

# A UK trade and investment strategy for food and drink



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# Foreword

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## Why we need a UK trade and investment strategy for food and drink

UK food and drink is a success story that sits at the heart of our country's social and cultural fabric. Our industry is creative, innovative and diverse, providing consumers with unrivalled choice and variety throughout the year, and with both nourishment and pleasure. Our products are found in every household across the UK and – more and more – in households across the world.

Moreover, food and drink is part of the UK's Critical National Infrastructure and is the UK's largest manufacturing sector, employing nearly 500,000 people and contributing almost £30 billion to the economy. Much of what we produce is made locally, but we are nonetheless rooted in global trade, with both importing and exporting an essential part of what we do. Our industry's balance across imports and exports adds to the robustness of the UK's food security and ensures that consumers enjoy a wide range of choice at competitive prices.

The UK's food and drink exports ensure that our sector's reputation for quality, integrity, innovation, choice and competitiveness is accessible globally. They reflect our food heritage and culture, in every nation and region of the UK, and range from much-loved favourites to bold, innovative products at the forefront of environmental sustainability. But there is significant untapped potential to grow our exports further. If we can achieve this, our industry's unique footprint means we are well-placed to deliver the benefits of international trade in every community, urban and rural, across the UK.

At the same time, imported ingredients and raw materials complement local produce in added value products that offer more sustainable export opportunities than commoditised trade. Imports help ensure security of supply for producers, enabling them to manage the inherent risk and uncertainty of seasonal production and variable climate conditions.

Given our roots across all aspects of trade, the debate about standards is central to us. Polarised and binary positions, and the risk these harden further, don't help us. We don't agree that the UK cannot do trade deals with countries that do not mirror our own domestic production standards. Nor do we agree that the imperative of free trade should prevail over the UK's high standards and their importance to manufacturers and consumers. We hope, therefore, that this strategy provides a route map for a sensible, middle way, which recognises that neither of these binary choices work for the good of the UK. Ours are, we hope, workable and practical solutions that will help our sector – and the UK's economy more broadly – prosper and thrive.

Over many months we – the FDF and our members, small and large, importers and exporters – have worked with Global Counsel to produce this strategy. We have set out a series of actions on which we hope that industry and government can partner. Our aim is to play our part in the government's 'Race to a Trillion' in total annual exports. Our ambition for trade must secure real benefits for the UK's farm-to-fork food and drink industry, as well as for shoppers and households, not least in times of soaring inflation.

We invite UK government and the devolved administrations to work with us in taking forward a plan that will deliver on our industry's trade potential.

**Karen Betts**  
Chief Executive  
Food and Drink Federation (FDF)

**Gerald Mason**  
Senior Vice President, Tate & Lyle Sugars  
Chair of FDF International Trade Committee

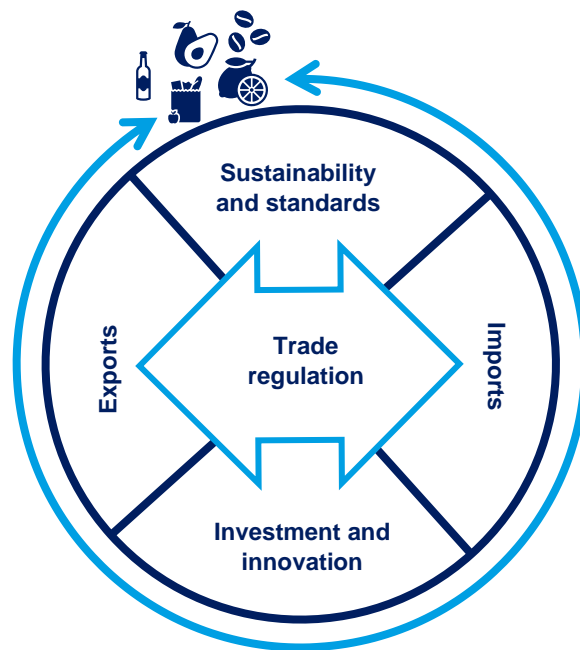
## Executive summary

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For more than 40 years the UK has operated a food and drink trade policy that reflected in large part the aggregated interests and imperatives of the EU. Outside of the EU this policy can and should be customised to the specific priorities, strengths and trading patterns of the UK. As the UK sets out a broad new trade policy and continues to seek new or updated Free Trade Agreements (FTAs) with partners around the world, it also needs a refreshed trade policy for food and drink.

We argue that a UK trade policy for food and drink should be built on four broad strategic assessments. Addressed in combination, these will deliver a trade policy that recognises the unique features of the UK food and drink supply mix and insist on high standards of production, environmental sustainability and animal welfare. Section 1 of this report describes these key strategic dimensions and the ways they interact. It also considers some of the ways in which the UK needs to develop new tools and approaches for making trade policy for food and drink outside the EU.

**Fig 1: The strategic dimensions of food and drink trade policy**



### **Imports are a critical part of the UK food and drink supply**

Imports provide resilience of supply by balancing UK and diverse, stable, international production. They provide a competitive spur to innovation and productivity in the UK food production sector. They provide access to products and raw materials that are not produced in the UK, especially tropical ingredients and they help extend the UK availability of produce outside of their growing season in the UK. This ultimately contributes to food security. They also create opportunities for the addition of value and export by UK manufacturers. The UK's basic policy stance should be to remove unnecessary taxes on imported food. Where the UK operates a preferential tariff regime for some partners, it shouldn't necessarily expect those partners to produce to identical production standards as the UK's. But the UK should expect preferential trade partners to demonstrate a capacity to deliver high standards for food

production, environmental sustainability and animal welfare. Section 2 of this report considers how the UK should continually assess the case for reform of its external tariff, and the ways it should link its preferential tariff rates not to equal standards, but to high standards.

### **Food and drink exports for the UK reflect niche strengths in high-value segments**

The UK's export strengths in food and drink are often driven by innovation built on decades or even centuries of investment in food production processes, brands and local product identities. While tariff elimination remains an issue in some markets, a trade policy for this export mix also needs to focus on finding and targeting the right pools of potential customers globally, tackling regulatory issues, including those linked to new or innovative products, and defending intangible knowledge and brand assets. A thriving export sector requires collaboration across the supply chain and with FTA partners. This includes the ability to develop products for overseas markets and this is dependent on an open, risk-based and permissive sample import system. Section 2 of this report identifies four key parts to the UK's export promotion strategy for food and drink.

### **Efficient regulation is central to simple trade in food and drink**

The UK's concept of the border for food and drink trade should stretch from the moment at which a traded order is received to the point at which it is delivered to the customer. At each stage in that process, the 2025 UK Border Strategy should be seeking to deliver data-driven process efficiency and simplification. With the EU and other key partners, the UK should be a firm advocate for the use of forms of mutual regulatory reliance to help reduce the regulatory burden on importers and exporters without compromising on food safety by maintaining high product standards. Section 3 of this report identifies a series of priorities for putting diplomatic engagement on regulatory questions with our key trading partners and an effective regulatory regime for the UK border at the heart of UK trade policy for food and drink.

### **Trade policy can help make the UK a great place to invest in food and drink**

This is in part because trade policy influences the costs of imported inputs in manufacturing, and in part because this is the means by which the UK can potentially establish improved competitive terms in export markets. Attracting high value investment to the UK and encouraging the deployment of venture and growth capital in export-oriented food and drink businesses, should be an integral part of UK trade policy for food and drink. When the UK signals its commitment to high quality and high standards in its food and drink trade policy it sends an identical signal to prospective investors in the UK. Section 4 of this report considers how trade policy choices can reinforce the attractiveness of the UK as a place to invest and innovate in food and drink.

### **Open trade in food and drink does not mean compromising on standards**

Critically, none of these strategic aims need be pursued at the cost of maintaining some of the highest standards in the world for food and drink products and production, food security, environmental sustainability, labour standards or adequate support for the UK's domestic farmers. Running through our report is the argument that the UK should aim to integrate high standards at the heart of its trade policy, as the condition for preferential food and drink trade with the UK and as a key part of the case for the UK as a location for food and drink investment and innovation.

