



EFFA-UK Flavour Association Paper on the future EU-UK Trade Agreement

POSITION PAPER

The objective of this joint Position Paper is to outline the European flavour industry's vision on the future EU-UK trade agreement and the potential challenges for the European flavour industry, as an important ingredient supplier to the European food and drink sector.

This Position Paper represents the views of the European Flavour Association (EFFA) and its members, which includes the UK Flavour Association. This paper was developed in close collaboration with our member the UK Flavour Association.

INTRODUCTION & THE RELEVANCE FOR THE EUROPEAN FLAVOUR INDUSTRY

The European flavour industry is a key supplier of the food and drink industry in Europe and beyond and operates on national, regional, and global scale. In Europe there are over 400 sites producing flavourings, providing over 10.000 direct jobs. The European flavour industry is a key industry contributing to Europe's economy and leadership in the world, as the EU market share represents 30% of the global flavour market value. About 70% of companies are family owned. The sector includes both Small and Medium sizes Enterprises (SMEs) and stock listed companies operating across Europe. Moreover, 4 of the top 5 global flavour companies are incorporated in Europe.

The food and drink industry is the largest manufacturing sector in the EU in terms of revenues, value added and employment. Approximately, one third of food & drink products are flavoured¹. Flavourings are ingredients that bring taste and variety to the food we eat. Flavourings are highly concentrated ingredients and therefore they come in rather small quantities. However, flavourings are still one of the most important ingredients, since taste is the main criteria for choosing a food product.² This means that the impact of the flavour industry in the European food and drink industry is of great significance.

In this joint paper, EFFA and our member, the UK Flavour Association, would like to highlight some important criteria to be taken into consideration for the EU-UK trade negotiations.

The UK flavour sector is highly intertwined in the overall European flavour chain, not only in terms of regulation, but also in terms of supply of raw materials and other sourcing material. It is therefore crucial for the European flavour industry that the UK and the EU flavour industry can continue to collaborate based on the EU single market and free trade principles.

Following a UK referendum held in June 2016, the United Kingdom opted to leave the European Union. On 31 January 2020, the UK officially left the EU. We are now in a transition period, during which the future partnership

¹ We have excluded bottled water and bread from the total of food and drink.

² <https://www.foodingredientsfirst.com/news/novel-flavor-formulation-remains-vital-as-three-quarters-of-consumers-love-to-discover-new-flavors-says-innova-market-insights.html>

will be negotiated. About 49% of the UK Trade is with the EU and another 11% is with countries that have EU trade agreements in place.³ This means that about two thirds of the UK trade are with other EU countries.

The consequences of the UK leaving the EU without a trade agreement would be detrimental to the overall European economy, including the European flavour industry, both in the UK and other European countries (also beyond the EU), as we are an important ingredient supplier to the food and drink sector.

EFFA and the UK Flavour Association therefore ask the relevant authorities both in the UK and the EU to consider these consequences and hope that the future EU-UK trade agreement stays as close as possible the current scenario.

EU 27 & UK TRADE SITUATION

In a joint statement⁴ published earlier this year by EFFA and the UK Flavour Association, we emphasised our commitment to continue working closely together, for the benefit of the industry and consumers alike.

The flavour industry is highly integrated across Europe on many levels: legislation, employment, and know-how. We therefore hope for regulatory consistency and eased bureaucracy to facilitate existing and future business and trade between the EU and the UK.

TARIFF QUOTAS AND TRADE BARRIERS

EFFA and the UK Flavour Association also participated to the public consultation in March 2020 of the UK government on the UK Global Tariff.⁵ In this context, we analysed the available EU Trade Statistics from 2018 and 2017⁶ in terms of import and export of flavourings, being imported and exported from/to the EU Member States from/to the UK and visa-versa.

The import and export for flavoured products for use in food and drinks are crucial. Flavourings and flavouring ingredients are traded under the commodity codes 3301, 3302, 1301, 1302 and 2106.

Overall, the EU is the UK's largest trading partner with 2017 and 2018 arrival values of import and export laid down in the below table. Other than the EU, other important UK trading partners include the USA, China, India, Singapore, and Switzerland. Overall, the industry has a global reach and because key ingredients can only be sourced from specific locations, keeping import tariffs low helps maintain the competitiveness of the UK industry.⁷

Table 1: Table of import and export values between the UK and EU27 for 2017 and 2018

	CODE 3301	CODE 3302	CODE 1301	CODE 1302	CODE 2106
2017 import (UK to EU27)	91,527,921 EUR	409,305,580 EUR	17,985,239 EUR	46,755,537 EUR	678,452,853 EUR
2018 import (UK to EU27)	78,869,703 EUR	414,211,019 EUR	9,957,958 EUR	61,055,163 EUR	728,184,590 EUR
2017 export (EU27 to UK)	88,350,056 EUR	980,069,707 EUR	11,280,449 EUR	52,799,282 EUR	1,142,812,095 EUR
2018 export (EU27 to UK)	87,818,022 EUR	963,095,818 EUR	10,164,465 EUR	57,734,929 EUR	1,216,864,230 EUR

³ <https://www.bbc.com/news/uk-politics-50838994>

⁴ <https://www.ffa.eu/newsroom/article/2020/02/04/ffa---uk-flavour-association-joint-statement>

⁵ <https://www.gov.uk/government/consultations/the-uk-global-tariff>

⁶ <https://trade.ec.europa.eu/tradehelp/statistics>

⁷ UK Flavour Association input to the UK Global Tariff Consultation, March 2020

The last two consecutive years show a trend in bilateral trade for these products. This means that the import and export of those products are equally important to the EU27 and to the UK.

