Response to DEFRA Consultation on Marking of Retail Goods

15 March 2024

Summary

- **Logistics welcomes the opportunity to respond to this consultation on implementation of 'Not for EU' labelling on eligible agrifood products for sale across Great Britain, whether produced in the UK or imported.**
- **Given the high volume and wide range of Logistics UK's membership, differing views have been expressed by members depending on the market they serve and their business model. This is a high-level response reflecting those views.**
- **While views on these proposals differed, it is clear from our engagement with members of all sizes that more time is needed to work through the detail of these proposals, including unintended consequences, and ensure a realistic timescale is set out to enable compliance if this scheme is to be implemented.**

About Logistics UK

Logistics UK is one of the UK's largest business groups, representing the entire logistics industry and supporting, shaping, and standing up for safe and efficient logistics. Our membership of more than 20,000 includes global, national, and regional businesses and SMEs spanning road, rail, inland waterways, sea, and air as well as the buyers of freight services, such as retailers and manufacturers. As an organisation, we deliver services, representation and thought leadership, helping members and policy makers to seize new opportunities for the sector and the economy as a whole, right across England, Scotland, Wales and Northern Ireland.

What we represent

Logistics is a sector delivering an increasingly safe, sustainable, and efficient system of national infrastructure – creating opportunities across the UK and linking the UK to the global trade network. Spanning land, water, and air, it delivers for everyone, everywhere, every day.

- Logistics delivers big public value on small margins, ensuring the availability of the products households, businesses and public services rely on. It moves goods more than 200 billion tonne-km within the UK per year and enables the trade of more than £1 trillion of goods, while working hard to avoid adding pressure to the cost of living. This is a challenge with fuel and energy costs at a historic high and restrictions on logistics growing.

- The sector delivers smart, green, resilient growth and jobs. It contributes £163 billion to the economy each year (12% of UK non-financial GVA), employs 2.7 million people (8.2% of the UK workforce), pays £5 billion in revenue to Treasury through Vehicle Excise Duty (VED) and Fuel Duty, in addition to other taxes. It is becoming ever more innovative and integrated – within businesses and between logistics sites and transport modes. Its key hubs provide a catalyst for further growth and investment, helping places to thrive.

- Logistics delivers for the future, as an essential system for growth. It underpins the whole economy, with an economic footprint three times larger than its direct GVA contribution, with the public sector and other private sector businesses spending 15% of their total input-related spending on logistics services per year.

Consultation response

Logistics UK welcomes the opportunity to respond to this consultation by DEFRA on implementation of 'Not for EU' labelling to eligible agrifood products for sale across Great Britain, whether produced in the UK or imported. We note this application extends further than requirements agreed by the UK and EU under the Windsor Framework and derives from the government's intention to ensure continuity of supply of these goods to Northern Ireland consumers. We have engaged with our membership to inform this consultation response. Given the high volume and wide range of Logistics UK's membership, differing views have been expressed depending on the market members are serving and their business model. Accordingly, this is a high-level response reflecting those views. We have also encouraged members to submit individual consultation responses reflecting the impact of these proposals on their businesses.

Businesses trading Great Britian (GB) to Northern Ireland (NI)

Member businesses trading within GB and with NI are supportive of this scheme as uniform labelling across the UK will reduce the cost of doing business within the UK Internal Market. As well as cost savings from not having to run separate GB and NI production lines, it will help maintain, and increase the likelihood of increased product ranges, being supplied, and sourced from GB to Northern Ireland.

Businesses trading within GB only

Member businesses operating solely within GB have expressed concern and opposition to this proposal. If implemented, they would incur an additional and recurring cost driven by a requirement under the Windsor Framework for a market they do not serve and at a time when the cost of doing businesses is already significant and they are trying to keep prices low for consumers.

GB businesses reliant on imports

Members importing a significant volume of agrifood products that would be subject to this new labelling requirement have expressed opposition to its implementation. They are concerned that it will significantly disrupt sourcing models and lead to the loss of products currently available in the GB market. A number have been advised by their larger EU and Rest of World suppliers that the costs involved in running two production lines for each commodity, including package redesign / label purchasing costs, additional labour, storage, transportation, and inventory costs, to supply a comparatively smaller GB market share of their business, will lead to the withdrawal of products to GB. This outcome, members advise, would lead to job losses in GB.

GB member businesses exporting agrifood products to the EU

A number of members involved in the export of agrifood products have advised that the scheme is likely to lead to a reduction in GB exports to the EU because of the additional costs and inefficiencies of having to separate production runs for the GB and European markets. Their feedback is that this scheme will make it more costly to export and while larger businesses are in a better position to absorb these costs, it will have a disproportionate impact on businesses which fall just outside the definition of small and medium sized businesses which are proposed to be exempted for these requirements. These members are concerned that this scheme, on top of existing pressures, could force them to give up on the European market and let employees go. This outcome from a domestic policy would run contrary to the government's trade policy of promoting and growing UK exports.