This report proposes 20 recommendations targeting these strategic priorities:

### **Maximise the benefits of trade in food and drink**

- 1. Ensure ongoing reform of the UK's import tariff for food and drink.** An ongoing review should seek to eliminate on an applied basis any tax on food and drink imports that cannot be justified as supporting food security or another clear policy rationale. (Section 2.2)
- 2. Establish pre-negotiation standards assessments for potential preferential trade partners.** All negotiations should be preceded by an assessment of core food and drink production standards, environmental sustainability and animal welfare. Preferential trade partners should meet baseline commitments to working with the UK on high standards. (Section 2.3)
- 3. Negotiate robust FTA content on standards.** UK FTAs should contain robust commitments to effectively enforce, and non-regression from, defined levels of animal welfare and food and drink production. (Section 2.3)
- 4. Ensure simple and practical rules of origin for all preferential tariffs.** UK FTAs should contain simple and robust rules of origin that protect targeted trade privileges but also allow diversified global sourcing. (Section 2.4)

### **Secure the greatest opportunities for UK exporters**

- 5. Create new licensing rights to UK brand identities for exporters.** The UK government and devolved administrations should widen the scope for UK exporters to license and use the government generated brand identities linked to UK food and drink. (Section 2.5)
- 6. Defend UK food and drink brand equity by defending intellectual property (IP).** The UK should continue to adopt a robust position on geographical indications (GIs) and other forms of brand equity and proprietary knowledge, defending this both in its regulatory diplomacy and via commitments in FTAs. (Section 2.5)
- 7. Develop a blended skill set for agricultural attachés.** UK attachés should be provided with specialist training in food and drink regulation and empowered to target a range of ways to boost UK food and drink exports and inward investment in food and drink in the UK. (Section 2.5)
- 8. Create a new regulatory registry for UK exporters.** The UK should create a new real time registry of regulatory barriers in key markets relevant for UK exporters. (Section 2.5)

### **Ensure a coherent regulatory landscape**

- 9. Pursue MRAs on food and drink standards with key trading partners.** The UK should continue to expand its portfolio of Mutual Recognition Agreements (MRAs) and champion mutual reliance as a tool for facilitating food and drink trade. (Section 3.1)

**10. Promote mutual regulatory reliance (MRR) to ease customs requirements.** With key trading partners, mutual regulatory reliance based on equivalent standards and common robust approaches to enforcement should ease the burden of physical checks. (Section 3.1)

## **Deliver world leading borders and customs**

**11. Undertake a full digital overhaul of the ‘border’ for food and drink trade.** The 2025 UK Border Strategy should include measures to digitalise all commercial and official certification required for both imports and exports. (Section 3.2)

**12. Design a Single Government Border Approach to underpin the Single Window.** The government should ensure simplified approaches to systems are backed by a single approach to its presence at borders. (Section 3.2)

**13. Create joint customs offices with key trusted trading partners.** The UK government should look to create single customs offices and integrated Single Windows with its trusted trading partners. (Section 3.2)

**14. Expand risk-based approaches to customs enforcement.** This should include looking to remove trusted businesses from customs border requirements where possible. (Section 3.2)

**15. Focus on SPS capabilities, not consignments.** Protocols should focus not on each dispatched consignment, but on firms’ SPS capabilities and processes, and should ensure an open risk-based sample import system to facilitate innovation. (Section 3.2)

**16. Set out a new approach to trusted traders.** The UK should also consider enhancing its approach to food and drink trusted traders. (Section 3.2)

**17. Develop a strategic plan for UK port capabilities.** While the best UK ports can be among the world’s most efficient, there is scope to improve surge capacity, automation and AI to expedite clearance times. (Section 3.2)

## **Drive long-term investment in UK manufacturing**

**18. Ensure tax relief for capital investment in food and drink.** Growth in UK food and drink investment can be catalysed by a permanent extension of the super-deduction policy. (Section 4)

**19. Make the UK a world leader in regulation for food and drink innovation.** To attract food and drink innovators, the UK should develop collaborative approaches to developing regulatory frameworks for new technologies. (Section 4)

**20. Ensure tax support for R&D.** The Finance Bill should prioritise food and drink for R&D tax credits to attract and stimulate investment in UK food science research. (Section 4)

# UK food and drink trade with EU and the rest of the world

£m, 2021

## Value-added food and drink\*



Top five non-EU trading partners (£m)

Imports	Exports
United States (589.04)	United States (1468.12)
Thailand (536.61)	China (365.26)
China (305.25)	Australia (320.01)
Australia (280.05)	Singapore (315.01)
New Zealand (224.32)	Canada (271.99)

3,750

6,351

Exports  
£m

Imports  
£m

Trade with non-EU countries

## Value-added food and drink\*



13,008

5,643

Trade with EU countries

## Major commodity categories



### Fruits and vegetables

Top five non-EU trading partners (£m)

Imports	Exports
South Africa (587.4)	Egypt (61.88)
Morocco (348.93)	Morocco (40.74)
Turkey (315.15)	Norway (40.13)
Peru (293.73)	United States (22.28)
United States (267.87)	UAE (16.84)

4,407

340



### Dairy products and eggs

Top five non-EU trading partners (£m)

Imports	Exports
United States (22.87)	United States (78.51)
Switzerland (17.59)	China (55.1)
Serbia (6.46)	Saudi Arabia (23.63)
N. Macedonia (4.06)	Algeria (22.64)
Norway (2.19)	UAE (21.96)

57

481

### Fruits and vegetables

6,089

603



### Dairy products and eggs

2,854

1,192



### Cereals

Top five non-EU trading partners (£m)

Imports	Exports
Canada (257.83)	United States (117.48)
India (152.1)	Australia (75.19)
Ukraine (134.11)	UAE (70.92)
Pakistan (91.28)	Saudi Arabia (67.32)
Argentina (54.16)	Japan (45.92)

1,038

756



### Meat/meat preparations

Top five non-EU trading partners (£m)

Imports	Exports
Thailand (399.18)	China (263.53)
Brazil (260.76)	Hong Kong (66.86)
New Zealand (201.41)	Philippines (52.89)
Australia (57.55)	United States (42.46)
China (28.65)	Canada (23.07)

1,006

639

### Cereals

3,195

1,276



### Meat/meat preparations

4,764

1,186



### Fish and shellfish

Top five non-EU trading partners (£m)

Imports	Exports
Norway (500.85)	United States (226.17)
Iceland (280.72)	China (80.65)
Vietnam (204.09)	South Korea (35.23)
China (194.23)	Canada (19.22)
Faroe Islands (177.45)	Hong Kong (14.64)

2,393

504

### Fish and shellfish

857

1,212



Source: UK ONS; FDF calculations. \*Value-added food and drink is any food and drink product that has been produced by transforming basic commodities.



## Section 1: The foundations of a UK trade policy for food and drink

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There are few questions as fundamental as how a country feeds itself. For the UK, trade has long been part of the answer, and it will remain central to the answer in the future. The UK imports about 45% of its food and drink, including a wide range of fruit, vegetables, meat and beverages and a range of ingredients used in value-added food and drink production which are either not produced in the UK, not produced in sufficient quantities and which serve to complement domestic agricultural output. The UK is also a major food and drink exporter. While the EU dominates both this import and export trade (Fig 1), UK food and drink trade now reaches most parts of the global economy.

Exit from the EU provides an opportunity for a full strategic audit of UK food and drink trade policy. While the UK and the EU Member States share many common aims in ensuring resilient supply and high quality in food and drink, they have different patterns of food production and farming policy in some respects. The EU's Common Commercial Policy strikes a balance across a very diverse landscape of interests and aims in the EU and the UK was just one out of 28 different member states. Outside of the EU, the UK's trade policy can and should be fully customised to the unique needs and aspirations of the UK.

