



NOTE TO READER

Much remains to be decided and understood on how the Northern Ireland Protocol will work in practice. Therefore this paper should not be taken to cover Northern Ireland.

Background

This document considers the possible impact of the UK Global Tariff on UK consumers and businesses if there is no FTA agreed with the EU by the end of the Transition Period. Government and ministers have stated that the policy, as announced in May 2020, would apply regardless of the outcome of negotiations with the EU. This paper considers the impact of the policy on meat in particular.

IMTA's Response to the May 2020 UK Consultation on the Global Tariff

IMTA responded to the government's consultation on a future UK Global Tariff. In that paper we noted that **bound MFN rates for meat are generally prohibitive** and **higher than for any other product**. We argued that if there is not a zero tariff, zero quota FTA agreed with the EU, the UK would need a mechanism to ensure that it still has access to sufficient imported supplies.

The **UK is not self-sufficient in meat** so the catering and manufacturing sectors, in particular, rely on imported inputs to meet consumer demand for meat and to grow their businesses.

While the UK produces beef, lamb, pork and poultrymeat, **the UK is also an exporter of meat**, particularly of product with no real domestic market, such as chicken feet. While total production may look high in tonnes, it's not all product the British consumer actually demands.

Sufficient access to imported supply contributes to **job security, investment and added value** in the UK.

UK consumers need there to be sufficient imported supplies, UK manufacturers also need this for inputs into their processes.

Context Behind a Potential Impact on Consumers and Businesses



Principles sets out in the Taxation (Cross-border Trade) Act include having regard to 'the interests of consumers in the United Kingdom' and 'the interests of producers in the UK'



The Global Tariff contains no additional TRQs (except for sugar), ad valorem duties were marginally rounded down and tariffs on meat remain prohibitive



Government and Ministers say the Global Tariff will apply regardless of whether there is an FTA agreed with the EU or not



The now scrapped 2019 No Deal Tariff Policy which did contain TRQs and reduced duties for meat was still considered potentially insufficient to meet consumers' needs

Potential Impact of the Global Tariff on Consumers

We assume having regard to 'the interests of consumers in the United Kingdom' includes in regard to the prices paid by consumers.

A duty of 12% + £253/100kg on chilled boneless beef from Ireland or £57/100kg on Danish bacon is, in our view, directly opposed to the needs to consumers, particularly those of less well-off consumers.

Duties which are 'specific', i.e. a specific £ amount per kg, disproportionately impact lower value products, such as mince compared to expensive cuts, which would further disadvantage this segment of British consumers.

We would therefore question the extent to which 'the interests of consumers in the United Kingdom' in relation to meat were taken into account in the formulation of this policy.

Will the Cost be Passed on?

The British Retail Consortium (BRC) has already stated that the extra duties under the Global Tariff will be passed onto consumers by retailers.

Additional checks and paperwork arising from the end of the Transition Period will also add costs, increasing consumer prices. Consumers stand to be doubly negatively impacted.

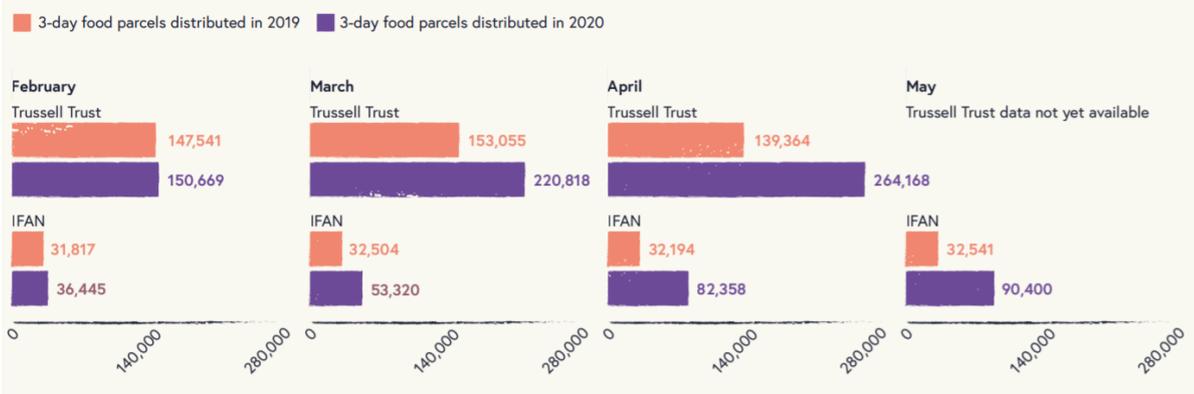
BRC estimate the additional tariffs on beef mince to be a massive 48%.

Poverty and the Global Tariff

Part One of the recently published National Food Strategy states 'one of the miserable legacies of COVID-19 is likely to be a dramatic increase in unemployment and therefore poverty.'

The Food Poverty Action Plan 2018 of Waltham Forest found that in UK food consumption in the last three years to 2018 'there is an increase in the consumption of alcohol and biscuits and cakes and a decrease in the consumption of meats and eggs among the low income earners.' The Global Tariff will only make meat more expensive, further limiting the choices of these low-income consumers.

Total food bank use nearly doubled in two months¹¹⁴



Source - National Food Strategy – Part One, p. 28.
Note: IFAN - Independent Food Aid Network

Does the Global Tariff Benefit Consumers' Health?

UK Global Tariff on Biscuits – 8%	UK Global Tariff on chilled boneless beef - 12.00% + 253.00 GBP/100kg
Nutrition and Biscuits <i>"Free sugars are found in foods such as sweets, cakes, biscuits, chocolate, and some fizzy drinks and juice drinks. These are the sugary foods we should cut down on."</i> - NHS	Nutrition and Red Meat When consumed in appropriate quantities can be part of a healthy diet. Provides a balanced natural intake of nutrients, such as: heme iron, Omega 3, Vitamin B group, Selenium and Zinc. Vitamin B12 is produced naturally only by animals and by some yeasts. Red meat is also an excellent source of protein

Potential Impact of the Global Tariff on Business

The Taxation (Cross-border Trade) Act talks about having regard to **'the interests of producers in the UK'**, presumably this is intended to include the **interests of manufacturers**, as well as of primary producers.

As the **UK is not self-sufficient in meat** and retailers tend to have the greatest buying power, the manufacturing sector relies on imported inputs (to complement domestic supplies) from the EU and further afield. This is to meet their **input demand** and allow them room to **grow their business**. It is essential that there are sufficient **imported inputs** to allow for continuity in the manufacturing sector. This will in turn **create job security, investment and infrastructure to add value** to this sector in the UK.

Imported inputs to manufacturing helps to support **consumer choice** in the UK. An example is commercial raw chicken cuts entering the UK to be cooked and sliced to form part of a Sunday roast platter ready meal offering.

Covid-19 and Hospitality

In August 2020 UKHospitality reported that **'more than three-quarters of hospitality businesses in the UK are at risk of insolvency within 12 months'**. This was linked to the impact of Covid-19. Making inputs into this sector less affordable through **prohibitive tariffs** on meat imported from the EU may only make this situation worse.



Is Self-Sufficiency an Option for the UK?

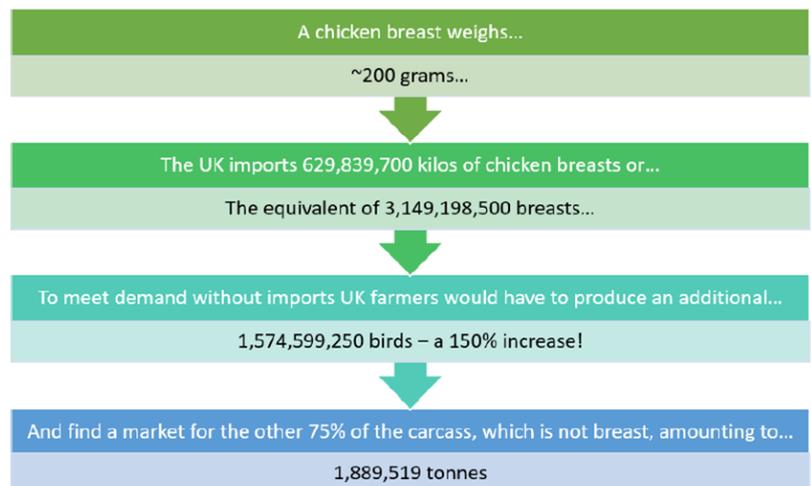
IMTA's Factsheet **'The Self-Sufficiency Myth'** demonstrates that **self-sufficiency in meat is simply not a feasible or desirable** option for the UK.

The meat sector is unique in that it **disassembles its product** (from carcasses into cuts of meat) and UK consumer demand is not in direct proportion to the cuts from the carcass.

The products being imported and exported are, in general, fundamentally different. For instance, the UK is overwhelmingly a **breast market** and thus the vast majority of poultrymeat imported into the UK is either whole chicken breast or made of chicken breast. In turn, the UK exports chicken cuts such as backs, necks, wingtips and of-fal, which are not popular with UK consumers. Some of these would have to be **destroyed at a cost** if they were not exported. It also makes economic sense for producers for these products to be exported because they **fetch a higher price in other markets**, in some parts of the world **chicken feet and gizzards are considered a delicacy**.

Even in lamb, which the UK produces a lot of there is imports and export. The **seasonality of production** in the UK versus the Southern Hemisphere (including traditional suppliers New Zealand and Australia), complements each other and thus enables the consumer to eat the best quality lamb throughout the year.

