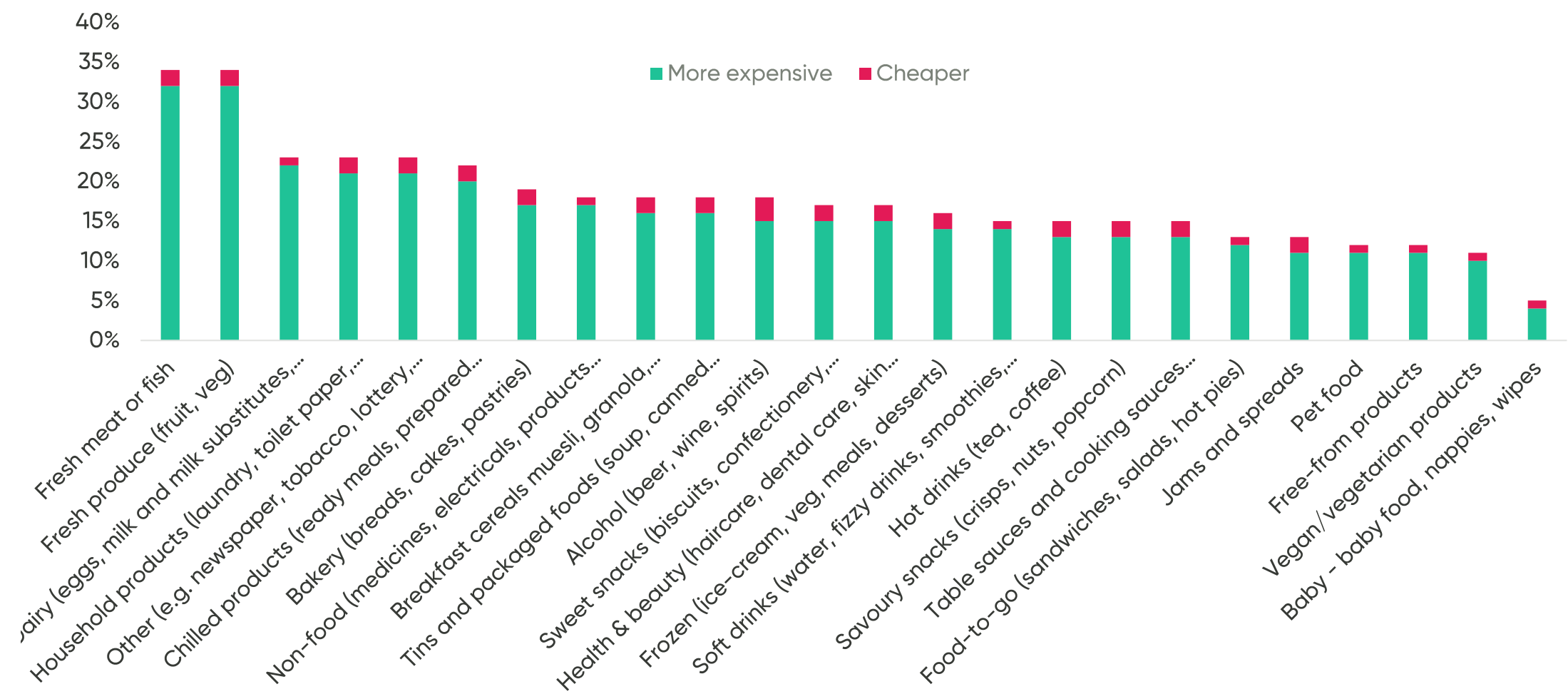
20% C2DEs

11%

**Increased
job
insecurity**

Perceived price rises highest for fresh products

% stating that the cost of food has got more expensive or cheaper in last month (Jan'21)