A number of basic realities emerge from an audit of UK food production and consumption in a global context. The UK is, and will always be, a major importer of food. Its exports are dominated by value-added production and often niche strengths. Although it faces (and imposes) prohibitive tariffs on food and drink trade in some markets, often the biggest obstacle to exports is unaligned or duplicative regulation. Targeted strategies for these challenges should form the foundations of the UK's trade policy for food and drink. Importantly, addressing these challenges in no way requires the UK to compromise on its deep commitment to high standards in food and drink production.

### 1.1 An intelligent approach to imports

As a large net importer of food, the UK needs a clear and strategic approach to food and drink imports. Imports are an important and necessary part of how the UK feeds itself. Imported goods allow access to a wider choice of products and ingredients that are not produced in the UK, extend the growing season for seasonal products and can provide a competitive spur to domestic production in some cases to ensure fair prices for producers and consumers. Nevertheless, given the centrality of both sufficiency and high standards in food and drink, three important tests can and should be applied to imports.

- **Imports should contribute to a robust production/supply ratio<sup>1</sup> through sourcing from diverse, stable suppliers.** Diversification is a key practical strategy for any supply of any critical goods and, in the case of food and drink, helps ensure food security. Relying solely on domestic production can be a form of risk in itself, if there is a material possibility of domestic production failing – through firm failure, disease or other vulnerabilities. Where UK trade policy creates incentives for sourcing imports, it should focus on producers with a track record of reliable, stable, high-quality supply. This can be measured by a mix of historical trade performance, domestic food production and food export policy and domestic political stability. One obvious way of recognising this

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<sup>1</sup> An appropriate production/supply ratio will vary between products, but a robust ratio can be defined as one in which reliable external supply helps reduce the risk of high reliance on undiversified domestic supply.

will be in the UK's choice of FTA partners, or states with whom it seeks food standards agreements (see Section 3 below).

- Imports should meet UK domestic food and drink product standards and be produced in conditions closely aligned with UK requirements for food production.** UK law requires all imported foodstuffs to meet UK safety and quality standards. UK trade policy should complement this by helping ensure that high standards of production are also applied and verified at source. This can include rights and protections for farm and food workers, animal welfare standards and levels of good manufacturing practice for food and drink production facilities broadly aligned with those applied in the UK and established in frameworks such as ISO or the FAO's Codex Alimentarius, accounting where appropriate for the level of development of an importing partner. Where these standards are not a high priority for a trading partner or are not adequately enforced, the UK should hesitate to extend preferential trade in food and drink (see Section 2 below). Within a trading partner, there may also be a mix of producers who meet high standards, and those that don't. To deal with this, the UK should also explore the concept of differential tariffs, through agreeing lower tariffs for those producers within a trading partner who demonstrably meet high standards.
- Imports should be sourced and traded sustainably.** The UK's preference should always be for preferential trading with partners that can meet high domestic sustainability frameworks for food and farming, active management of deforestation and unsustainable water use, and high labour standards and collaboration in these areas should be an integral part of its trade policy. Imported goods can raise questions around carbon footprints and the UK should always be cognisant of this and seek to encourage supply and distribution chains in which carbon impacts are not excessive.

These three simple but important tests are critical to ensuring that UK food import policy aligns with its wider food security and sustainability aims and a long-standing commitment to high standards of food production and animal welfare.

<b>Table 1: The 3S test for UK food and drink imports</b>		
	<b>Test framing</b>	<b>Possible policy implications</b>
<b>Supply</b>	<p>Does external supply boost resilience by complementing domestic production; extend access to inputs not produced in the UK or usefully add to cost competition or variety for UK producers and consumers?</p> <p>Does an external partner have an established track record of stable, market-driven supply?</p>	<p>Where <b>yes</b>, consider Most Favoured Nation (MFN) tariff liberalisation if not already zero, or prioritisation for preferential trading arrangements.</p> <p>Prioritise stable, reliable partners for FTAs or other trade facilitation initiatives, including development assistance for Least Developed Country (LDC) trading partners.</p>
<b>Standards</b>	<p>Does an import partner's domestic standards framework for food and drink production broadly match that</p>	<p>Where <b>no</b>, consider deprioritisation for preferential trade frameworks, or build explicit</p>

	<p>of the UK in areas such as labour standards, animal welfare standards and good manufacturing practice? Do they have adequate enforcement mechanisms in place to ensure compliance?</p>	<p>links to standards improvements into FTAs or other cooperation frameworks.</p> <p>Where <b>yes</b> for some producers in a trading partner, and <b>no</b> for other producers, consider differential tariffs or other innovative trade policy tools that provide a preference only to those who meet the highest safety standards.</p> <p>In LDC partners, consider targeting development assistance at standards improvement.</p>
<b>Sustainability</b>	<p>Does an import partner’s domestic standards framework for land, forest, air and water management broadly match that of the UK?</p> <p>Does an import partner have effective policies for internalising carbon costs in agriculture that broadly align with that of the UK?</p> <p>Are the carbon costs of transporting imports to the UK broadly proportionate to the value of the imports in the UK market in terms of cost, choice and supply resilience?</p>	<p>Where <b>no</b>, consider deprioritisation for preferential trade frameworks, or build explicit links to standards improvements into FTAs or other cooperation frameworks.</p> <p>Where <b>yes</b> for some producers in a trading partner, and <b>no</b> for other producers, consider differential tariffs or other innovative trade policy tools that provide a preference only to those who meet the highest standards of sustainability.</p> <p>In LDC partners, consider targeting development assistance at standards improvement.</p>

We suggest in this report some ways in which a UK trade policy for imports can embed these aims, including in the UK’s evolving FTA agenda.

## 1.2 A strategic approach to exports

Although the UK runs a large overall deficit in food and drink trade (Fig 1) it has important export strengths in beverages and many niche value-added products (Fig 2). Promoting market access for these goods and brands abroad generates valuable export earnings, supports employment in every region of the UK and adds to the attractiveness of the UK as a location for food production designed to serve a market larger than the UK domestic market. Exporters also tend to be more productive, which allows them to be competitive in foreign markets. Thus, boosting the number of UK companies that actively export can help to drive up domestic productivity. A strategic approach to exports must be rooted in the objective of maintaining and enhancing the UK’s reputation as a global hub for innovation and new product development in food and drink manufacturing.

Export promotion for UK food and drink also needs to be highly targeted to be effective because the UK's comparative advantages are often focused on specialist products and high-value niches in both consumer and business markets. UK export promotion policy needs to focus both on tariff reduction and elimination where this remains a problem and regulatory diplomacy everywhere to help ensure that regulatory barriers or operational complexity do not drain the value from tariff-free trade. Governments across the UK, trade associations and other important intermediaries such as banks, customs brokers and freight forwarders, have an important role to play in helping small UK exporters understand foreign regulations and identify potential buyers in export markets and in boosting export skills among UK businesses.

### **1.3 A practical approach to food trade regulation**

Food and drink are rightly highly regulated goods and subject to both product and production standards. This enables the UK to maintain some of the highest food standards in the world. We should insist on high standards in our key trading partners, while recognising their right to regulate food and drink transparently, proportionately and soundly in any way compatible with their international obligations. The UK rightly demands autonomy in setting the detail of food regulation, and it must accept the same in others.

However, it must also be recognised that these high standards will always add a layer of complexity to international trade in food and drink. In some cases, they can make international food trade prohibitively difficult for businesses. The UK should consistently seek innovative ways to reduce the impact of non-tariff barriers on trade, without compromising standards. A defining feature of UK trade policy on food regulation should be a practical readiness to see that different formal approaches to food standards can produce the same high outcomes.

We think an effective way to achieve this would be by creating systems of mutual reliance on food and drink regulation with selected trading partners. We recognise that the sensitivity of regulation means this presents some important challenges. However, given the reach of tariff elimination in the UK's existing FTAs, addressing the question of regulation is the single most important and effective way to further support cross-border supply and distribution of food and drink in and out of the UK. This is especially important in the case of EU-UK food and drink trade. We provide some practical ideas for doing this.

