

Perceptions of Welsh food and drink manufacturing and processing businesses regarding the potential impact of the UK leaving the European Union (Brexit) on the food and drink industry in Wales.

Leanne Ellis*, Ellen W. Evans, David C. Lloyd, & Jamie Old.

ZERO2FIVE Food Industry Centre, Cardiff Metropolitan University, 200 Western Avenue, Cardiff, Wales, United Kingdom, CF5 2YB.

*Corresponding author: lellis@cardiffmet.ac.uk

Introduction

The food and drink industry in Wales is a fast growing market. Although the number of workers employed in food and drink manufacturing in Wales has increased since 2011 by 63%, compared with only 3% in the rest of the UK (Welsh Government, 2017), food manufacturers struggle to fill many skilled and unskilled roles, some of these needs have been met with non-UK EU born workers (Welsh Government, 2017).

Consequently, over a quarter (27%) of people employed in the Welsh food and drink industry in 2015 were born in the EU (non UK), compared to 7% in other manufacturing (Welsh Government, 2017).

Over the past 41 years, UK membership of the European Union (EU) has allowed free movement of citizens and enabled the UK to import and export products within the single market (Keep, 2017).

This membership is of benefit to the food and drink industry in Wales as it has facilitated employment of non-UK EU staff and enabled the export of Welsh food and drink products to the EU. The value of food, feed and drink exports from the UK was £18bn (FDF, 2017), 72.4% of exports from Wales go to the EU (National Farmers Union, 2017) and food and drink generating £264 million of exports in 2015 (Warren-Thomas and Henderson, 2017).

However, in June 2016, the UK held a referendum, which resulted in 51.9% of voters voting in favour of leaving the EU (The Electoral Commission, 2016), a decision commonly referred to as "Brexit".

Given the value of Welsh food and drink exports and the reliance on non-UK EU nationals in the food and drink industry in Wales, there is a need to explore the perceived impact of Brexit upon food and drink manufacturing and processing businesses in Wales and the whole Welsh food and drink industry.

Research aim

The aim of the research was to explore the perceptions of food and drink manufacturing and processing businesses in Wales regarding the impact of Brexit upon their business and the industry in Wales.

Methods

An online, self-complete questionnaire was distributed to Welsh food and drink manufacturing and processing businesses to determine the perceived impact of Brexit in two phases:

- Pre-referendum (n=32)
- Post-referendum (n=56)

Ethical approval for the study was obtained from the Cardiff Metropolitan University Healthcare and Food Ethics Committee.

References

- Emmerson C, Johnson P, & Mitchell I (2016) The EU Single Market: The Value of Membership versus Access to the UK. The Institute for Fiscal Studies. Available from: <https://www.ifs.org.uk/uploads/publications/comms/R119%20-%20The%20EU%20Single%20Market%20-%20Final.pdf> (accessed 30/10/17).
- Food and Drink Federation. UK food and drink export statistics 2016 www.fdf.org.uk/exports/ukexports.aspx (accessed 31/10/17).
- Keep M. (2017) The UK's contribution to the EU Budget Briefing Paper Number CBP 7886. Available from: <http://researchbriefings.files.parliament.uk/documents/CBP-7886/CBP-7886.pdf> (accessed 31/10/17).
- National Farmers Union (2017) Farmers' Union of Wales Response to the National Assembly Climate Change, Environment and Rural Affairs Committee Consultation 'Rethinking food in Wales'. <http://senedd.assembly.wales/documents/s66087/RFW%202017%20Farmers%20Union%20of%20Wales.pdf> (accessed 01/11/17).
- Sukvinder J. (2011) Skills Action Plan for the Food Supply Chain. Available from: http://www.fdf.org.uk/publicgeneral/SkillsActionPlan_Jun2011.pdf (accessed 31/10/17).
- The Electoral Commission (2016) EU referendum results. Available from: <https://www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/past-elections-and-referendums/eu-referendum/electorate-and-count-information> (accessed 01/11/2017).
- UKCES (2015) Employer Skills Survey 2015. Skills in the Labour Market. UK Commission for Employment and Skills. Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525449/UKCES_Summary_Report_May.pdf (accessed 31/10/17).
- Warren-Thomas E and Henderson E (2017) The food and drink industry in Wales. National Assembly for Wales. <http://www.assembly.wales/research%20documents/17-021/17-021-web-english.pdf> (accessed 01/11/17).
- Welsh Government (2017) Brexit and Fair Movement of people. Securing Wales' Future. 2017 Available from: https://beta.gov.wales/sites/default/files/2017-09/Brexit%20and%20Fair%20Movement%20of%20People-%28EN%29main_WEB.pdf (accessed 01/11/2017).

