FoodBrexit

A Food Service Industry Perspective

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Approach

- Polled views from senior industry representatives directly engaged in the food service supply chain / hospitality sector, including:
  - Wholesalers; Logistics; Brand Operators (casual dining – QSR – hotel groups – coffee chains - etc)
- Inbound supply of fresh food supply EU to UK as a basis of discussion
- Explored the current issues & priorities arising from Brexit to date, and future concerns
- Fresh food / produce supply has some key differentiators:
  - End to end supply chain has a high dependency upon EU labour
  - Balance of trade with EU (Import volumes vs export)
  - Fragile / perishable product with limited life

Hospitality sector is probably the hardest hit of all by Brexit

Resources – we depend upon EU labour to operate the supply chain

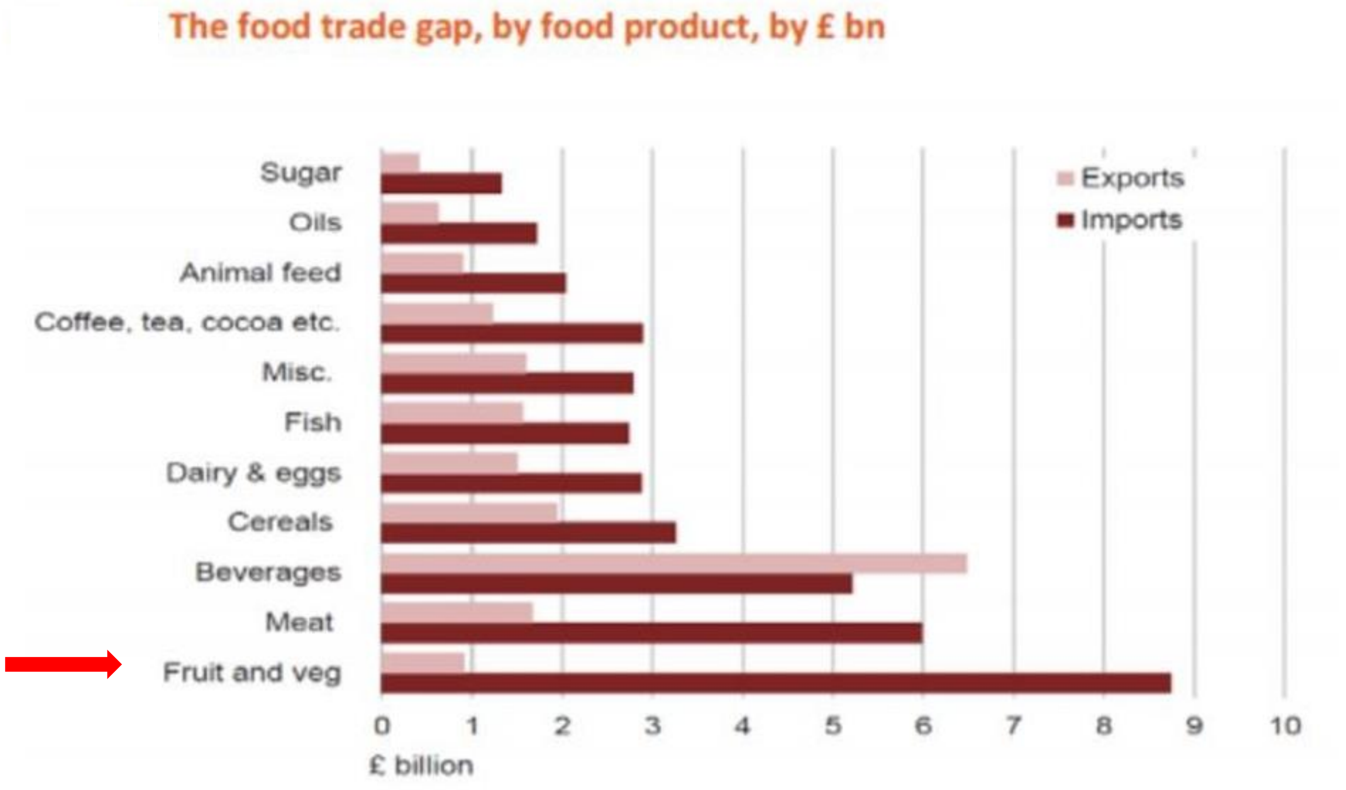
- Up to 23% of the sector workforce is EU nationals (National average is 6.9%)*
- 75% of waiting are staff EU nationals; (more in London); 25% chefs*
- One example (large hotel operator) where 90% of housekeeping staff in London are from outside UK, mostly EU27
- Around 175,000 UK hospitality establishments in the UK, plus ca. 90,000 commercial catering establishments – this is big business
- Increasing trend for freshness & healthy eating; fresh products can represent up to 40% of SKU's in food offer
- The future of the Foodservice / Hospitality industry will depend upon the freedom of movement of EU personnel in one form or another

The sector is served by the logistics industry which also relies heavily on EU labour, it connects the end to end supply chain and manages the consistency of supply to meet volume, quality, and commercial needs

- Interviewees report around 50% of driver / warehouse operatives / admin staff are EU nationals
- The LGV (large goods vehicles) driver shortage is currently around 35,000 and growing
- Shortage in part offset by cabotage - EU drivers delivering in to UK can pick up 3 loads of internal delivery (usually more) before they return empty

* Data from BHA KPMG report

We depend upon EU for fresh produce



Source: Defra 2015 [117]

- Fruit & Veg category stands out at around 9:1 ratio of import / export
- The UK supply capacity:
  - cannot fill this gap
  - cannot compete on cost
  - cannot supply all year around
  - would have to find alternate labour source or mechanise/ automate processes
- Limited opportunity to automate and this would take time (years) to implement
- High risk investment for someone, but maybe no alternative?