### **1.4 A trade policy that supports investment in food and drink**

Trade policy has an important role to play in helping secure both foreign and domestic investment in food and drink innovation and manufacturing. The UK is, and can continue to be, an attractive regional and global hub for food manufacturing as long as it continues to focus on reinforcing its advantages in this area. An effective trade policy is an important part of this. By opening routes for preferential trade and keeping down costs of vital inputs, policy can help make the UK the best place in Europe to locate both regional and global operations. High domestic standards and a skilled workforce capable of sustaining them are also a key attraction of the UK.

### **1.5 The wider context: trade policy from farm to fork**

Like most trade policy, trade policy for food and drink raises issues of the exercise of UK comparative advantages and striking the right balance of domestic production and reliance of imports. However, it should be noted that in the case of food and drink, domestic producers can have an additional important role as stewards of the UK landscape and animal welfare. Any

trade policy choice should be made with consideration to the resilience and sustainability of the UK's domestic farming and food production sector.

This is especially true for small-scale farming and the livelihoods they buttress within their local communities as well as the wider environmental goals they support. Where trade impacts these interests, flanking measures may be required. In some cases, this may mean a willingness to use WTO-compliant trade management tools such as safeguards. In others it may mean recognising that the UK government will have an obligation to provide alternative forms of support to farmers whose vital roles in environmental stewardship cannot be subsidised by commercial sales.

### **Box 1: Making trade policy for food and drink in the UK**

The broad policy and specific recommendations advocated in this report can only be delivered by a combination of central government, devolved governments, UK parliaments, civil society and industry working effectively in partnership. Developing a new UK trade policy for food and drink also means building new policymaking processes, relationships and partnerships. In particular:

- An effective trade policy for food and drink requires effective structures within UK policymaking. Key to this is strategic cooperation between DIT, Defra, FCDO and the FSA/FSS, based on a shared strategic vision for UK food and drink trade – backed by a whole of government approach supporting these two lead departments. This whole of government approach must extend to the devolved administrations, who have important roles and responsibilities in this area.
- Agricultural attachés abroad should embody this unified strategic outlook, blending the aims of export promotion, regulatory diplomacy on food and drink standards and inward investment recruitment. They should be easily accessible for industry to contact for support.
- The parliaments and devolved administrations of the UK should play an integral role in the making of trade policy for food and drink. They should have a clear role in scrutinising and defining the strategic dimension of food and drink policy. In any UK FTA they should have material input into negotiating mandates and opportunities to engage with ongoing negotiations.
- Industry and civil society input into policy is vital, through sectoral bodies, individual firms and expert bodies such as the Food and Drink Export Council (see Box 3, below). Industry has a fundamental role in business-to-business mentoring and providing clear, evidenced contributions to policymaking. Working groups such as the Trade Advisory Groups established since 2017 have been a useful way of testing various approaches to government-industry engagement. Three broad conclusions should be drawn from this experience, and, if acted upon, can improve stakeholder engagement and better optimise UK trade policy for food and drink.
  - First, the UK needs to continue to experiment with ways of effectively embedding technical industry experts into external negotiation processes to ensure that UK negotiators can have access to sophisticated, objective input and feedback in live negotiations. Engagement should help to inform decisions around prioritisation and assessing trade-offs in real time.

- Second, while there may be some merit in standing bodies for industry engagement, these are arguably much less effective than time-bound groups tasked to target specific problems.
- Third, the use of non-disclosure agreements (NDAs) in government-industry bodies can in some cases prevent participants usefully sharing information with industry even though it is already in the public domain. This practice should be reviewed.



## Section 2: Imports and exports

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### 2.1 Tariffs and food and drink trade

At a global level food and drink trade generally remains subject to a wide range of tariffs far higher than trade in industrial goods. In both the EU and China, average applied MFN agricultural tariffs are more than twice the average applied MFN tariff for industrial goods; India's are three times higher on average. In all three cases, average agricultural MFN tariffs are over 10%<sup>2</sup>. This in part reflects the unique role of food and drink production in societies and a range of defensive strategies designed to secure local production and protect local producers for a range of policy reasons.

The UK has inherited from the EU a framework of external tariff protection in food and drink that reflects decades of evolving instincts in European food production and trade. EU-levels of food and drink tariffs are relatively high, although they are below the global average and not unusual for a large, developed economy with a large domestic food production sector. In any case, as they emerged from a set of trade-offs between very different EU economies, they must now be reconsidered for the UK's specific needs.

The UK's first step outside of the EU has rightly been to revisit some of this tariff protection. The resulting landscape has a number of important features:

- 23% of UK tariff lines for basic agricultural products and 41% of tariff lines for manufactured food are now tariff-free at the MFN level<sup>3</sup>.
- FTAs remove tariffs from many more products for preferential trading partners that include the EU, Australia, New Zealand, Canada, South Africa and Japan – covering nearly 75% of UK food and drink trade.<sup>4</sup>
- UK unilateral tariff preferences remove tariffs for imports on a non-reciprocal basis from all LDCs and several other developing countries. In many cases this provides these poorer countries with a preferential margin and competitive advantage over larger agricultural exporters such as the US, Brazil and China that pay the UK MFN rate.

### 2.2 When should the UK tax food imports?

This adds up to a material degree of openness to food and drink trade. Nevertheless, the UK reserves the right to apply tariffs to food and drink imports, within the scope of its WTO obligations and where they have not been removed via an FTA. Such continued protection can be justified, but it should be subject to careful ongoing review and assessment. The factors in such an assessment should be:

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<sup>2</sup> According to data provided by the WTO, average applied MFN tariffs for agricultural goods are as follows: EU 11.2%, China 13.8%, India 34%. Tariff averages can be extracted from the WTO Consolidated Tariff Schedules (CTS) Database [https://www.wto.org/english/tratop\\_e/tariffs\\_e/cts\\_e.htm](https://www.wto.org/english/tratop_e/tariffs_e/cts_e.htm)

<sup>3</sup> Consequent to the establishment of the UK Global Tariff in 2020, these levels of tariff-free trade are now materially higher and average tariff levels now materially lower than the EU Common External Tariff. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/885943/Public\\_consultation\\_on\\_the\\_UK\\_Global\\_Tariff\\_government\\_response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885943/Public_consultation_on_the_UK_Global_Tariff_government_response.pdf)

<sup>4</sup> See Fig 2 for some of the UK's key FTAs for large food and drink trade partners.

- Food and drink tariffs should never be seen as a revenue tool. If the only case for a tariff is tax revenue, it should be removed;
- Food and drink tariffs should be explicitly linked to a transparent and fully elaborated and evidenced case for necessary support for domestic production and manufacturing that is clearly linked to food security, supply chain resilience, ensuring fair competition against heavily subsidised production or other clear and compelling environmental or social policy aims, for example avoiding unfair damage to UK investment and jobs;
- Food and drink tariffs should not raise prices or restrict choice for UK consumers in a way that cannot be justified by a wider case for security of supply or the preservation of key domestic standards, especially against the backdrop of a major cost of living squeeze;
- Food and drink tariffs may in some cases be a useful tool for providing a degree of competitive advantage for poorer developing countries over larger agricultural exporters to the UK. However, this must be carefully weighed against any cost imposed by the retention of such an MFN tariff.
- Food and drink tariffs may in some cases be useful at the MFN level to provide negotiating leverage for the UK to secure preferential access through the tariff's elimination via an FTA with an identified partner of material value to UK exporters. However, this must be carefully weighed against any cost imposed by the retention of such an MFN tariff.

Any food and drink tariff that cannot be credibly defended against these tests should be eliminated unilaterally on an applied basis<sup>5</sup>. In many cases these tests imply careful assessments of trade-offs and balancing of both domestic and international interests in UK policy. The UK should not shy away from open debate and consensus-building on these questions.