Results

Perceived Impact of Brexit on food and drink manufacturing businesses

More than half of respondents (pre: 53%, post: 50%) thought that their business would be weaker for leaving the EU. Almost a fifth (17%) pre-referendum did not know what the impact would be on their business and this increased following the referendum result (38%) (Figure 1).

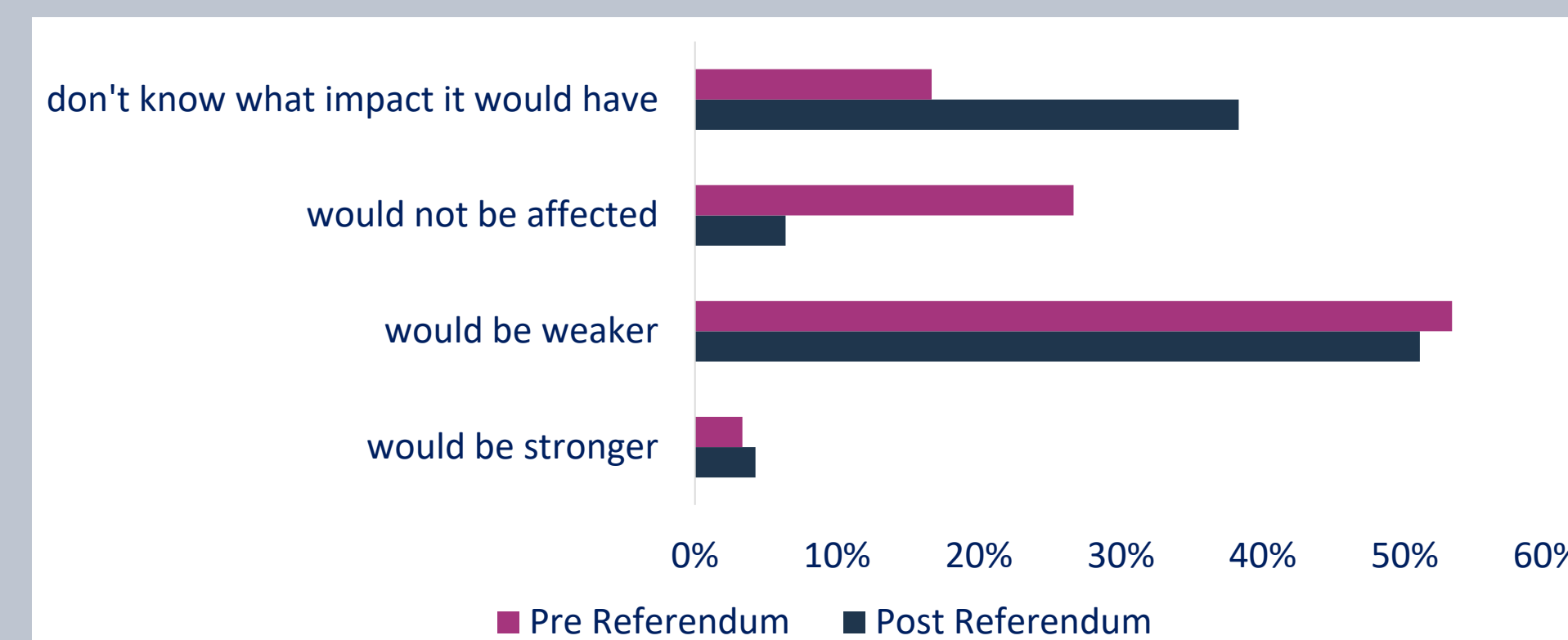


Figure 1: Perceived impact of Brexit on business strength pre-referendum (n=32) and post-referendum (n=56).

More respondents were unsure how Brexit would affect their business post-referendum. More respondents thought their business would not be affected by Brexit, pre-referendum (27%) than post-referendum (6%).

Although some positive comments were made (Participant POST602), many negative comments were made in relation to EU grants that benefit businesses (Participant POST611).

Pre-referendum, over half of respondents believe that leaving the EU would have a negative impact on job creation (50%) and turnover (50%) and just over two fifths (43%) on job retention. Following the result, perceptions did not much change too much towards these areas, as seen in figure 2. Anecdotal evidence towards retention supported this negative perception (Participant PRE702 and PRE607).

It is clear from figure 2 that respondents were feeling negative about the referendum result and how it could affect their business. Participants felt negatively about imports (57%) and over a quarter perceived exports (26%) would be negatively impacted, this was also discussed by Participants PRE004 and PRE602.

