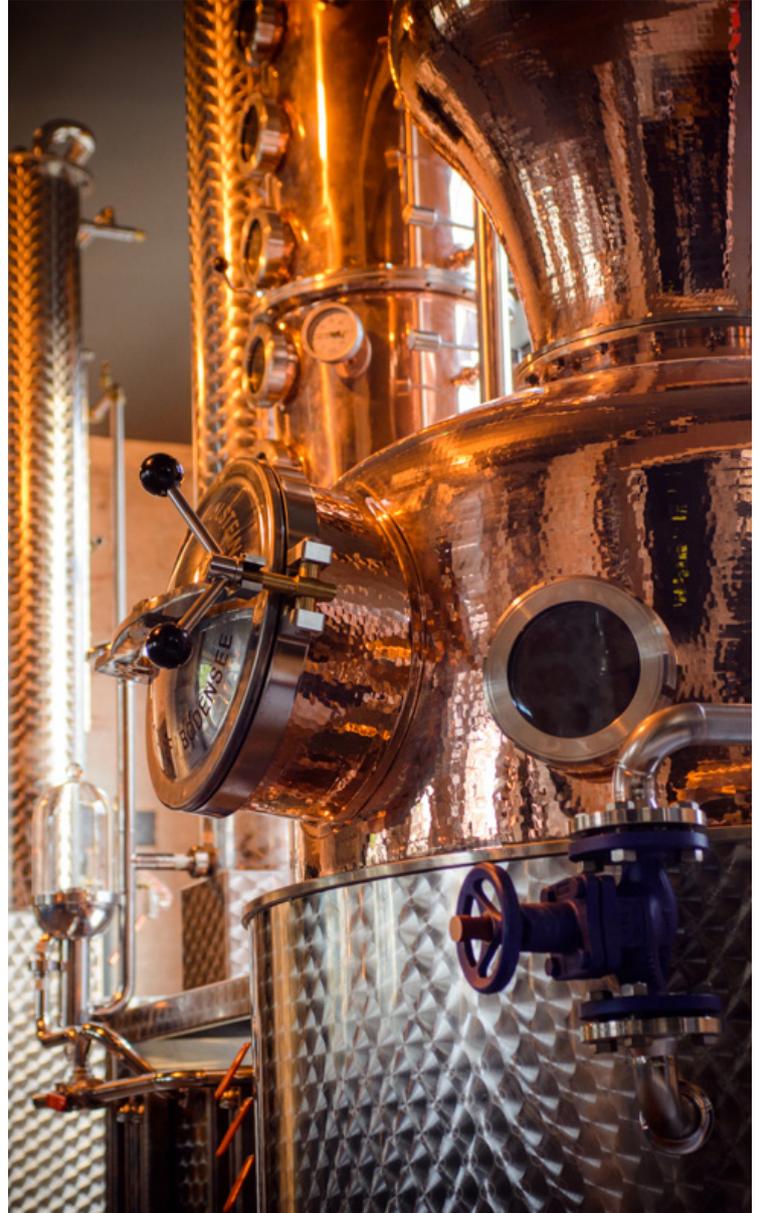


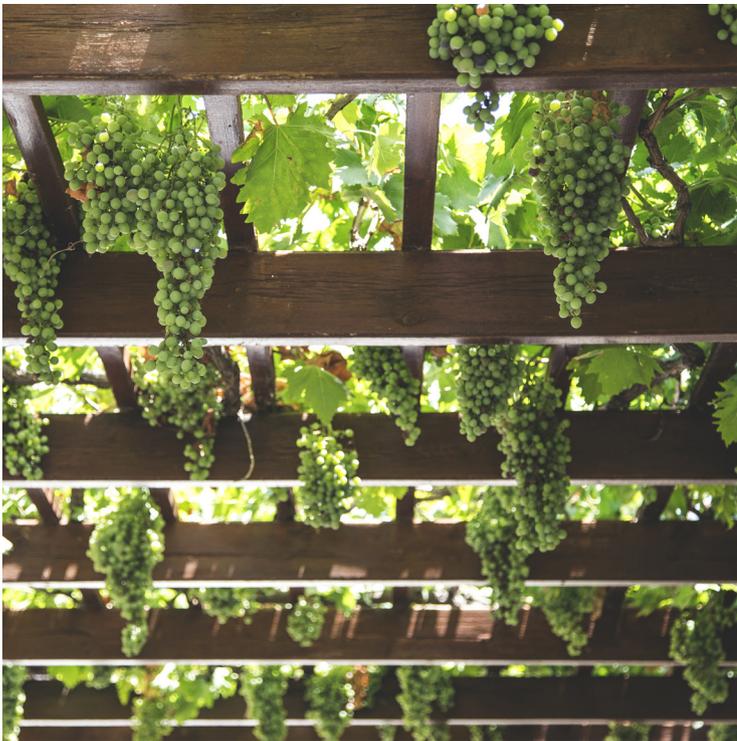
## Brexit

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The road ahead for the wine and spirit industry



# Foreword





It is not hyperbole to describe the UK's decision to leave the European Union as probably the most significant geo-political event in Europe since the break-up of the former Soviet Union. Less than half of the current UK population was alive at the time of the UK's accession when, together with Denmark and Ireland, we joined the six founding Member States of the European Community.