### **2.3 Preferential trade as a trading privilege**

Given the implied importance of remaining tariff protection in the UK, moving from MFN to preferential food and drink trade with the UK should be seen as a privilege to which the UK can legitimately attach some important conditions and expectations. When the UK is considering extending tariff free trade in food and drink it should carefully consider how it can link that preference to:

- Ensuring and maintaining standards for food and drink production, including labour standards, animal welfare and environmental sustainability at a similar level to those of the UK;
- Ensuring adequate access for UK food and drink exports in areas of economic significance to the UK.

Such assessments should be undertaken and clearly set out before negotiations are launched, reflected in negotiating mandates and captured both in commitments in FTAs themselves and governance frameworks for agreements designed to sustain an ongoing dialogue on food and drink production standards. In this respect the UK should consider a range of tools – see Box 2 for details.

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<sup>5</sup> The UK should generally lower MFN tariffs unilaterally on an applied basis, to ensure that it retains the negotiating leverage of either binding MFN changes, or binding preferential rates in FTAs.



## Box 2: Food and drink production standards in UK FTAs

It is important that liberalising access to the UK market for food and drink is linked to a clear expectation that trading partners will be committed to a set of baseline standards for food and drink production closely aligned to those of the UK. While importers must meet UK domestic food and drink standards for products, standards for production are often beyond the scope of domestic market regulation in the UK.

The establishment of preferential trading frameworks is an important opportunity to address these. The UK should:

- Ensure that commitments in trade and environment chapters in its FTAs cover key areas such as deforestation, management of air quality and sustainable land use.
- Consider developing 'Trade and food standards' chapters containing FTA commitments on animal welfare and food manufacturing and processing standards that mirror the commitments in trade and labour chapters. As with labour commitments, these commitments should include non-derogation provisions and obligations to enforce domestic standards that bind trading partners effectively and consistently to enforce their domestic standards on animal welfare and food manufacturing practices, and not to provide derogations from general standards to encourage or incentivise trade or investment. Where possible, trading partners should also commit to non-regression from their existing standards of animal welfare and food production. Such commitments could in principle be linked to explicit substantive standards that are mutually acceptable to the parties, such as relevant ISO and FAO Codex Alimentarius standards. These obligations should be linked only to traded goods and should be subject to clear arbitration mechanisms or to the dispute resolution mechanisms of the FTA itself.
- Include in all FTAs clear commitments to ongoing structured dialogue on issues related to food and drink production standards, including animal welfare, land and water use, labour standards and good manufacturing practice.

Where trading partners are not willing to engage on these issues, the UK should reflect this in the scope and ambition of its liberalisation offer in food and drink in areas of interest to the trading partner.

Where preferences are being extended unilaterally through the UK's unilateral preference regimes, there should be active consideration of ways in which development aid could be channelled to support high standards of food and drink production.

## 2.4 FTA utilisation

It is important to remember that FTAs work only when importers and exporters are aware of their preferential terms and able to meet their requirements. 'Utilisation rates' for FTAs can be lower than might be hoped if business awareness of preferential trade options is lacking, or where a mix of substantively complex rules of origin (ROO), and/or complex documentation requirements linked to ROO make it hard to take advantage of FTAs. This is especially true for importers or exporters with complex supply chains, and smaller firms without the capability to handle complex documentation requirements.

The UK needs a simple and consistent approach to raising trade awareness of FTAs and the benefits they bring through general and specialist media, industry associations and other forms of business outreach.

Where the UK adopts preferential tariffs, these should be subject to clear and simple origin requirements to ensure that they are well targeted. ROO should encourage supply chain and production integration and value-added activity within and between the parties to an FTA.

However, ROO should be designed to be simple to manage and sufficiently flexible to ensure they do not become an obstacle to supply chain diversification and effective global sourcing. They should provide clear scope for cumulation between the parties, supported by only limited restrictions in terms of minimum transformation for goods being moved multiple times between the parties. Where appropriate and possible, ROO should also allow cumulation between more than one UK preferential trading partner, including between recipients of UK unilateral preferences.

ROO documentation requirements should be simple and intuitive for food and drink traders, and assistance with ROO documentation requirements should be incorporated into any online support facility developed by the UK government to support traders. The FDF has also argued for a range of further simplifications for ROO application in the UK, including allowing alternatives to formal certificates of origin, exempting low value shipments from ROO and allowing designations to cover multiple shipments for trusted traders.<sup>6</sup>

### **Box 3: The UK Food and Drink Export Council**

The announcement in September 2021 that the UK government will set up a new Food and Drink Export Council (FDEC) was extremely welcome to our sector. Without a doubt, UK food and drink producers could be exporting more. Currently, the UK lags behind our European partners – including France, Germany, Denmark and Ireland – when comparing exports of food and drink.

The FDEC can provide a platform to drive up UK exports across a range of innovative and delicious food and drink offerings which are sought after by a growing middle class globally. With the UK now outside the EU, there is an opportunity to identify UK-wide priorities for trade policy in food and drink and collaboration opportunities between industry and government across all parts of the UK in this joint agenda.

In order to succeed, the FDEC needs to be a robust and trusting partnership between government and industry. The FDF wants to work hand in hand with the UK government and the devolved administrations, so the voice of the sector can genuinely be heard and collaborative solutions to our export challenges can be devised and implemented. We would prefer a smaller and agile group that is action-oriented rather than a large group that risks lethargy – one which brings together industry and government export leads for Scotland, Wales, Northern Ireland and England.

The FDEC should facilitate effective pooling of knowledge and resources between the four nations. This should include identifying where UK food and drink has a comparative advantage and driving a more cost-effective approach that delivers improved value for

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<sup>6</sup> Rules of origin in an EU-UK FTA A 'hidden hard Brexit' for food and drink exporters? (2018) <https://www.fdf.org.uk/globalassets/resources/publications/fdf-rules-of-origin-report.pdf>

investments made, whether by industry and/or where these are supported by public funds. The FDEC should also help to avoid duplication of activities.

Where appropriate, the FDEC should identify opportunities for UK-wide activity that benefits exporters in all regions. This can range from the sharing of market research and in-market expertise to the benefit of exporters across all parts of the UK to driving economies of scale when booking floorspace at trade fairs in export markets.

The FDEC should also play a key role on FTA utilisation and on market access issues, helping drive a more active and joint approach across government. It should assist in supporting more effective promotion of opportunities and gains delivered through trade across the range of businesses in our sector, particularly for SMEs, and act as the lead vehicle to decide the focus and strategy behind the Food is GREAT campaign. Finally, it could also produce, or commission, ongoing analysis on the setting of the UK's MFN tariff rates for food and drink.

## Key Recommendations

### **1. Ensure ongoing reform of the UK's import tariff for food and drink**

Following the first wave of tariff reform in the design of the UK Global Tariff in 2020, the UK should conduct an ongoing audit of the UK's external tariff for food and drink against the tests set out above in Section 2.2. The Department for International Trade (DIT) should then eliminate any tariff that does not meet these tests on an applied basis.

### **2. Establish pre-negotiation standards assessments for potential preferential trade partners**

All UK FTA negotiations should be preceded by an assessment of a negotiating partner's core standards for food and drink production and animal welfare and the extent to which they align with those of the UK. This report should be made public and submitted to Parliament. Where standards in an FTA partner fall materially below those of the UK, the government should be required to set out why tariff liberalisation should nevertheless take place. Such assessments could in principle be undertaken by, or commissioned by the FSA.

### **3. Negotiate robust FTA content on standards**

UK FTAs should contain both mutual commitments to effectively enforce, and non-regression from, current levels of animal welfare and food production (See Box 2 above). All UK FTAs require governance structures that can facilitate ongoing dialogue on food production and animal welfare.