Shoppers using many savvy shopping tactics



Top in-store tactics

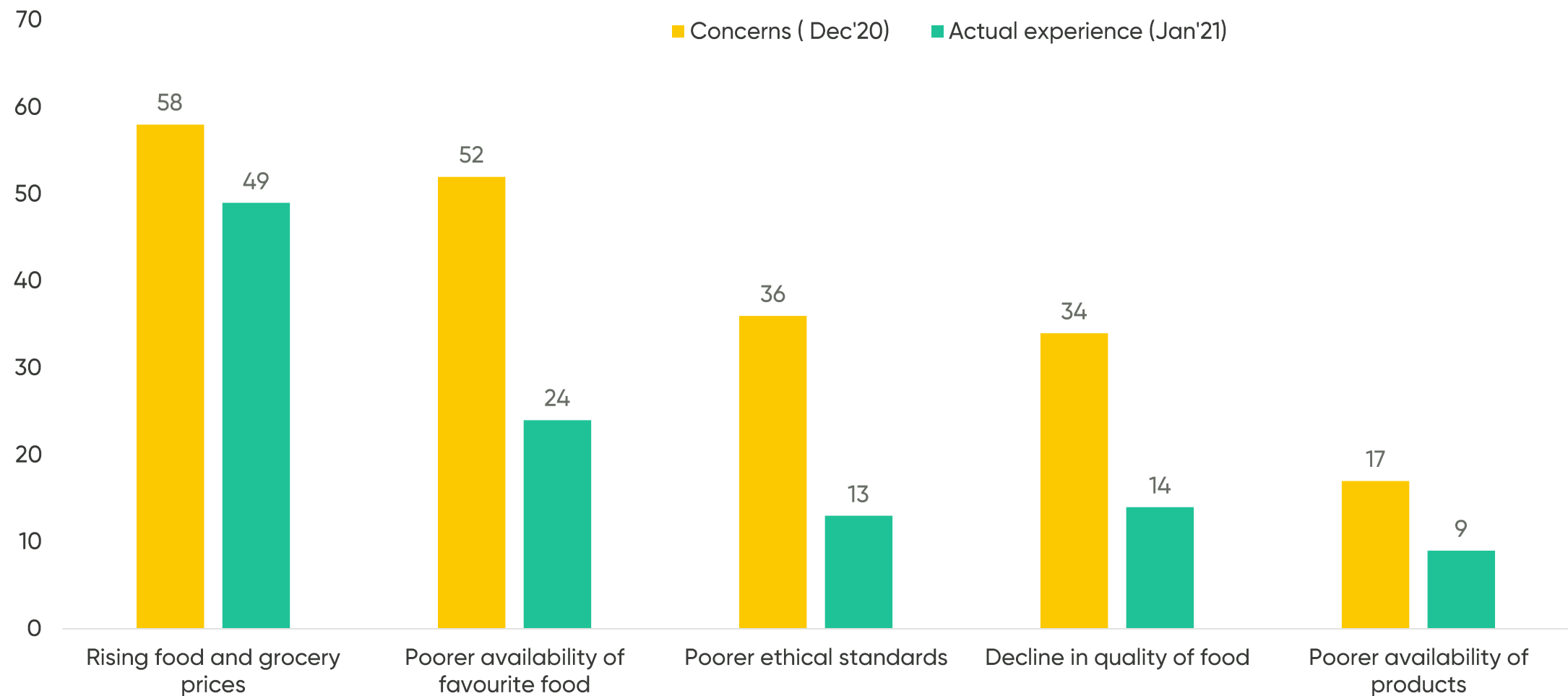
- ▲ Buying products on promotion (59%)
- ▲ Checking use by dates (42%)
- ▲ Buying from reduced to clear (34%)

