
IN A SEA OF UNCERTAINTY, ONE COMPANY SETS ITS BREXIT COURSE

- 13.10.2017

EuroNews (12 October 2017)

By Kate Holton WELWYN GARDEN CITY, England (Reuters) □ As the head of a British company that imports, exports and manufactures food, Adam Reader is at the centre of the Brexit storm, facing threats at every turn. But unlike the majority of company bosses who are reluctant to make concrete plans when a future trade deal with Europe has not yet been decided, Reader is not going to wait. Instead, hes charging ahead with investments that will split his operations between Britain and Europe, a strategy he is confident will contain any damage from changes to currency, regulations and tariffs as he ships his products globally. Were lucky. We have a clear path. Were very advanced now in terms of planning, said Reader, the 47-year-old manager of Grace Foods UK. A lot of the businesses Im talking to are not really clear about what theyre going to do come the date of Brexit, he told Reuters at his plant north of London, where Graces Caribbean, Mexican and Chinese products are stored. Britains 2016 vote to leave the European Union stunned many businesses, with the prospect that border delays and tariffs could fracture intricate supply chains built up across the continent over the last 40 years. The plunge in the pound has already forced importers to cut costs and sparked concerns about consumer spending. Those who voted in favour of Brexit argue that although the economy could be hit in the short term, Britain will ultimately prosper because it will be able to strike trade deals with other nations quickly instead of being clamped to a failed German-dominated experiment in European integration. For the moment many companies are in limbo, however, as Prime Minister Theresa Mays party wrangles over terms of the departure, due in March 2019. The EU says future trade cannot be discussed until the terms of the divorce have been agreed, meaning a final settlement may not be unveiled until late in the day. Only 11 percent of companies have started to implement contingency plans, a survey by the Institute of Directors said in July, meaning many may not be ready when the time comes. Britains Food and Drink Federation (FDF), which speaks for an industry employing 400,000 people, says companies should be preparing for all scenarios. The time between now and the end of March 2019 is so short that you have to plan for the worst, FDF Director General Ian Wright told Reuters. People need to be prepared for what could be a series of very difficult months ahead.

HIGH STAKES For Grace Foods UK, a subsidiary of Jamaicas Grace Kennedy, the stakes are high. Based in an industrial park in Welwyn Garden City, the company imports drinks, sauces, snacks and spices from around the world, then distributes them to supermarkets, restaurants and independent retailers in Europe, Africa and around Britain. A manufacturing plant in Wales produces sauces. Reader fears Brexit will hit his company on several fronts: increased bureaucracy, costs and delays at borders, volatile currency shifts and a slow-burn divergence between Britain and Europe over food standards and labelling. To respond, he has taken an

embryonic plan he came up with before the Brexit vote to build a presence in Europe to meet strong demand there and transformed it into a strategy to insulate his company against the expected disruption ahead. Brexit accelerated it and made it a must do now, rather than a nice to have, said Reader from a corner office near the 11,000-sq-m chilled distribution centre piled high with boxes of colourful goods, from its branded Grace Coconut Water to Jerk BBQ Sauce and Plantain Chips. The company will now make the largest investment in its history to restructure, starting with a new sales base in Europe, most likely in Germany. We will end up with two totally different companies, with a holding company at the top, he said, sitting near a map of the Caribbean. The final investment has not yet been agreed but it is likely to be equal to a low single-digit percentage of Grace UKs revenue, he said. The company will also partner with a distributor in Europe, meaning those goods being sold on the continent can be delivered straight there to avoid paying double tariffs that could come from importing them via Britain first, Reader said. If the model works, the company could build its own distribution base there in time. We could be ready to go in terms of the European operation in the next six months, said Reader, a former accountant who worked his way up the firm since joining in 2000. In Britain, Reader plans to ramp up processing, figuring it will be easier and cheaper in a post-Brexit world to import raw ingredients that can come into the country on lower tariffs, rather than paying a range of tariffs on ingredients and containers in fully processed goods.

TIES BUILT UP OVER DECADES The scale of the plan shows the challenges facing the food and drinks industry, the countrys largest manufacturing sector and one of the most deeply entwined with Europe. Around 30 percent of Britains food and drink comes from the EU, with fruit and vegetables often imported, while 61 percent of the food and drink exported from Britain goes to the EU. The close ties have built up during Britains more than 40 years in the EU. Reader fears that over time the regulations will now diverge on issues such as labelling and food standards, which would force him to manage his stock separately. Experience shows how different the regulations are, he said, comparing how the United States and EU differ on approving certain ingredients. When you look at how the EU gets legislation through, and the dissent you have on certain pieces, its going to happen over here. Britain has proposed a two-year transition period to help companies but the EU has yet to discuss the terms. In the meantime it is preparing a customs and tax regime that could operate if it leaves the EU with no deal. Any introduction of tariffs would push the price of food up between 5 and 10 percent, the FDFs Wright said, while any further devaluation of the pound would jack up import costs. What sets Grace Foods apart from many of its peers is the fact that it is growing so quickly, with its popular branded drinks such as Grace Ginger Beer and Say Aloe helping to drive up European sales by around 30 percent a year. Nick Harrison, the global co-head of the retail practice at consultants Oliver Wyman, said food manufacturers were weighing whether to invest to adapt the business or risk customs delays in the future. Its risky to start building a factory without definitely knowing that youre going to need it, he said. It isnt totally irrational to still be doing contingency planning. (Editing by Guy Faulconbridge and Sonya Hepinstall)

Kaynak/Source: