

Planning for Brexit

An update from Bidfood on our plan



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Brexit revisited- the situation

- UK voted on 23rd June 2016 – **52% leave Vs 48% remain**
- **Article 50** invoked 29 March 2017
- Exit date from EU = **23:00** on **31st October, 2019**
- **If we agree a deal** – Brexit implementation phase ends on 31/12/2020
- **If no deal agreed** – should we exit with no deal in place, new tariffs will apply, new customs arrangements etc.

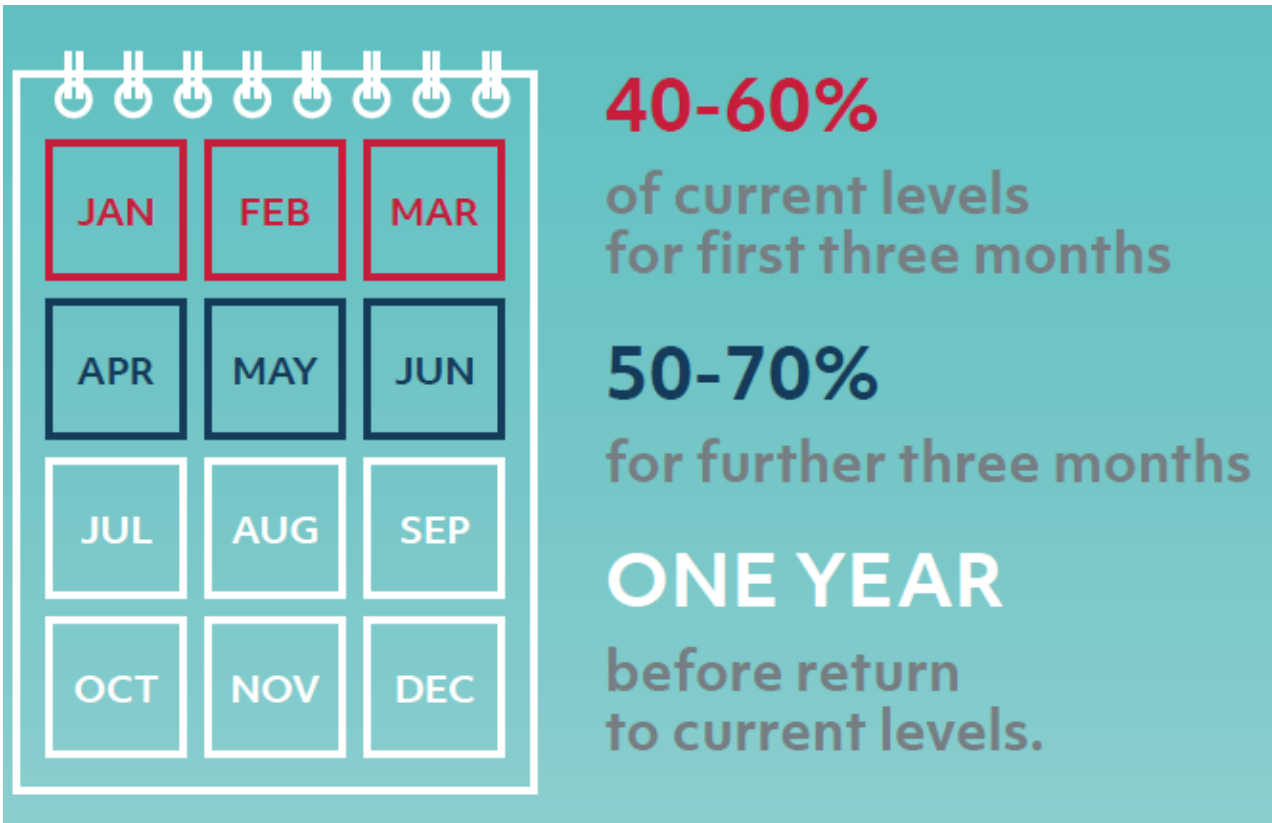
Brexit revisited- potential impacts

Should the UK exit with no deal in place we could see:

- negative economic forecasts– up to -10% GDP 2023
- potential currency devaluation
- tariffs to be applied on exports and imports of some products
- increased checks at borders on some products
- changes to customs clearance procedures – export ex-EU and import into the UK – including need for health certification as appropriate
- potential delays at ports in the short-term.

Product availability- worst-case assumptions

Potential reductions in in-bound UK flow of goods across borders in the event of a no deal Brexit*:



Our approach is based on reasonable 'worst-case' assumptions arising from a no-deal exit.

We do not expect overall food shortages, however we may well see intermittent availability issues on **some** products.

How a no-deal Brexit could affect the products that you buy

Should there be no deal, we can therefore expect to see:

- fluctuations in cost of some products
- increased costs of haulage for imported goods or goods with imported ingredients
- whilst we do not expect food shortages, we may well see intermittent availability issues on some products
- this could potentially reduce available choice
- fresh product lifecycles may reduce on some products.

BUT THE WHEELS WILL KEEP TURNING.