We support the removal of the tariff for 3301121000 and would also support a wider removal of tariffs for other ingredients under the 3301 and 3302 heading which are also 'inputs to production'. Many of these ingredients cannot be sourced in the UK. Therefore, the UK flavouring industry is heavily dependent on other countries for these materials.⁸

The bilateral trade between EU27 and the UK on flavoured products is of high importance to the functioning of the European flavour industry at large. As an important ingredient supplier to the food and drink industry, changing the tariffs for flavoured materials would have an impact on the larger food and drink sector. Eventually this may impact the choice of consumers both in the UK and the EU27.

CHALLENGES FOR THE EUROPEAN AND UK FLAVOUR INDUSTRY

In anticipation of the 2020 trade talks between the EU and the UK, we would like to point out our key messages of importance to the European and UK flavour industry.

We would like to keep a minimum of administrative burden and we would like to ask the negotiators to apply the principles of free trade as much as possible. Moreover, we would like to emphasise that regulatory consistency is crucial for the functioning of the EU internal market, in particular to the European flavour industry, as it is dependent on this consistency and on the alignment of common rules. Moreover, the principle of mutual recognition should continue to be applied. Finally, we would like to highlight the importance of providing sufficient time (and transitional periods) to adjust to the new scenario, in order to avoid disruptions throughout the supply chain.

The flavour industry in Europe is regulated⁹ through the [EU Regulation on Flavourings 1334/2008](#), which is a specific Regulation and includes in its Annex the so-called "Union List of Flavourings" (UL). Considering the specific regulation in the area of flavourings, it is crucial that regulatory consistency remains for the flavour industry between the EU-UK. Regulatory divergence means extra complexity and extra costs; meanwhile our sector relies on arrangements that facilitate movement for highly skilled talent, including scientists and researchers.

Moreover, the removal of any administrative burdens is therefore welcome. Greater simplification of trade rules would also reduce this burden. We would also like to note that many flavouring ingredients cannot be sourced in the UK and that the EU-UK trade is therefore crucial for the flavour industry. The European flavour industry is an important ingredient supplier to the European food (& feed) and drink industry, both on national, regional, and global scale.

CONCLUSION

As previously mentioned, the consequences of having a 'no trade agreement' between the EU and the UK would have adverse effects to the overall European economy and would be harmful for the European flavour industry, as an important supplier of the food industry at large. It would have important implications for the import and export trading values, as well as for companies and consumers in the UK and other European countries (beyond the EU27).

EFFA and the UK Flavour Association would like the future EU-UK trade agreement to stay as much as possible the current scenario, in order to minimise trade disruptions for the benefit of the consumers, both in the UK and across Europe, which will ultimately affect the European economy. We look forward to engaging with all stakeholders involved both in the UK and the EU. We hope that our input will be taken into consideration during the EU-UK trade negotiations.

⁸ See: UK Flavour Association Response to the UK Global Tariff Consultation

⁹ It must be noted that other EU Regulations may be applicable as well for the import and export of flavourings. Other elements, such as Incoterms and VAT, should be considered as well.

The UK Flavour Association represents the interests of the flavouring industry in the UK. It is the leading organisation dealing with the legislative and technical needs of the industry in the UK and is active in Europe through its membership of the European Flavour Association (EFFA).

The European Flavour Association (EFFA) is the voice of the flavour industry in Europe, leading a Europe-wide strategy to the benefit of the flavour industry, its customers, and consumers alike. EFFA's members are Flavour Companies and National Flavour Associations from across Europe, representing 12 European countries¹⁰. EFFA is a member of the International Organization of the Flavor Industry (IOFI), which represents the industry on a global basis. EFFA's membership includes about 300 Small and Medium sized Enterprises (SMEs) and 11 stock listed companies operating across Europe. This includes approximately 70% family-owned businesses.

EFFA organises its work in three different pillars: Regulatory & Scientific, Communication, and Public Affairs. These Committees are responsible, amongst others, for monitoring the relevant EU legislation, and to stimulate, coordinate and monitor best practice in regulatory, safety, technical, communication and scientific issues. Through these Committees, EFFA develops Guidance Documents, which help our members to better understand and implement the relevant legislations. More information can be found here: <https://effa.eu/library/guidance-documents>.



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¹⁰ Sweden, Denmark, United Kingdom, the Netherlands, Germany, Belgium, France, Spain, Italy, Austria, Switzerland, and Turkey.