Impact of the loss of the Republic of Ireland (RoI) market

GB based members who are producers and manufacturers have advised that the requirement to run two production lines to supply to the GB and EU market will result in a cost driven withdrawal from the Republic of Ireland market despite taste and language alignment. This will mean the loss of 5.1 million people to sell to, and launch new products to, and will result in job losses. This will also have a knock-on effect on members based in NI and their employees who provide wholesale and distribution services across the island of Ireland.

Members based in NI who distribute product to both NI and RoI customers have expressed opposition to this scheme as they would feel the impact of the labelling requirements across their customs, haulage, supply chain and warehousing departments. They have highlighted the following concerns and impacts from implementation of GB wide labelling: increased storage costs and capacity requirements, increased food wastage from dated stock and cost increases passed on to the consumer. These businesses are also concerned, based on engagement with their suppliers for whom the Republic of Ireland market is a small percentage of overall sales, that products will be withdraw from RoI given the cost of running two production lines and two sets of English language labelling for GB and Republic of Ireland products. They are also of the view that the GB labelling requirements will limit their ability to source new supplier opportunities in the Republic of Ireland as suppliers withdraw from the Republic of Ireland market to retain access to the UK market by supplying labelled products. These members are therefore concerned that as a result of all of the above, they could significantly lose business or be forced to cease trading entirely.

Impact on consumers

Given ongoing pressures on the cost of doing business, many members are already operating under tight profit margins and would not be able to absorb the additional costs of meeting these labelling requirements. It is inevitable that cost will be passed on to consumers. Members are very concerned about price increases for UK consumers as a result of this additional cost and the cumulative effect of all of the new trading and border processes and costs that are due to take effect this year from the Windsor Framework to the Border Target Operating Model and the new EU Entry and Exit Scheme which, while mainly passenger focused, will impact freight movements.

As well as higher prices, a reduction in EU suppliers servicing the GB market is likely to result in reduced choice for consumers. 'Not for EU' labelling throughout GB could also create concern and confusion among consumers about the quality and safety of these products compared with their European equivalent. Different labels on NI Qualifying Goods and GB produced goods on GB shelves is likely to further add to consumer confusion.

Exemptions

Members based in NI who trade with GB welcome the proposed exemption for Northern Ireland businesses.

Members which meet the definition of small and medium sized businesses as set out in Sections 7(1) and 33(2) of the Small Business, Enterprise and Employment Act 2015 welcome this proposed exemption.

Compliance and enforcement

Greater detail and clarity is still needed on how this scheme will be monitored and enforced, including the exemption for NI Qualifying Goods. Regulatory bodies are already operating under resource constraints. Members are concerned that if this scheme is implemented, enforcement will not be prioritised as this labelling requirement is not linked to public health and consumer safety. Given existing pressures on businesses, members feel that the burden of proof of compliance should not be placed on individual businesses. The approach should be focused on education, with a pragmatic approach to both enforcement and the transitional periods granted for compliance. Further clarity is also needed on what products will be in scope for the labelling scheme from 1 July 2025 and how government will clearly communicate ongoing changes to businesses, especially smaller non-exempted businesses. Reflecting the reality of complex supply chains and the differing impacts set out above, a number of members have suggested that the scheme is introduced on a voluntary basis so that businesses can select the option which works best for them and avoids job losses.

Timing

While members have differing assessments of these proposals depending on their operations, there is widespread consensus on the urgent need for more detail and for more time to be given before any implementation. The extension of 'Not for EU' labelling to all meat and dairy products on sale across the UK is set to take effect from 31 October 2024, just over seven months away, and on the same date as phase three of the Border Target Operating Model goes live. Members of all sizes have expressed strong concerns about the practicalities and possibility of being able to comply with the labelling requirements in the timeframes set out. Given the policy intent of this scheme, a number of members have also suggested that timescales are revised to allow for a period during which the Northern Ireland market can be monitored and analysed for impacts such as reduced product availability and consumer choice.

Conclusion

This consultation response is a high-level reflection of the views of Logistics UK's members who are set to be impacted by implementation of this labelling scheme. As set out above, members trading GB to NI are supportive of these proposals, but they have solicited a lot of serious concerns from other members across a number of fronts and in respect of unintended consequences.

These changes, and the costs associated, also need to be viewed in the wider context of the cumulative impact on UK traders of new and wide-ranging customs, border and trading processes and costs taking effect this year. As well as adapting to meet the requirements of both the Windsor Framework and the Border Target Operating Model, UK importers and exporters continue to be impacted by ongoing disruption in the Red Sea.

Based on feedback from members, including larger member businesses, it is clear that more time is needed to work through the detail of these proposals, including unintended consequences, and ensure a realistic timescale is set out to enable compliance if this scheme is to be implemented.

Contact details:

Nichola Mallon
Head of Trade and Devolved Policy
Logistics UK
nmallon@logistics.org.uk