

Preparing for Brexit – Business Briefing

17th September 2020

From Phillip White, Managing Director

Dear [Customer],

We trust you are safe and well. Whilst we've all rightly been focused on COVID and getting our industry back on its feet, I do need to update you on another challenge that will face us all at the end of the year. Specifically, the end of the Brexit transition period on 31st December.

Up until now there has been no change to our trading arrangements with the EU. On the 1st of January this will change.

While the UK government continues to negotiate with the EU, there are two potential outcomes, and while the difference between '**deal**' and '**no deal**' may be less dramatic due to the government's recent planning, all foodservice operators would be well advised to plan for some disruption in January and beyond.

At KFF and within the wider Sysco family, we have had a team working on Brexit implications for over two years and have kept our customers regularly informed, and you give us regular feedback that this is useful. We are closely connected to government, representing and lobbying on behalf of the industry and our customers, and we work very closely with our supplier base to ensure their plans are robust.

As before, we are again well prepared for any eventuality – and in particular if a deal with the EU is not concluded.

1. **If a deal is reached**, then the impact on food tariffs should be low level or even zero, depending on the final shape of the deal. Bear in mind that the negotiators are working towards a less closely integrated deal than last time – so even with a deal, selected tariffs remain a possibility. We should expect some border disruption, as new systems / procedures will still need to be deployed to reflect the movement of stock out of / back into the EU Customs Union and Single Market. But a deal covering food standards might make such processes lighter touch and therefore easier to manage.
2. **If no deal is reached**, which we believe to be the more likely outcome, we expect to see import tariffs applied on some food items, and increased paperwork procedures at UK ports. As a nation we import roughly 40% of our food, and additional border checks are likely to create delays, disruption and in turn, product availability issues.

The political path ahead remains unclear and time is now tight, so we are therefore in full mitigation planning to ensure we have the best availability. Our plans are advanced and we are in our strongest position yet to provide the best possible support to our customers. We've planned for this in detail before, we have ongoing support from 3rd party experts and we therefore head towards 1st January with confidence.



In particular:

- We have storage capacity and are building significant buffer stocks within our own network
- We're working closely with UK-based suppliers to ensure they are stocking up on raw materials, packaging and finished goods
- In the vast majority of cases, we can cover any fresh product shortages with frozen equivalents, and will support British farming and local sourcing wherever we can
- We have the know how to manage the new import regulations and we can limit any border delays through our logistics planning

Our objective is to minimise all customer impacts and you can have complete confidence in KFF. We have the scale, the expertise and the experience from last time to be the best placed foodservice partner for our valued customers.

We will continue to update you when any important milestones are reached or if anything changes. In the meantime, should you have any concerns or queries, please do get in touch with your account manager.

Kind regards,

Phillip White
KFF MD