### **4. Design simple and practical rules of origin for all preferential tariffs**

UK FTAs should contain simple and robust rules of origin that protect targeted trade privileges but also allow for diversified global sourcing. Rules of origin should allow for a range of origin routes, including simple chapter heading changes where possible and both value and weight methodologies where appropriate. The UK should also actively explore ways to use cumulation across preferential trading partners, including developing countries, to help ensure supply chain flexibility and diversification.

## 2.5 Promoting UK exports

The UK is a large producer of food and drink, with well-established strengths in a number of areas, including boutique and specialist food and drink and organic and ‘free from’ products. Its comparative advantages are, and will remain, in high-quality niches, often with globally recognised brands of huge value. The UK’s export promotion work should be closely linked to these established strengths, while working to help embed sustainable new areas of potential competitive advantage. The UK’s export promotion strategy for food and drink must also acknowledge the basic reality that the EU accounts for almost two thirds of UK food and drink exports and is always likely to remain the UK’s key market due to its close proximity and shared tastes (Fig 2).

The UK’s export promotion strategy for food and drink should be broken down into four key areas:

1. export tariff elimination, where tariffs remain a barrier for UK exporters;
2. export promotion tools, especially promoting UK food and drink quality abroad and helping connect UK exporters to potential distributors outside the UK;
3. defending UK intellectual property and brand value in food and drink;
4. regulatory diplomacy around specific major irritants or obstacles facing food and drink exports.

Nearly 90% of UK food exports and 62% of UK beverage exports are already covered by existing FTAs (Fig 2)<sup>7</sup>. In these cases, the primary issue for exporters may not be tariff elimination. Instead, it could be dealing with regulation or regulatory change, excise or VAT frameworks not covered by FTAs, or simply finding and developing relationships with potential buyers. In practice, UK priorities will need to vary from market to market.

Priority areas for UK preferential negotiations in those remaining but important areas where UK FTAs do not exist, or where coverage in an agreement inherited from the EU can be widened, subject to meeting the assessment set out in section 2.2, should be closely mapped onto key UK strengths. While a degree of flexibility might be accepted around exclusions and phasing in of tariff elimination in some parts of a UK partner’s agricultural tariff schedule, this should be kept to an absolute minimum in areas of interest for UK exports.

The UK’s food and drink sector is brand-rich and makes heavy use of intangible assets and innovation. As such, the intellectual property (IP) rights that protect this innovation should be robustly championed and defended. In particular, UK geographical indications (GIs) are a unique source of brand value derived from long heritage traditions and the IP they recognise should be assertively defended in all UK markets, both in legal regimes and in the commitments negotiated in FTAs. Beyond GIs, protection for trademarks, trade secrets and other forms of IP are an essential part of promoting the value of UK food and drink exports. Both protection and enforcement of IP is critical – and the latter is often neglected such that the IP loses its value.

Export promotion campaigns should be targeted on export strengths and focus on helping UK suppliers connect with potential buyers in key markets. Intermediaries such as some UK banks

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<sup>7</sup> However, it should be noted that unlike for industrial goods, for food and drink many UK FTAs inherited from the EU maintain and permit a material degree of tariff protection via exclusions for sensitive agricultural products from tariff cuts. One aim of the UK in evolving these agreements should be to reassess such exclusions.

can and already are making a useful contribution in this area by connecting SME customers with potential buyers in their networks abroad. Branding such as the GREAT campaign should be available for use by UK exporters directly on defined terms, and branding designed for products from devolved nations should also be deployed where appropriate and in the best interests of those products across export markets.

The devolved administrations in Scotland, Northern Ireland and Wales have developed effective export support and promotion tools to support their iconic local products and businesses that should now be developed for England, where exporters continue to operate at a disadvantage. An export promotion strategy should provide an equivalent level of support across the UK's four nations, and encourage the parts of the UK to coordinate strategy while simultaneously allowing those parts to emphasise and promote their specific strengths.

Targeted regulatory diplomacy strategies should address market access barriers and irritants whose removal would deliver material value for UK exporters. The recent US decision to remove barriers to UK lamb exports is a good example. In practice, this can include leveraging the FCDO's Regulatory Diplomacy initiative which promotes information-sharing and international engagement between government, regulators and industry and seeks to facilitate access for these stakeholders to government training, support and resources<sup>8</sup>.

To help businesses plan for and meet regulatory requirements, the UK should maintain in some form an accessible up-to-date registry of key regulatory requirements in major export markets, including expected changes. This should recognise that even the most minor regulatory changes to aspects like product labelling can result in huge costs and disruption to UK exporters, and businesses need adequate foresight in order to plan and prepare. This registry could be managed under the auspices of the Food and Drink Export Council and should be interoperable with existing and planned UK government digital portals that provide information on import and export requirements rather than function as a separate platform. Initiatives of this kind should be underpinned by a culture of dynamic collaboration between government and industry that is based on routine and regular interaction, not irregular set-piece interaction.

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<sup>8</sup> The FCDO Regulatory Diplomacy initiative aims to create a coherent approach to influencing standards development and regulation internationally, in line with UK priorities. See more here: <https://www.gov.uk/government/publications/international-regulatory-cooperation-for-a-global-britain-government-response-to-an-oecd-review/international-regulatory-cooperation-for-a-global-britain-government-response-to-the-oecd-review-of-international-regulatory-cooperation-of-the-uk-h#:~:text=departments%20and%20regulators,-.Regulatory%20Diplomacy,engaging%20on%20regulatory%20issues%20with%20international%20partners%20and%20in%20multilateral%20forums,->



## Food exports

UK export markets greater than £50m 2021

	Exports 2021 (£m)	% Total Exports 2021	Key segments
EU	8,686	66.0	
United States	678.34	5.2	
China	555.85	4.2	
Norway	243.51	1.8	
Australia	214.29	1.6	
UAE	195.15	1.5	
Canada	192.61	1.5	
Saudi Arabia	177.39	1.3	
Hong Kong	157.12	1.2	
Japan	120.32	0.9	
Switzerland	120.71	0.9	
South Korea	97.13	0.7	
Egypt	91.23	0.7	
Russia	88.45	0.7	
Philippines	85.75	0.7	
Nigeria	83.86	0.6	
South Africa	81.18	0.6	
Singapore	76.51	0.6	
Thailand	62.29	0.5	
Turkey	60.13	0.5	
Iceland	52.51	0.4	

- Dairy products
- Vegetables
- Sugar
- Cereals
- Fish/shellfish
- Meat
- Chocolate
- Vegetable oils
- Sweet biscuits
- Savoury snacks
- Exports covered by UK FTA

## Beverage exports

UK export markets greater than £50m 2021

	Exports 2021 (£m)	% Total Exports 2021
EU	2,574	36.5
United States	1,287	18.3
Singapore	274.79	3.9
Taiwan	250.76	3.6
China	246.93	3.5
Hong Kong	195.41	2.8
Australia	191.32	2.7
Canada	179.44	2.5
Japan	169.94	2.4
India	149.69	2.1
Mexico	118.70	1.7
UAE	111.13	1.6
Brazil	109.67	1.6
South Africa	93.44	1.3
South Korea	85.99	1.2
Panama	81.32	1.2
Turkey	72.05	1.0
Colombia	65.57	0.9
Dominican Republic	58.35	0.8
Israel	58.25	0.8
Chile	54.73	0.8
Switzerland	52.16	0.7

## The products behind the numbers



The UK is a huge producer of barley for brewing, breakfast cereals and other uses. It is a net exporter of barley and supplies markets around the world, including in the Middle East.



The UK has a long tradition of meat preparations such as sausages and puddings. Producers like The Cumbrian Sausage company serve the EU and Middle East.



Jordans is one of a number of UK brands producing quality healthier breakfast cereals using ingredients sourced from the UK and around the world. They sell more internationally than in the UK.



Although the UK does not grow coffee, it has a successful coffee roasting and packaging sector that acts as a hub for global brands such as Nescafé. Smaller innovators like CafePod export to the EU, Hong Kong and Thailand.



Stilton cheese is a protected designation that can only be produced in the English counties of Derbyshire, Lincolnshire and Nottinghamshire. The UK exports over 10,000 tonnes of cheese a year.