Our planning team

Our Leadership Team are committed to embracing a robust and detailed approach to planning, to ensure that our business remains sustainable, that we mitigate risks, leverage opportunities and achieve the best possible outcome for our customers, our teams and our suppliers.

We've set up seven work streams addressing the following areas

- people and internal communications
- impact on customers
- the changing trading landscape- economic, inflationary and currency conditions.
- supply chain and procurement- including tariffs, route to market, product cost and availability
- data and processes
- regulatory changes
- external and customer communications.



Our approach to planning and risk assessment

- Around 30% of our range or 2,300 products are sourced from the EU
- We also import some of our own products
- Therefore it has been crucial for us to put together a comprehensive and robust plan to protect availability for our customers.
 - we have based our plans on a comprehensive review of our products, working with over 700 suppliers to understand their plans.
 - we have risk assessed all of our core range products, categorising their risk profile into red, amber and green



Steps we've been taking



Increasing stock holding



Securing additional warehouse space



Reviewing impact of tariff changes



Providing customers traffic light reports on their top 50 products - contact your Account Manager who can provide you with these.



Clarifying requirements with UK and EU customs



Developing contingency plans for short-life and fresh products

Steps we've been taking to protect availability – longer life products

Having completed the risk assessment

For those products that we've flagged as having a risk to availability, we have identified alternatives and put contingency plans into play:

- ➔ bought additional contingency stock for at risk products and lead alternatives providing up to 3 months' cover but an average of between two and 6 weeks' on the basis of current sales levels and level of risk
- ➔ secured two additional warehouses to house contingency stocks
- ➔ brought forward our Christmas stock build
- ➔ advised suppliers about new procedures and paperwork required for importing products
- ➔ successfully completed trials with EU and UK Customs representatives to ensure readiness for new import procedures and paperwork

Short-life chilled

For short-life SKUs like dairy products, deli ranges etc. we are implementing the following plans:

- ➔ we've increased stock holding of some chilled products where appropriate
- ➔ we've sourced UK alternatives where appropriate
- ➔ and we've increased stock-holding on alternative temperature brand products for example frozen alternatives where appropriate.



Fresh ranges

Fresh ranges can be divided into three types of category:

Longer-life produce

with a shelf life of more than two weeks

e.g. citrus, root vegetables, apples, pears, melons, squashes

- ✓ stocks of these lines are being increased ahead of 31/10/19

Low risk perishables

with a shelf life of one to two weeks e.g. hard salad lines

- ✓ these products can be harvested a few days earlier to allow for delays at ports
- ✓ adjustments can be made to maturity and ripeness as the season progresses taking into account growing conditions and transit times
- ✓ we have successfully completed trials on extended-life packaging

Perishable produce

with up to a week's notice e.g. leaf products, herbs and some berries

- ✓ it's not possible to build stocks of these lines, so if delays at ports extend beyond 48 hours, we will implement plans on a case by case basis
- ✓ please contact your account manager to discuss alternative products for example frozen lines.

Tariffs and product costs

Which imported products are affected?

The UK government have published details of tariffs which could be applied to imported goods in the event of a hard Brexit, most recently updated on 8/10/19, with the caveat that changes could still be made up to the 31/10/19 deadline.

Dairy (cheese, butter, eggs etc.), bacon, ham, salmon, chicken, frozen vegetables, chips, wine are amongst the categories affected.

The actual impact on cost of product will depend on country of origin, the ingredients in the product, as well as any additional haulage or administrative costs of importing goods.

For that reason, we are dependent on suppliers to advise us of any the final impact on pricing structure of products they supply.



Tariffs and product costs cntd

We have therefore written to suppliers:

- advising them of the steps they need to take to comply with changes in procedures and paperwork if they are importing products or ingredients, should we exit the EU without a deal
- also asking them to provide us with notice of any changes in product pricing on affected core range products, with detailed explanations.

In the case of nominated products, we would recommend that customers contact their nominated line suppliers directly. Unfortunately for all nominated lines where the relationship with the supplier is managed by the customer, we cannot be responsible for maintaining availability or confirming tariff impacts.

If there is a deal, there will be no tariff-related changes to the cost of imported goods until the end of the transition period i.e. at least 31st December 2020.

Our top tips for planning

- ✓ Work closely with your suppliers to build contingency stocks
- ✓ Be proactive with suppliers of your nominated products
- ✓ Review planned menu changes and new lines where appropriate
- ✓ Streamline decision-making and approvals in the event of the need to change products or menu items.

Where to get further information

- Government for the food and drink sector at www.gov.uk/guidance/the-food-and-drink-sector-and-preparing-for-eu-exit
- Government flow charts for import, export and other Brexit related processes at www.gov.uk/brexit
- Industry advice at www.brexitfoodhub.co.uk
- Bidfood are also able to provide on request reports for customers that identify risk across their top 50 products.
- If you do have any specific queries, please direct them through your account manager in the first instance.



Thanks for your time- any questions?