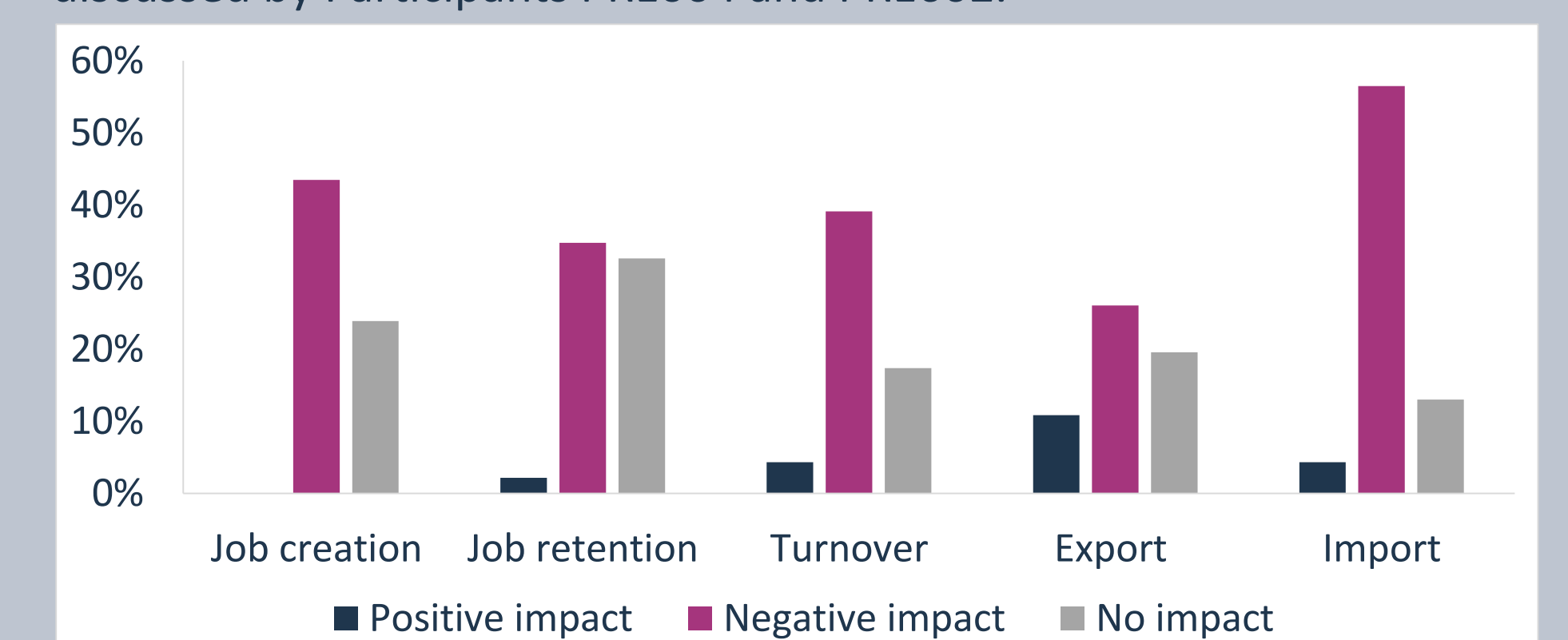


Figure 2: Perceived impact of Brexit on turnover, job retention, job creation, imports and exports, post-referendum (n=56)

Comments from food and drink manufacturing and processing businesses in Wales regarding the potential impact of Brexit:

"It seems ridiculous to leave, as we believe Wales has utilised EU grants for the benefit of Wales. Uncertainty is the biggest factor with lack of investment" (Participant POST611, Egg producer, North Wales, post-referendum)

"We are Welsh manufacturers of a typically European product which we feel is as good if not better than the European competition. Leaving the EU should make our product more attractive to potential UK buyers as the pound has decreased in value and there is likely to be import tariffs in the future." (Participant POST602, Ready Meal Business, West Wales, post-referendum)

"30% of our turnover comes from export and the majority of that is in Italy and Spain." (Participant PRE604, Microbusiness, North Wales, pre-referendum)

"90% of our sales are to Europe." (Participant PRE602, Seafood business, North Wales, pre-referendum)

"Less EU investment and support in the sector would stifle growth potential and reduce the momentum and critical mass which is growing in our sector in Wales." (Participant PRE605, Ready Meal business, South Wales, pre-referendum)

"We would lose three or four capable, intelligent and valued members of our team, and access to the RDF funding that was so pivotal in our recent growth." (Participant PRE607, Dairy business, North Wales, pre-referendum)

"The food and drink industry relies significantly on migrant workers. Leaving the EU will potentially risk the availability of these workers who have successfully filled in the roles that have been difficult to recruit and retain." (Participant PRE702, Vegetable preparation, North Wales, pre-referendum)

Perceived impact of Brexit on the food and drink industry in Wales

The majority of respondents thought that the industry would be weaker for leaving EU membership (pre: 67%, post: 55%) The perception that the industry would be stronger was slightly greater pre-referendum (pre: 13%, post: 4%) (Figure 3).

