



**Prepared By**

The British Meat Processors  
Association

**Date**

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# UK Meat Industry Brexit Impact Report

Q1. 2021



## About this report

The UK meat industry employs around **97,000** people and is worth an estimated **£8.2 billion** a year to the UK, including about **£1.6 billion** in exports.

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This report examines the impact of the first three months of trading with the EU as a third country.

### ► Additional Costs

# £90-120 million

The estimated additional cost to the UK meat industry per year to trade with the EU.

### ► Export Volumes

Exports were running at **50%** of pre-Transition Period volumes during the first six weeks of 2021.

### ► Trade Loss

Most companies now expect a **permanent 20% loss** of export trade, some expect over **50%** loss.

### ► Groupage

Groupage (large truck loads of mixed items), which accounts for over **40%** of our EU trade has **all but stopped**.

### ► Red Tape

Up to three days are being added to export times, reducing shelf life and value of meat.

### ► Confidence

EU customers are **cancelling orders** because of longer delays and higher costs to import from the UK.

## ► Introduction

**The British meat industry** has felt the impact of Brexit more than most. This is because our export system was never designed to cope with the next day, just-in-time food supply chain that we built up over the last 30 years with our nearest neighbour.

**T**his Brexit impact report seeks to differentiate between 'teething problems' and systemic problems that could result in a permanent loss of certain types of trade with the EU.

Temporary teething problems have resulted from a mixture of simple mistakes made on both sides and differences in interpretation of the new rules. As people get more familiar with the certification requirements and EU and UK guidance becomes more closely aligned, these problems should, in theory, lessen. However, there is still urgent work that needs to be done by Government to align that guidance.

The systemic problems pose a bigger challenge, and some are simply not fixable like the 60-100% increase in certification costs for each export consignment which is costing the industry an estimated £90-120 million a year.

These include the costs for customs declarations, customs agents, freight forwarders and additional veterinary inspections, and are rendering certain exports un-viable. However, the headline figure doesn't take into consideration the extra 'hidden' costs from higher freight insurance, extra administrative staff and higher haulage charges to compensate for longer delays.

Unfortunately for British companies, the changes that could improve the system are complex and lengthy. During the time it will take to implement these changes companies will continue to lose trade with EU customers. Some will simply cut back on production; a few will cease to trade at all. Either way, UK GDP and employment will be reduced.

When the new system is in place, companies will then need to start building that trade back up again. However, the additional and inescapable costs of exporting as a third country will make British firms less competitive in the European market so some of that trade may never come back.

Nor will it be possible to replace that lost trade by sending product to markets further afield. The nature of the fast-moving, high-value chilled fresh food trade we have with Europe cannot be replicated with countries that are not on our doorstep.

There is also a looming problem for Britain's food imports. At the moment, the UK Government has suspended all border checks on food coming into the country so we don't experience shortages in supermarkets.

This has had two undesirable effects. It represents a worrying lapse in food security and opens the door to food fraudsters and potentially to diseases like African Swine Fever. It also makes EU food imports much more competitive than UK exports because of much lower overhead costs. At some point we must start imposing the same sanitary and phytosanitary checks on food coming into the UK as are being done on the food we export to the EU.

We would like this document to form the basis of a comprehensive discussion and ultimate overhaul of the current export certification system so it supports future trade with our nearest and biggest trading partner.

**British companies** who are dealing with the new issues on the ground are best placed to offer constructive solutions; but these solutions need support and investment from Government to build a new system that is fit for purpose.

We highlight **three** major areas for consideration.

### 1. Inspection & certification

The current UK export certification system relies on a small pool of fully qualified vets to inspect and sign-off all products of animal origin leaving UK shores. This applies equally to whole lamb carcasses or to a consignment of hawaiian pizzas. There are simply not enough vets to process the volume of checks and paperwork needed to maintain the export volumes we've been used to.

Here in the UK, we have a privatised and expensive veterinary industry for whose scarce services meat companies are now having to bid against each other. More vets are now needed to do more checks, which has pushed up the cost of production and made British companies less competitive.