The UK is a leading global producer of high quality lamb. It exported over £400m of lamb in 2021, including to the US, where a long-standing ban on UK sheep meat exports has recently been removed.



Bushmills whiskey is one of Northern Ireland's largest global exports. The Northern Irish whiskey sector as a whole exported over 12 million cases in 2021, to markets that include Mexico, Taiwan and the US.



Scotch whisky is among the most recognisable and valuable food and drink identities in the world. Spanning hundreds of unique brands the sector exported more than £4.5bn in goods in 2021.

## Key Recommendations

### **5. Create new licensing rights to UK brand identities for exporters**

The UK government and devolved administrations should widen the scope for UK exporters to license and use the GREAT campaign branding or similar government-generated marketing collateral in their own food and drink export promotion work.

### **6. Defend UK brand equity by defending IP**

Protection and enforcement of IP is critical – and the latter is often neglected. The UK should continue to adopt a robust position on the rights protected by GIs and defend this both in its regulatory diplomacy such as through the FCDO's Regulatory Diplomacy initiative and via commitments in FTAs. The UK should not water down IP protection in the UK as a consequence of FTAs with other partners, and instead seek to promote UK brands and related forms of IP through an IP diplomacy strategy and liaison with IP attaché networks in export markets. Government and industry should work in partnership to help companies better understand how to effectively enforce their IP rights.

### **7. Develop a blended skill set for agricultural attachés**

UK agriculture attachés should be provided with specialist training in food and drink regulation and its application to importers and exporters. They should be empowered to target capacity-building programmes towards helping firms in developing countries meet UK standards, as well as tackling market access barriers for UK exporters.

### **8. Create a new regulatory registry for UK exporters**

UK exporters should have access to a new database of regulations in key markets relevant for UK exporters in food and drink. Unlike the static resources operated by the EU and others, this registry should include forward-looking information on prospective changes to rules in importing countries and have the capability to incorporate intelligence in real time from exporting UK businesses and UK agriculture attaches and experts in market and in the UK. The information currently gathered through the DIT 'Report a Barrier' Service should be triaged and incorporated into this facility. This should be embedded in a wider trade information portal for UK exporters providing guidance on trade protocols.

## Section 3: Standards and regulation for trading food and drink

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### 3.1 High standards, low compliance costs

High standards are an integral and necessary part of food and drink production and sale. They often reinforce the brand value of UK food and drink and they can act as a key incentive to locate food and drink investment and manufacturing in the UK. The UK should be a champion of high product standards and production standards, especially animal welfare, sustainability and forest management and labour standards in food production internationally. Relatively intensive regulation can and often does imply high levels of administrative obligations when food and drink move from one jurisdiction to another. While the rationale for this is clear, it is also important that the UK seeks to make it as simple as possible for importers and works with trading partners to make it as simple as possible for UK exporters.

Convergence between trading partners in food and drink standards for composition, packaging and labelling supports trade in food and drink products between them. It makes it simpler to operate single production and packaging processes for both domestic and export markets. In the spirit of the WTO's SPS agreement, the UK should be a firm champion of equivalence to simplify food trade.

The UK should not be opposed in principle or practice to reliance on the regulatory integrity of markets governed by the same substantive standards and the same robustness of implementation as the UK. Reliance of this kind can allow the UK and key partners to recognise and rely on each other's regulatory practice in key areas. This can be important in areas such as:

- Key designations such as 'organic' or 'halal', where the lack of local certification can prevent products being marketed as such in export markets;
- Key designations such as 'Scotch Whisky' and 'Irish Whiskey', which can be protected via recognition, especially in jurisdictions where GI protection may not be available.
- Food preparation techniques such as pasteurisation that are defined in regulation can be recognised to allow exporters to meet export requirements by complying with their own equivalent domestic protocols, even where these produce the same outcome by formally different requirements.
- Helping reduce the need for SPS checks on imported products that have originated in markets whose standards have been recognised by the UK as equivalent.

A pragmatic view of trade and regulation in food and drink means acknowledging that the UK will always be striking a balance in its domestic regulatory regime between ensuring it has high standards that protect consumers, but operates the simplest possible regime for moving food and drink in and out of the UK market. The UK should not allow changes to its own standards to undermine any preferential or expeditious treatment of UK exports abroad, or unnecessarily disrupt inward supply chains for imported food. Nor should it be averse on principle to agreeing as a strategic choice to work to converge food and drink standards with those of key partners.

This is especially key for the EU market, which is by far the UK's largest export market for food and drink and by far its largest source of inward supply (see Fig 1). The Republic of Ireland alone accounts for more than a fifth of total UK food exports. Exit from the EU Single Market has been especially disruptive for the food and drink sector because the EU's geographical proximity and integrated regulatory framework for food and drink made it possible to operate



'cross-border' just-in-time supply chains between the UK and other EU states that would be much more difficult under general international conditions. Outside the EU, sustaining this intensity of food and drink trade will be difficult. However, it can be supported by close regulatory alignment between the two systems (see recommendation 10, below).

## Key Recommendations

### 9. Pursue MRAs on food and drink standards with key trading partners

The UK should continue to expand its portfolio of Mutual Recognition Agreements (MRAs) focusing on product regulations that can unlock practical elements of regulatory relief, brand protection or expedited compliance for UK importers and exporters. MRAs should be pursued on a stand-alone basis and not linked to FTAs, even if they are ultimately brought under the umbrella of an FTA. MRAs can be useful in areas such as organic food, high-value brand designations and mineral waters.

### 10. Promote mutual regulatory reliance (MRR) to ease customs requirements

The most powerful form of MRA is an agreement that uses reliance on the domestic food production standards of a trading partner to reduce the requirements for physical inspection of goods in the export/import process. The UK should be open to exploring such frameworks with any major trading partner that is capable of demonstrating alignment with UK practice both in substantive standards and their enforcement. Simply because of its absolutely central role in UK food and drink trade, the EU stands out as the key prospective partner for such a framework.

## 3.2 The border and food and drink trade

As for most other trading sectors in the UK, the border for food and drink is much more than simply the physical edge of the UK's customs territory. Moving goods in either direction across the border involves a complex set of requirements that must be completed before goods are released for cross-border transit. Delays in exporting and importing do not only happen at the physical frontier, but at a range of points along a chain of actions that include veterinary checks, sourcing supplier information and documentation production and approval. These are challenging for SMEs in particular.

The 2025 UK Border Strategy aims to reduce frictions at the border and digitalise the process of moving goods in and out of the UK. While the plan is ambitious in principle, the necessary resources must be committed in order to operationalise the system within the short timeframe envisioned. While a Single Window approach to the systems needed at the border is welcome, if multiple government agencies continue to operate at the border with differing approaches the benefits will be lesser. The UK should look to ensure there is a single agency approach to border enforcement as well as the Single Window.

The current customs and safety and security declaration requirements demonstrate how much unnecessary duplication there is in the system. Traders must complete a customs export declaration, exit summary declaration, customs import declaration and an entry summary declaration. These four parts all contain and require largely the same data and are still required even where UK FTAs or customs cooperation agreements deepen customs cooperation and facilitate data sharing between trade partners. The UK government should adopt a radical rethink to its approach to these and similar SPS controls now it is out of the EU.

For example, food and drink exporters must understand global food markets and be able to develop suitable products. To do this, businesses need to import product samples for testing and research and this requires an open, risk-based and permissive sample import system. The UK should develop its own permissive risk-based system, particularly for products of animal or plant origin. This can help encourage both home grown and overseas investment in UK food and drink research and development.

At a practical level, UK Border Control Posts (BCPs) and ports need to be properly equipped with adequate infrastructure, including storage, resources and personnel. At present, UK BCPs are still too vulnerable to sudden shifts in trade volumes and need to be more resilient. UK ports need to expand their use of automation and AI to expedite the movement of containers through ports. As part of this, greater diversification away from dependence on road haulage should be encouraged.