Top out of store tactics

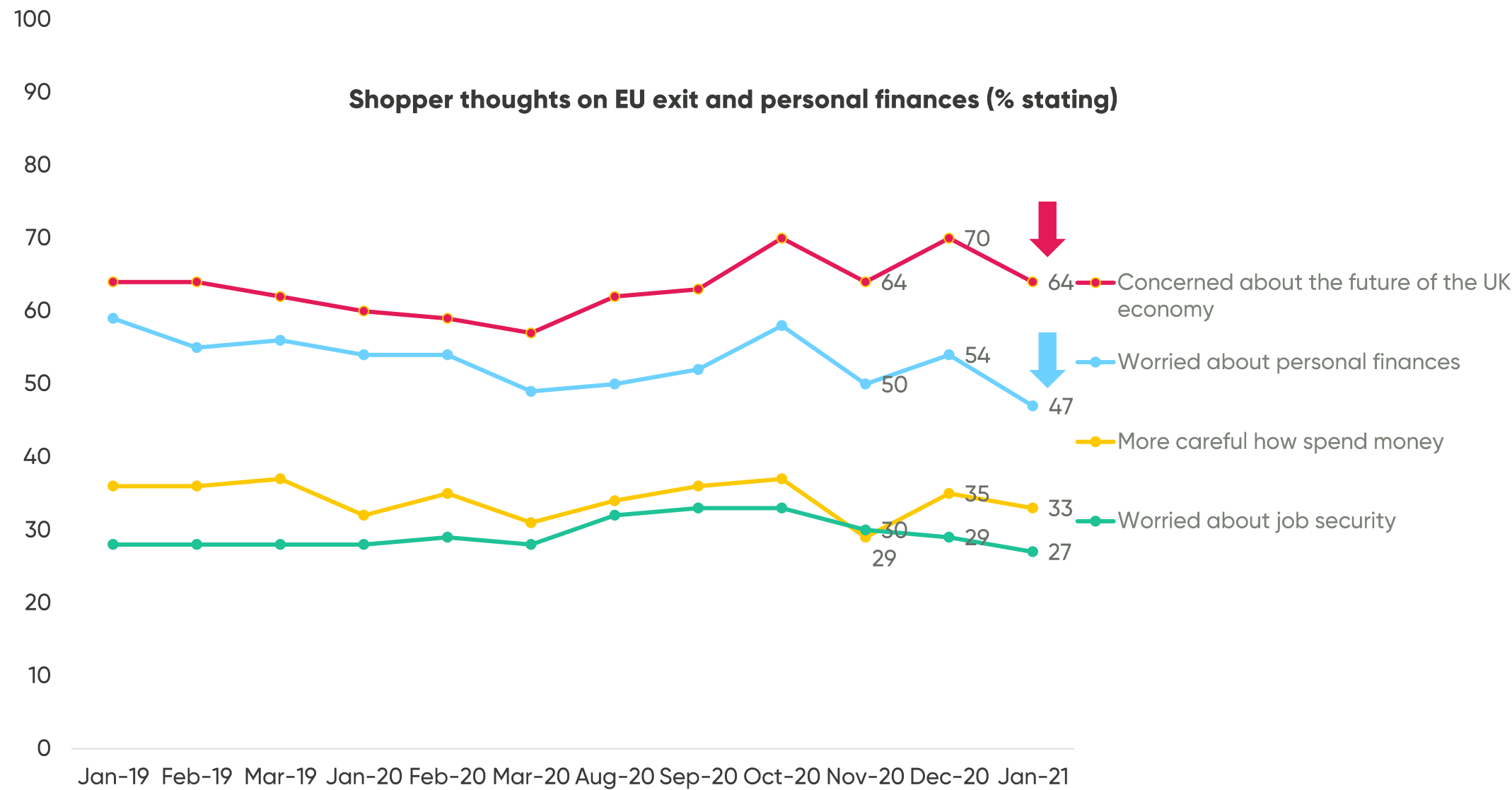
- ▲ Reduced spend on eating out (79%)
- ▲ Reduced food waste (66%)
- ▲ Cooking from scratch more (65%)

Half believe EU exit has led to rising food and grocery prices

Impact of the UK leaving the EU (%)