It is also worth mentioning that, rightly or wrongly, many of our prospective trading partners including the US are quite uncomfortable with a certification system that relies on a commercial relationship with private certifiers instead of an arms-length, Government appointed certifying authority.

#### Recommendation

We can learn from other countries whose systems are much more flexible and which provide appropriate checks at each stage of the supply chain by a variety of Government employed veterinarians and other auxiliaries trained to perform different levels of checks. These countries, for example The Netherlands, Germany and Denmark, are able to provide certification services very efficiently and cost-effectively.

### 2. Electronic documentation

It is almost inconceivable that in 2021 one of the world's most sophisticated just-in-time fresh food supply chains is effectively having to regress back to the 1970s. The UK's export certification system, which we must now use to trade with our EU customers, dates back several decades and involves a mountain of printed forms, painstakingly stamped and signed multiple times by a fully trained veterinary surgeon. It is archaic and simply not fit for purpose.

We have had numerous reports from members that the Animal and Plant Health Agency (APHA) who are the issuing authority for Export Health Certificates (EHCs) are already struggling to keep up with demand. This is causing lengthy delays despite trade volumes being around 50% of normal. A recent Freedom of Information request from a UK newspaper revealed that APHA were only processing 250 EHCs a day. If trade with the EU is to get back to normal levels, that number should be up around 1000 per day.

#### Recommendation

An integrated, end-to-end electronic tracing and certification system that employs technology already in existence would go a long way to easing the time delays, mistakes and confusion that currently hamper the existing paper-based system.

UK competent authorities need to work with their EU counterparts to ensure that any new electronic traceability and certification system integrates across the different systems to ensure a smooth, end-to-end service. They also need to agree on consistent guidance in all countries, so everyone is applying the same interpretation of the rules. BMPA and its members stand ready to consult with Government on this.

### 3. Veterinary agreement with the EU

UK companies moving goods within the EU have always done so under a common set of rules. Since 1 January we still have to follow those rules but must now go through complex certifying and checking procedures to prove it.

An agreement that the UK and EU were part of a common veterinary area, or at least that our standards were equivalent could completely remove the need for veterinary measures and checks at borders.

#### Recommendation

We should pursue a closer veterinary equivalency agreement with the EU and one option would be similar to the agreement the EU has with New Zealand. While this would help, it would still not remove the need for checks or export health certification.

Another option is the arrangement between Switzerland and the EU which removes the need for checks and EHCs through the establishment of a Common Veterinary Area. It is based on Switzerland largely following EU rules but without being legally bound to do so. It's a process the Swiss call 'autonomous adaptation', which is managed through a Joint Veterinary Committee and allows for some flexibility.

This is not compulsory regulatory alignment, illustrated by the fact that Switzerland does not ban the import of hormone treated beef. This is a divergence from EU rules but, crucially, not one that compromises animal health or biosecurity. This means Switzerland can pursue its own international trade policies.

## Industry Feedback

### ► Company 1

Less than **40%** of pre-Brexit norm with at least **50%** of EU exports permanently lost.

### ► Company 2

**43%** of normal pre-Brexit trade with **20%** permanently lost and another **30-40%** which used to go as groupage now costing around **50%** more to sell.