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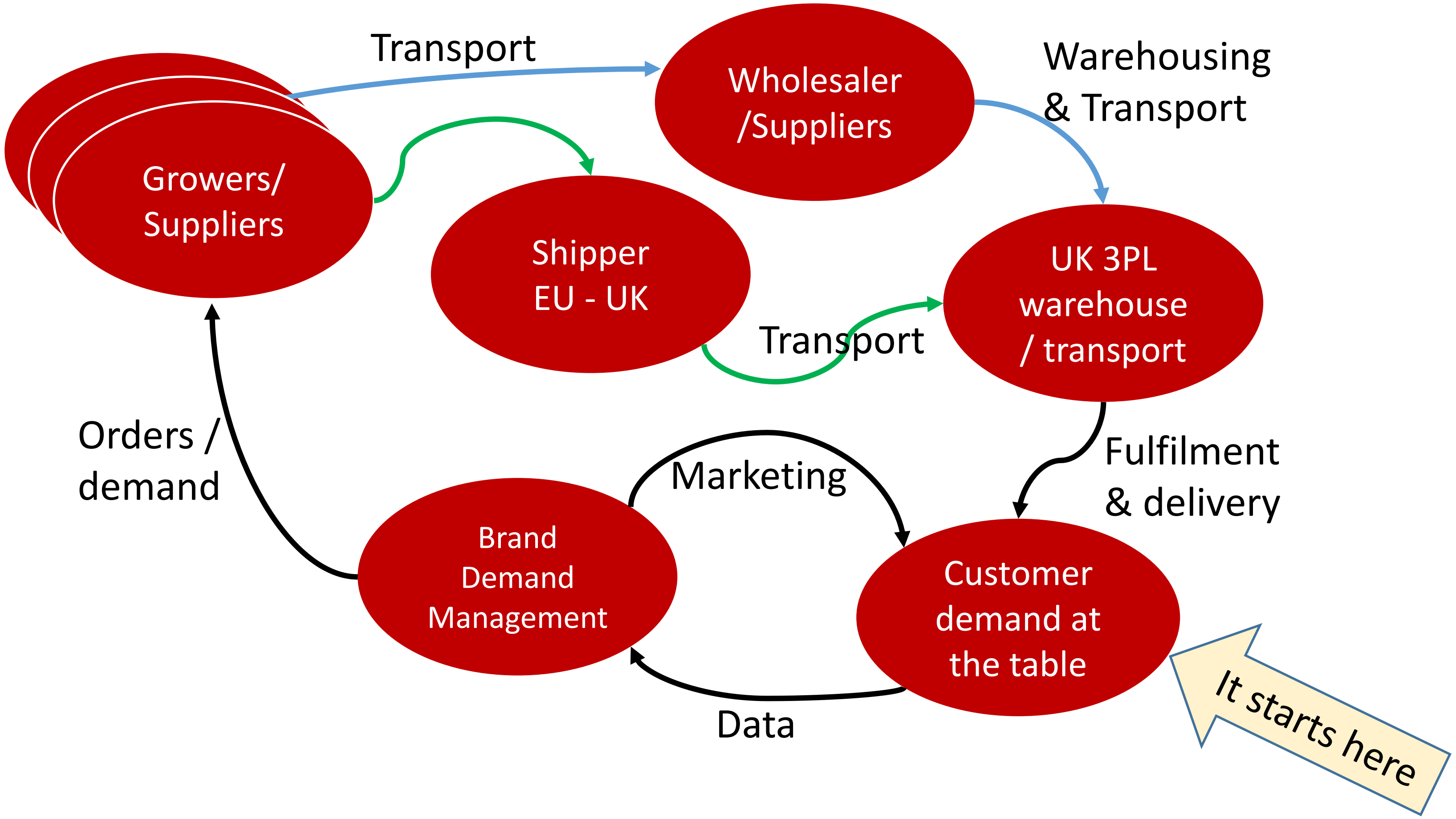
Fresh food Supply Chain – this is how it works, a drumbeat…



- Some operators contract supply directly with growers to gain control, but also **exposure…**
- Wholesalers can provide **protection to complexity** and exchange rate (contracted volume from variable sources)
- If one node or link drops out, the supply chain is broken. **FRAGILITY** is a BAU in fresh food supply
- This is an industry that copes with **things going wrong most days**, but it has to operate within rules and guidelines
- **Planning for Brexit** needs those guidelines, and quickly
- **Risk management** is critical to organising future supply

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