

Wednesday 2nd September 2020

Thomas Ridley Foodservice BREXIT Customer Statement

Introduction

The UK has left the E.U. and the transition period comes to an end on 31 December 2020 which means we will start a new trading relationship with the E.U. at the beginning of next year.

Forecasting the Future

To forecast what will happen will be very difficult.

What we know (or can project) is the following:

- To replace the EU's customs import tariff, the UK will apply its own customs tariff—the UK Global Tariff (UKGT)—to goods imported into the UK, either from an EU Member State or any other jurisdiction, unless an exception applies, such as a relief or tariff suspension.
- It also means that the UKGT will, in principle, apply to EU imports into the UK after the transition period ends, unless the EU and the UK decide otherwise in a trade agreement. Such an agreement should, in principle, lower or abolish the duties on all or some goods.
- So the cost of food will go up from the start of next year if the UK fails to agree a trade deal with the EU.
- The British Retail Consortium (BRC) has analysed the UK's new existing tariff schedule, finding that 85 per cent of foods imported from the EU will face tariffs of more than 5 per cent.
- The BRC predicts that the average tariff on food imported from the EU could be over 20 per cent.
- Non-tariff barriers, such as additional regulatory checks, will also drive up importing costs.
- Food importers will need an EORI number to move goods between the UK and non-EU countries.
- There will be new rules on food and drinks labelling and packaging.
- Continuity and availability of direct labour is also a large risk.
- With projected delays at ports there may be an impact on product availability.
- Sterling will suffer vs. the Euro and the Dollar if the above effects damage trade.

With the 'clock ticking' down to 31st December 2020, in our view the U.K. Government must put customers and consumers first and agree a deal that avoids tariffs and minimizes the impact of non-tariff barriers.

If the U.K. Government fails to minimise the negative impacts at the end of the transition period, this will have two major impacts: 1) Availability of goods 2) Cost of goods. In both cases this will have a 'knock-on' effect on customers and consumers as importers will be forced to drive up pricing due to lower margins due to the new costs of importing food.

Thomas Ridley Foodservice Response

As a responsible business we want to ensure we endeavour to minimize the negative impacts from the end of the transition period.

- We will work hard to ensure availability of core products at the end of the transition period. This is something we have prepared for before throughout the years of Brexit negotiations and the consequent delays and uncertainty.
- Thomas Ridley and The Country Range Group (we are the founder member of this buying organisation) have completed an exercise investigating alternative sources of product should any of our existing products become unavailable. Our intention if product supply is delayed is to switch to alternative sources of supply.
- We will work hard to ensure our customers get good service levels. This will, of course, be dependent on the availability of non-U.K. imported brands and products.
- We will be fair in the supply of products to our customers. This will mean monitoring unusual demand levels or ordering new products at an unusual demand level.
- We reserve the right to reject (or amend) excessive order quantities on core/essential products.
- We would encourage our customers to plan to gradually increase their own stock on their core lines imported from outside the U.K. in the lead-up to the end of the transition period (from October 2020) to avoid 'panic-orders' and/or no availability.
- Given the potential negative cost impacts projected at the end of the transition period Thomas Ridley Foodservice reserve the right to pass on price increases (in full) with immediate effect.
- We have now further mechanised our Operations in order to require a lower number of direct workers per shift to counteract potential labour shortages.

Summary

As the U.K. moves closer to the end of the transition period we enter a period of uncertainty, especially if a deal that avoids tariffs and minimizes the impact of non-tariff barriers is not reached with the E.U.

Thomas Ridley Foodservice want to ensure all our loyal and valued customers that we will endeavour to minimise the impact of BREXIT. Please work with us to ensure we can keep the products flowing by working with us through this period.