It is also important that the government is genuinely innovative in its approach to data, risk-based assessments, and removing duplication and unnecessary steps from the regulatory process for moving food and drink in and out of the UK. The system of physical Export Health Certificates (EHCs) and physical inspections by Official Veterinarians (OVs) is an overly burdensome approach to food safety the UK has inherited from the EU. It is proving deeply problematic for smaller, or more isolated food producers and needs a rethink in how the UK approaches the way it conducts its approach to sanitary and phytosanitary (SPS) measures. The UK government should look to co-design with industry a world-leading approach to SPS controls and measures it applies to exports and imports and should explore potential opportunities with trusted trade partners to remove the need for EHCs. We recognise this would be hard and time consuming to achieve, but government should look to innovative pilots and tests for new approaches with trusted businesses and trading partners.

The UK should be an example for others in this and aim to share and export best practice. Agreements such as the UK-Singapore Digital Economy Partnership Agreement (DEPA) have already demonstrated the scope to formally align approaches in areas such as digitalising trade documentation. These should be seen as steps towards more substantive 'digital food trade bridges' that include integrated Single Window systems for food and drink trade. In particular, the scope for closer partnership between the customs systems of the EU and the UK should be fully explored. As the EU evolves its own plans for a Single Customs Window, the EU and the UK should actively seek ways to align, integrate and ensure the future compatibility of their respective windows via a single portal for importers and exporters. This could complement a strategy of regulatory alignment of SPS requirements (see Recommendation 10 above).

## Key Recommendations

### **11. Undertake a full digital overhaul of the 'border' for food and drink trade**

The 2025 UK Border Strategy should include measures to digitalise all commercial and official certification required for both imports and exports. This should also allow better integration between commercial systems and government systems, to allow data to be cloned and auto-populated where possible.

### **12. Build a Single Government Border Approach to underpin the Single Window**

The government should look to ensure simplifications of approaches to border systems is back up with a single approach to its presence at the border. At the moment, food and drink

traders must navigate Border Force, HMRC, FSA, Defra, and Port Health Authorities. Unless this changes, the benefits of a Single Window system will be less felt by traders at the border. The creation of the Border and Protocol Delivery Group (BPDG) within the Cabinet Office was a welcome move in providing a single government body in preparations for the end of the transition period, with the required political clout and authority and this shows that it can be achieved when the willingness is there.

### **13. Create joint customs offices with key trusted trading partners**

The UK government should look to create single customs offices and integrated Single Windows with its trusted trading partners to maximise cooperation between agencies, and only require a single declaration covering the required customs and safety and security data. The model pioneered by Sweden and Norway before Sweden's accession to the EU, and sustained upon EU membership, demonstrates that such approaches can work in practice.

### **14. Expand risk-based approaches to customs enforcement**

Furthermore, government should continue to increase its use of a risk-based approach to customs enforcement. This should include looking to remove trusted businesses from customs border requirements where possible. The government should develop a plan to investigate the use of annual or monthly declarations for customs processes that are monitored by audits for businesses and continue exploring options to use self-assessment for traders wherever possible for trusted businesses.

### **15. Focus on SPS capabilities, not consignments**

Working closely with industry and trade partners, the UK should adopt a more facilitative approach to current methods of vet inspection processes that focus on each dispatched consignment, and instead look to an auditing of businesses to ensure their SPS capabilities and processes meet required standards. This would dramatically increase trade efficiency, especially on high-volume UK-EU routes with high levels of goods subject to strict inspection rules. This is an obvious area in which the use of MRAs could deliver huge practical benefits. There must also be a strong focus on delivering an open, risk-based and permissive sample import system to facilitate research, product and consumer testing to support export development.

### **16. Set out a new approach to trusted traders**

The UK should also consider a number of enhancements towards its approach to trusted traders in the food and drink sector. It should develop an Authorised Economic Operator for Food and Drink (AEOfd) or trusted trader for food and drink scheme that builds on existing AEO benefits in customs processes by reducing burdens faced by businesses in terms of SPS certification, checks and inspections for accredited and trusted traders exporting and importing food and drink.

### **17. Develop a strategic plan for UK port capabilities**

While the best UK ports can be among the world's most efficient, there is still ample scope for leveraging improved surge capacity, automation and AI to expedite clearance and transit times through UK ports and BCPs. Working in close partnership with the UK port sector, the UK government should develop a multi-year strategic plan for raising systemic efficiency across port infrastructure, including diversification away from heavy dependence on road haulage to and from ports.

## Section 4: The investment ecosystem in the UK for food and drink

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The UK should aim to be the best place in the European region to locate large-scale food manufacturing facilities as well as to enhance its capacity to serve as a global hub for innovation and new product development in food and drink. The investment case for the UK in this respect has a number of important potential pillars.

The UK has a large domestic market which can be an incentive in its own right for locating high value-added manufacturing and employment here. However, the UK's attraction for inward foreign direct investment (FDI) in food and drink has often been its potential value as a regional or global hub for manufacturing and export. In both cases, the UK's deep skills base in advanced food manufacturing and expertise in food science are additional incentives.

This role of the UK as a regional and global innovation and manufacturing base means that trade and investment policy in food and drink need to be seen as closely linked. For example:

- Simple, cost-effective import protocols and targeted tariff elimination for general manufacturing inputs and for key research-related goods such as product samples can encourage the location of food manufacturing in the UK both for the UK domestic market and export. In some specific cases, this might be paired with tariff escalation to support this, although this should not be pursued where it prompts preferential trading partners to adopt reciprocal obstacles to trade in value-added manufactured food and drink.
- Preferential trade agreements can enable UK-based suppliers to access both sources of supply and markets beyond the UK on a tariff-free basis, including in ways that may not be available for firms based in the EU and US, or other similar comparators to the UK as investment bases.
- No less importantly, import competition can be a spur for innovation and productivity gains in UK food and drink manufacture, which often then act as incentives for inward investment.

As well as attracting FDI, the UK should also aim to be the best place in the European region to deploy venture or growth capital in launching or scaling up food and drink companies, especially those innovating around novel foods, environmental sustainability or productivity enhancement.

UK government and the devolved administrations should collaborate with industry and serve as a convenor and catalyst for inward investment to support the development and export-potential of natural occurring specialisations or 'clusters' that develop in agri-food communities across the UK. This can include leveraging GIs as well as developing more informal clusters of innovation and development that grow local economies.

### Key Recommendations

#### 18. Ensure tax relief for capital investment in food and drink

A tightening agricultural labour market and the need to sustain growth in UK food and drink productivity both require major capital investments in UK capabilities. This can be catalysed, in part, by a permanent extension of the super-deduction policy beyond 31 March 2023.

Capital investments in machinery and cutting-edge technologies can spur innovation and improve industry competitiveness. Any new targeted relief programmes should adequately consider UK food and drink priorities.

### **19. Make the UK a world leader in regulation for food and drink innovation**

To attract food science innovators, the UK should redouble its commitment to ensuring that its regulatory policy for food and drink supports innovation. This should include ensuring that authorisation processes for new foods or food technologies are adaptive and can respond effectively to evolving evidence and a willingness to use approaches such as sandboxes where appropriate to support the development of new foods in the UK.

### **20. Enhance tax support for R&D in the UK**

The upcoming Finance Bill should ensure food and drink is prioritised for R&D tax credits to help attract and stimulate high-quality food science investment in research in the UK.

# About the FDF

The FDF is a powerful voice for the UK's vibrant, resilient and diverse food and drink manufacturing industry. For over 100 years, we have successfully contributed to policy making and legislative development, championing our members' views – large and small – on the critical issues of the day.

We bring together business, government and stakeholders to ensure our manufacturers have the right conditions to grow, invest and employ, while continuing to produce high quality, nutritious and affordable food and drink. With more than 1,000 members – from the most recognisable global brands to the most innovative start-ups – we represent the largest manufacturing sector in the country.

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