Imports also meet **retailers' requirements for delivering large volumes** of consistent product over a short time frame such as Easter when UK production is seasonally low. Without them shelves would soon start looking empty and consumers would get out of the **habit of eating lamb**. The UK tends to import legs and export carcasses, in particular to France.



There is also the matter of consumer choice, in the limited cases where the UK imports and exports **'like for like' products**, such as high-quality steaks, the dynamic is based on **consumer choice**. Certain consumers may want to try a USDA grainfed steak, just because there is perfectly good British steak available is no reason to limit menus.



CN code and Product Description	Example of product falling under this CN code	What might British consumer cook using this product?	Current cost at point of import from EU	Future cost at point of import from EU under the Global Tariff	Percentage increase
0201 30 00 – Chilled boneless beef	Beef mince	Lasagne; Bolognese; Burgers 	£465	£774	↑ 66%
0203 19 13 – chilled pork loins and cuts	Pork loin steaks	Stir fry; Roast pork 	£223	£295	↑ 32%
02044250 - Frozen sheep legs	Leg of lamb	Sunday Roast 	£448	£641	↑ 43%
02044310 – Frozen boneless lamb	Lamb Mince	Lamb koftas; Lamb kebabs 	£284	£515	↑ 81%
02071410 - Frozen boneless chicken	Chicken Breast	Fajitas; Goujons; Chicken Curry 	£296	£381	↑ 29%
1601 00 99 – Sausages	Sausages	Bangers and Mash; Full English; Casserole 	£307	£391	↑ 27%

Notes on the Table

It demonstrates the impact of Global Tariff on cost at the point of import on a selection of products favoured by British consumers

It does not account for further increased costs from customs requirements and veterinary certification and checks

Calculations are based on the percentage increase in the current average cost of importing 100kg of meat into the UK from the EU-27 as part of the Single Market and the future cost with the additional UK tariff schedule duties as outlined in the Global Tariff

Calculations were made using Eurostat data on UK arrivals, based on an average of UK imports from the rest of the EU in the years 2017-2019 in value and kilos

As Eurostat data is in Euros, and the new tariff schedule is in pounds, the average value of product for each year was converted to pounds using each year's average exchange rate, as provided by HMRC

Note - the estimation of 66% increase in costs of mince could be an underestimate, the CN code 02013000 can cover anything from steaking cuts to mince. Confidential info from a member suggests this could actually be more like 90 - 130%. Mince is a key product for the less well off.

Picture sources - AHDB and FSA

Recommendations

- ⇒ To mitigate the impact **increased costs on UK imports** from the EU-27 will have on **UK consumers and businesses** using product as a manufacturing input, **Government should revisit the Global Tariff if there is no FTA** agreed with the EU.
- ⇒ Consumers are already **under pressure from the fallout of Covid-19**, as of 28th July 2020 there have been 150,751 **redundancies** and nearly 10 million people **furloughed**. The Bank of England is expecting the UK economy to **shrink by 9.5%** this year. This would be the **biggest annual decline in 100 years**.
- ⇒ If ever there was a time to pursue a course of action which is certain to raise **consumer prices**, this is not it. The creation of **manufacturing jobs** in food is contingent on food businesses being able to source inputs, including meat, at affordable prices to support their product offering and grow their business. The Global Tariff Policy runs contrary to this.
- ⇒ Covid-19 has had a significant impact on businesses, particularly those involved in the **hospitality sector**, as many food businesses are.
- ⇒ Business is already certain in the knowledge that there will be an **administrative and resource burden** from the requirement for veterinary certification on export to the EU, **veterinary paperwork** and checks on import from the EU and the **cost of hiring internal or external staff** to deal with **customs requirements** on both import and export. To add prohibitive tariffs to this will almost certainly see the **demise of many UK businesses** and further job losses.
- ⇒ Government should **consult with industry, consumers and others** to arrive at a **tariff policy suitable** for the needs of the UK if there is no FTA agreed with the EU.

Sources:

- Eurostat
- AHDB
- FSA
- BRC (2020) '[Fair deal for Consumers Why Tariffs are bad news for UK consumers](#)'.
- National Food Strategy (2020) '[National Food Strategy Part One](#)'.
- Waltham Forest (2018) '[Food Poverty Action Plan](#)'.
- UKHospitality (2020) '[Over three-quarters of UK hospitality businesses at risk of insolvency](#)'.
- NHS (2020) '[Sugar: the facts](#)'.
- The Guardian (2020) '[UK coronavirus job losses: the latest data on redundancies and furloughs](#)'.
- BBC (2020) '[Bank of England boss Bailey backs end of furlough scheme](#)'.



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