



14 December 2020

Statement on the EU – UK negotiations on the future partnership

Eucolait commends the decision taken by the EU and the UK yesterday to continue negotiations. Multiple deadlines have been missed and the point until which businesses could have been expected to prepare for the changes on 1 January – if the changes were known – was passed months ago. Operators have of course taken precautionary measures but thorough preparedness for companies moving dairy products between the EU and UK trade is impossible as key variables remain unknown 2 weeks before the end of transition. How can one conclude a contract for delivery in Q1 2021 without knowing whether the applicable tariff will be 0% or 60%? Shelf life permitting, a lot of product has certainly been moved and will be moved before the end of the year to cover demand in early 2021 as far out as possible.

At this stage, a timely adoption and ratification of a potential deal does not seem possible any longer, at least if it were to go through the normal approval procedures. Still, a breakdown of the negotiations leading to the EU and the UK trading on WTO terms should be avoided if at all feasible.

Many changes to our trading relationship, such as the introduction of customs procedures and sanitary controls, will take place regardless of the outcome of the negotiations. However, in sectors like dairy facing heavy tariffs, an agreement or lack thereof will make a huge difference. Even a softer version of Brexit will cause severe economic damage and disrupt the integrated dairy supply chains between the UK and EU27. Fundamental adjustments to current business models will be required. This should not be made worse by adding tariffs into the mix.

We call on both sides to double down efforts at this late hour in view of reaching agreement on the outstanding issues. In addition, the parties should agree to an implementation or standstill period to bridge the gap between 1 January 2021 and the entry into force of the potential agreement to avoid further uncertainty, chaos and tariffs being due for a short period of time in early 2021.

Even though not directly related to the negotiations on the future partnership, we welcome the agreement reached last week on the implementation of the Northern Ireland Protocol. We take this a positive sign that solutions to the most complex issues in the EU-UK relationship are possible and hope for swift progress in the coming days.