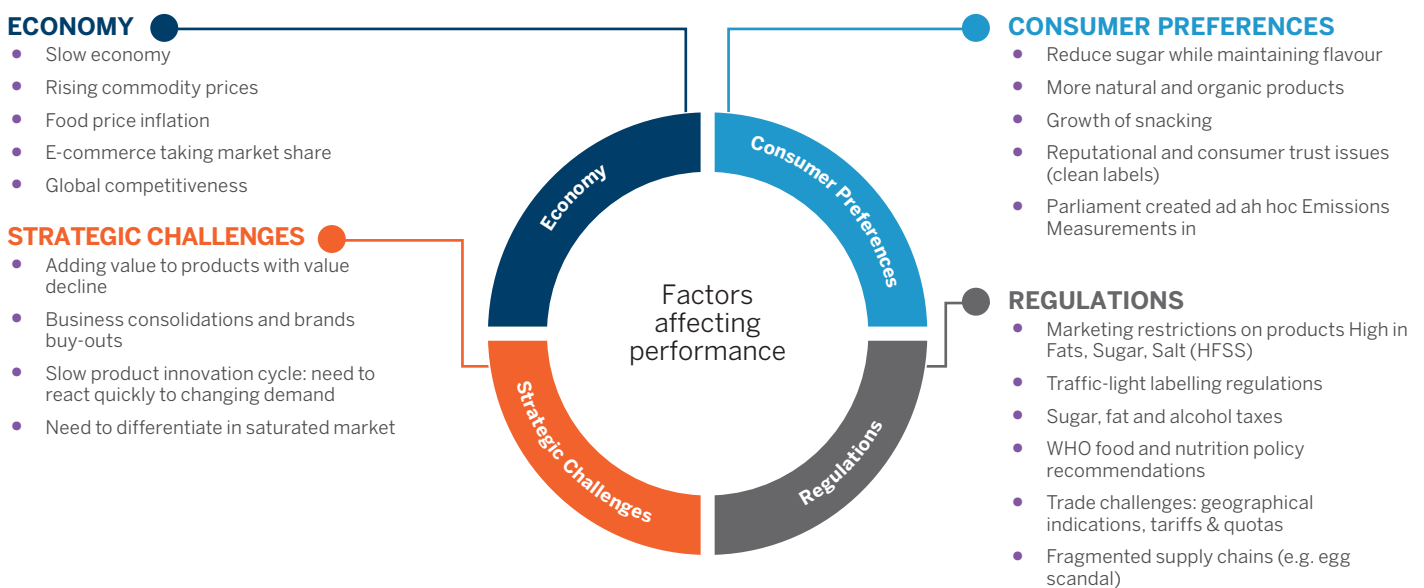


# Impacts of Brexit on the Food and Drink Industry

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes.

With dedicated teams in key political and commercial capitals, FTI Consulting is well placed to help you navigate your Brexit challenges and manage commercial risk.

## The Food and Drink industry has already been facing multiple issues impacting performance



## Brexit further adds to the complexity and may have long reaching impacts on both ease to do business and profitability

### Economy

- Potential slowdown in the UK economy after Brexit. Impact on EU exporters
- Changing buying patterns will reduce the overall demand
- Profitability would be affected by these changes
- Investment decisions will be affected by increased uncertainty
- Smaller production volumes will lead to job losses

### Exchange rate

- An erosion in the value of the GBP will impact relative food and drink prices
- UK exports (€12bn in 2015) will be cheaper, and imports (€40bn) more expensive
- This would cause an increase in general inflation in the UK and affect profitability of industry players asymmetrically

### Trade barriers

- A hard Brexit would imply high tariffs for many food and drink products
- WTO's 'most favoured nation' (MFN) tariffs are complex
- Non-tariff barriers, such as red tape, would also increase costs
- Not all cost increases can be passed through higher prices
- Any price increase would reduce demand

### Supply chain

- A hard Brexit will seriously disrupt integrated supply chains in Europe
- Food/drink Inputs cross borders several times before the finished product is ready
- Ireland disproportionately at risk
- Supply chains will need to be redesigned, with effects on demand, supply and profits

### Labour markets

- Access to a large pool of unskilled manual workers is fundamental for the survival of UK agriculture and food chains
- Without freedom of movement, these workers may find work in other EU nations, increasing UK labour costs
- This will erode the competitiveness of the sector, and may erase any gains from drops in exchange rate

### Regulation/Compliance

- With changes to the UK's access to the Single Market, regulations regarding food safety, labelling, etc. will diverge in time
- Compliance responsibilities may change too
- Associated costs will increase, and it may no longer be possible to import or export certain products
- Continued compliance with EU regulations may deter UK's ability to agree FTAs with non-EU countries

# Brexit checklist: **What should you be thinking about?**

- ✔ Obtain political and regulatory insight and intelligence to create clarity
- ✔ Address any potential commercial and operational requirements
- ✔ Ensure you have the right financial and investment strategies in place
- ✔ Monitor and influence legislative programmes to protect commercial interests
- ✔ Consider any corporate restructure, valuation or business modelling needs
- ✔ Mitigate any tax risks
- ✔ Undertake market analysis and economic scenario modelling to inform your business decisions
- ✔ Understand the implications for your governance, trade and investor protection rules
- ✔ Engage all your internal and external stakeholders effectively across all platforms

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### About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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