Concerns about EU Exit have declined



EU Exit leading to demand for British and local food



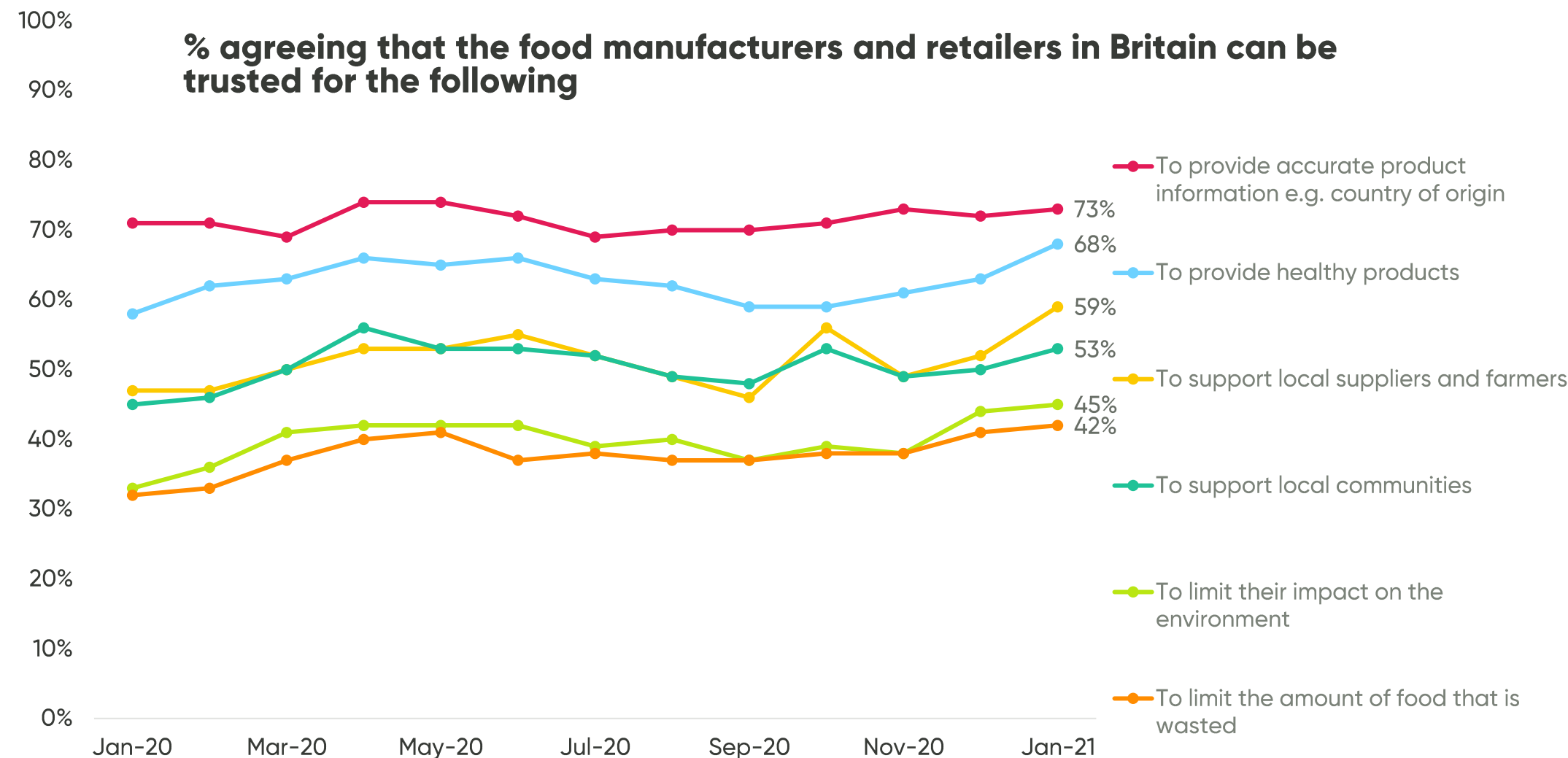
EU Exit may encourage me to buy
more British or locally sourced food
Dec'20

58%

EU Exit has encouraged me to buy
more British or locally sourced food
Jan'21

39%

Trust in the food industry for healthy products and to support local suppliers at record levels



5. Q&A

from **IGD**

Any questions?





Thank you for joining us!

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