Today's EU looks very different than it did when the UK joined, but throughout that period the UK has been at the very heart of the world's wine and spirit trade.

But the UK's prime position in the world's wine and spirit trade extends far further back in history than 1973. Wine importing, vine-growing and wine-making dates back at least as far as Roman times. In the Middle Ages wine was England's largest single import, distillation was first documented in Scotland in the late 15th Century, there are over twenty references to wine in the works of Shakespeare and the oldest continually operated wine and spirits merchant in the world in Berry Brothers and Rudd in

St James's has been in operation since 1698.

While the UK's position in the centre of the world's wine and spirit trade remains unchanged, the industry has constantly evolved to remain at the top. The UK now trades wine and spirits on six continents with 139 different countries and the challenge posed by Brexit will be to ensure the UK maintains its ability to compete on the world stage and exploit the opportunities Brexit provides.

I am pleased to set out the first detailed policy paper from the WSTA which addresses how best to identify and meet the challenges Brexit presents for the UK's wine and spirit trade. Many of these are addressed to Government, and despite considerable uncertainty over the arrangements under which the UK will leave the EU, I am clear that the only way to maximise fully the opportunities is for the Government and the wine and spirit trade to work together. Over recent years, the WSTA and its members have proven to be responsible interlocutors with Government and, as such, can be trusted to do so in the coming months and years in order to exploit fully the opportunities facing the wine and spirit sector.

**Miles Beale,**  
**Chief Executive, WSTA**

# Summary

## **Cutting across all WSTA Brexit-related activity will be two fundamental priorities:**

- To support an exit from the EU that minimises disruption to historic trade flows into and out of the EU; and
- To exploit fully the new opportunities Brexit presents.

## **Specifically:**

- The current EU regulatory framework for food law has shown to be fit for purpose, the main elements and principles of which should be rolled over into UK legislation in order to apply as soon as the UK leaves the EU.
- There should be greater partnership working between industry and enforcement bodies. The WSTA has already started exploring entering into a Primary Authority role for products falling within its remit.
- The UK must maintain EU definitions for most spirit drinks and most of the current production rules for wine in order to maintain consumer confidence.
- The Government should use the Great Repeal Bill to remove prohibitive restrictions while at the same time maintaining consumer confidence and the integrity of established product categories and brands.
- The Government must ensure there is tariff and quota free access for EU produced wine and sparkling wine imported into the UK immediately after it leaves the EU.
- The Government must ensure that immediately post-Brexit there is tariff and quota free access to the EU market for UK produced spirits, spirit drinks and English wine.
- The WSTA has agreed to work with our trading partners to develop model agreements to ensure that Brexit does not disrupt the trade flow of wine and spirits into and out of the UK.
- The World Wine Trade Group (WWTG) has proved itself to be a successful trade facilitation group which the UK should join immediately on leaving the EU.
- The Government must establish a UK system for existing protected designations of origin for wines and spirits and take the opportunity to revise current protection for English wine and sparkling wine, and introduce a new protection for British gin.



- The UK must continue to have access to the Excise Movement and Control System (EMCS) in order to facilitate movements around the EU.
- There must be clear and workable mechanisms in place to enable cross-border trade from the moment the UK leaves the EU.
- There are opportunities to create a more integrated system which would also counter illicit trade and therefore reduce the requirement for controls further down the supply chain.
- The Government must allow unrestricted planting of new vineyards.
- The Government must ensure that vine growing and wine making continue to be classified as agricultural practices and remain eligible for any future replacement of the existing CAP Single Farm Payment.
- The English wine sector must continue to have tariff free access to wine making and specialist vineyard management equipment as well as access to other inputs available to growers outside of the UK.
- Any future controls on the movement of people must ensure continued access to a skilled workforce: winemakers, pickers and the hospitality sector. The Government should consider extending the Youth Mobility Scheme to European Union Member States immediately after the UK the leaves the EU.
- UK products like English wine and British gin should be served in all UK embassies and on trade missions overseas.
- The UK should continue to attract inward investment.