### ► Company 3

**50%** of pre-Brexit trade. Still waiting to see how much will be permanently lost due to delays and higher prices.

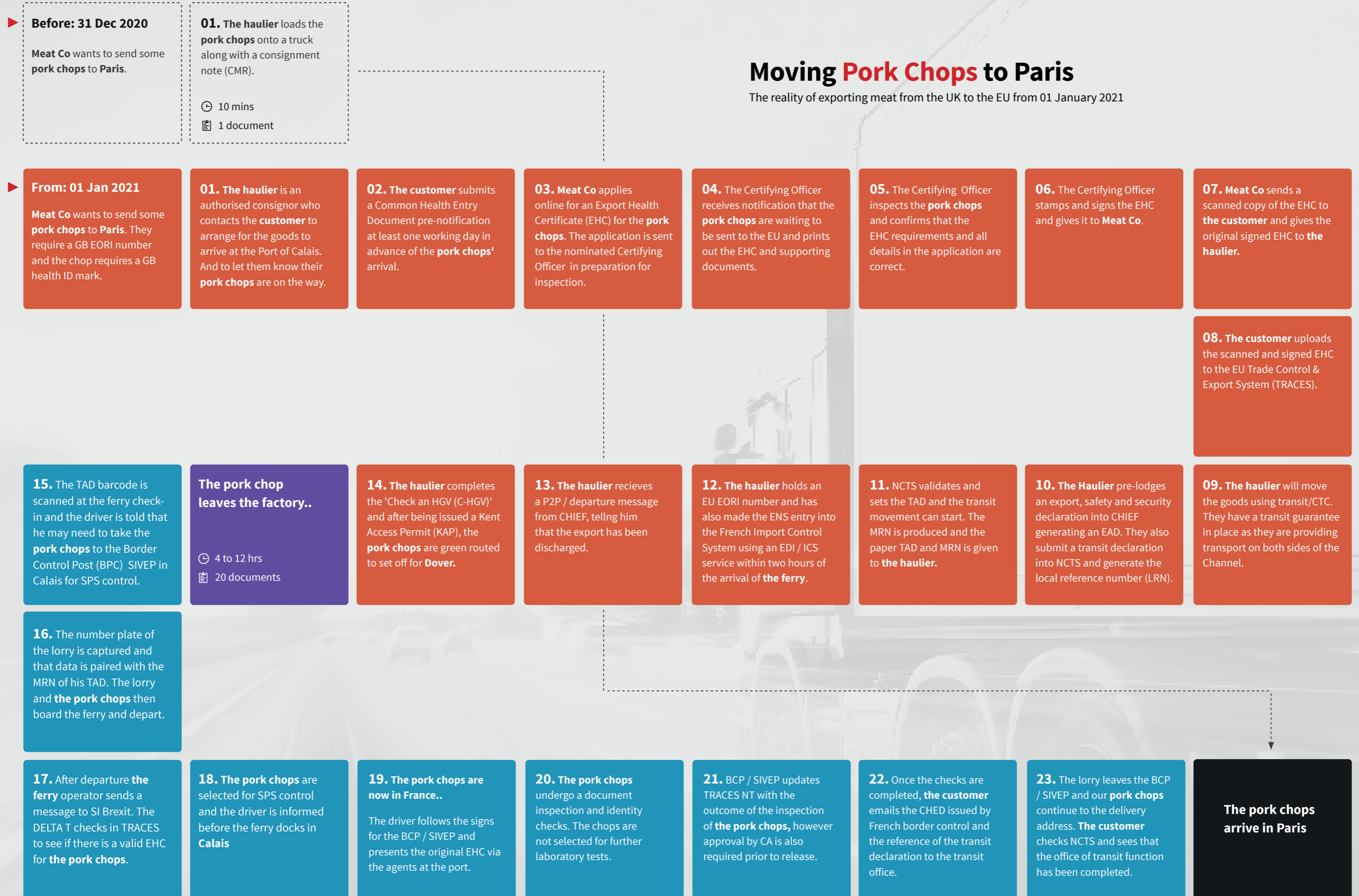
### ► Company 4

**24%** of pre-Brexit norm. Expecting a high proportion of export trade to be permanently lost as predominantly EU customers (who relied on Groupage) are now sourcing alternative suppliers.

▶ Red Tape & Delays

# Moving Pork Chops to Paris

The reality of exporting meat from the UK to the EU from 01 January 2021





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## Industry Feedback

“20% of exports lost permanently and the other 30%-40% which used to go as groupage is costing us around 50% more in transport/vet/customs costs.”

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“a high proportion of sales could be considered to be lost as we are a number of weeks into the post Brexit term and importers have and will continue to source alternative suppliers.”

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“We do not know if cost increases will be accepted. This is having a permanent effect on competitiveness.”