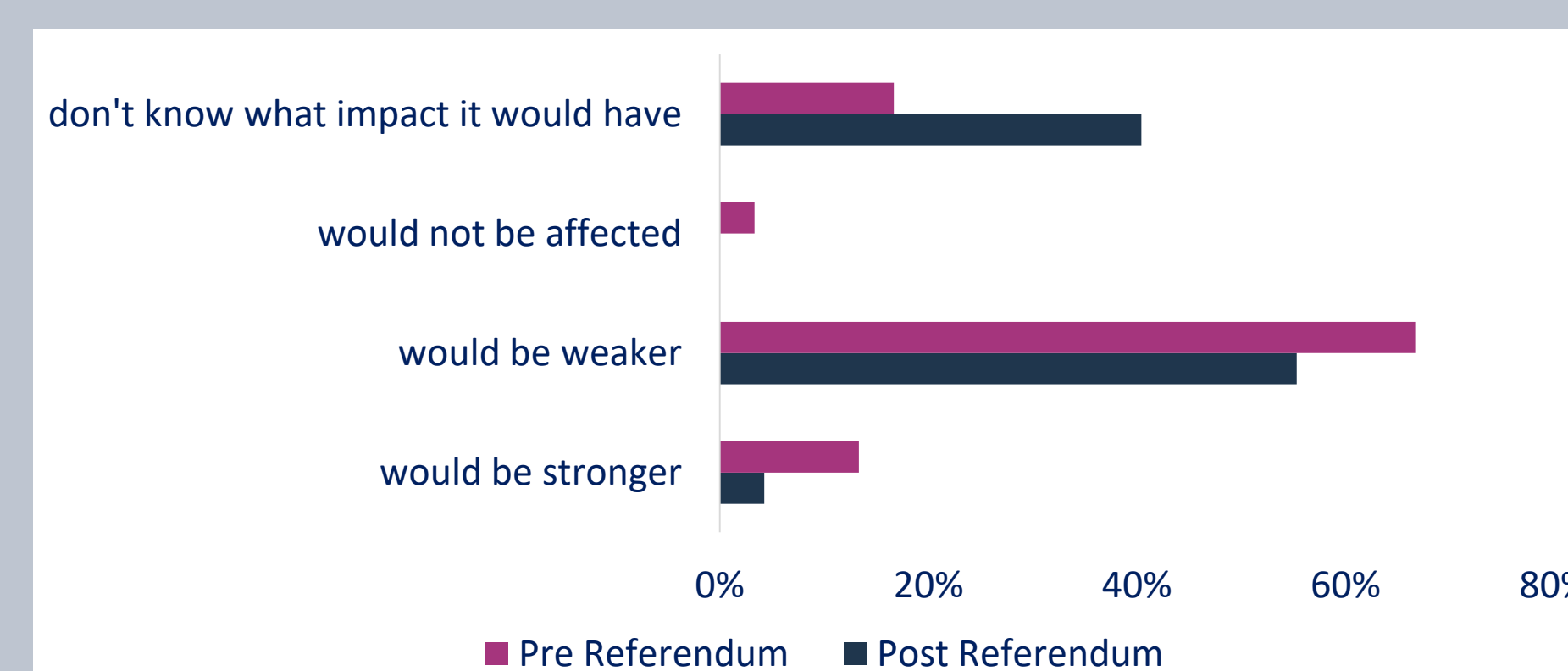


Figure 3: Perceived impact of Brexit on the Food and Drink Industry in Wales pre-referendum (n=32) and post-referendum (n=56).

Interestingly, post-referendum, the percentage that 'didn't know' what impact Brexit would have on the food and drink industry in Wales, drastically increased (Figure 3).

When comparing data, businesses indicated optimistic bias by perceiving Brexit would have a greater negative impact on the food and drink industry in Wales, than their business, as 53% perceived their business would be weaker out of the EU, whereas 67% believed the industry would be weaker.

It is likely Brexit will have impact upon the food and drink manufacturing and processing businesses in Wales, consequently there is a need for information provision regarding the potential impact of changes to the free movement of EU citizens and trade resulting from Brexit for business.

Furthermore, research regarding future export opportunities for Welsh businesses to non-EU countries is required.

Conclusion

- Overall, the majority of businesses perceived that Brexit would have a negative impact upon their business and upon the food and drink industry in Wales.
- There is a need for information provision for the food and drink industry regarding the potential impact of changes to the free movement of EU citizens and trade resulting from Brexit.
- Additionally, further investigation regarding export opportunities for Welsh food and drink manufacturing and processing businesses to non-EU countries is required.