# Introduction

## The UK wine industry generates...



**£17.3bn**  
in economic activity



**£10.9bn** in sales



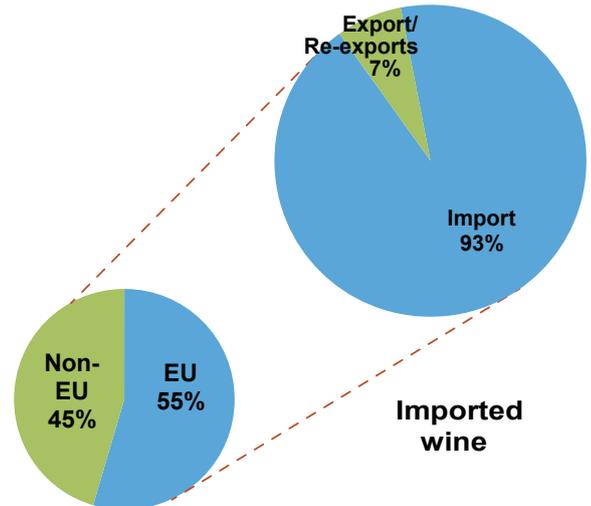
**£9.1bn** in total contribution to the public purse (duty, VAT, corporation and income tax)



**£3.2bn** in international trade

The WSTA represents over 300 companies producing, importing, exporting, transporting and selling wines and spirits in the United Kingdom. The wine and spirit sectors make a significant contribution to the UK economy: worth over £45 billion in economic activity, £21 billion in sales and supporting nearly 600,000 jobs directly and indirectly.

## UK wine trade



## A key employer

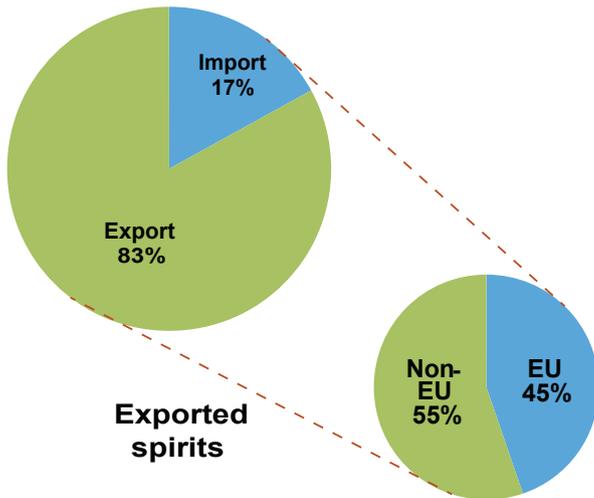
**170k** people are directly employed in the wine industry



**100k** more are employed in the supply chain

All WSTA members will be affected by the decision to leave the European Union whether it's future access to the EU's Internal market, the conditions to trade with international partners or access to skilled workers.

## UK spirit trade



## The UK spirit industry generates...



**£28.2bn** in economic activity



**£9.8bn** in sales



**£6.9bn** in total contribution to the public purse (duty, VAT, corporation and income tax)



**£5bn** in international trade

## A key employer

**186k** people are directly employed in the spirit industry



**110k** more are employed in the supply chain



# Introduction

## The UK is key to global wine trade



## UK wine trade

**£2.8bn** + **£440m**  
worth of imported goods in exports

## English wine: a growing British export



million bottles of English wine produced by 2020:

**25%** to be exported



## UK spirits are a key export good

**1.25bn** litres were exported from the UK to foreign markets in 2015

**1.2bn** bottles of whisky

**204m** bottles of gin

**54m** bottles of vodka

## Key spirit export markets:

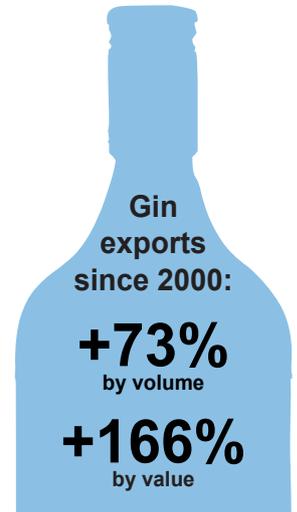


**USA** accounts for over **£1bn** of UK spirits exports

## British gin: a growing British export



**£422m** worth of gin exported in 2015 (+4% since 2014)



# Safety & Authenticity

## Maintain and strengthen consumer confidence in the safety and authenticity of wines and spirits available on UK market

The current EU regulatory framework for food law has proven to be fit for purpose, the main elements and principles of which should be rolled over into UK legislation in order to apply as soon as the UK leaves the EU.

Common laws governing how food is produced, processed, packaged and sold are a fundamental element of the European Union's Internal Market. The EU's framework of food safety laws, which cover a wide range of areas including food hygiene, food packaging, contaminants, additives and food labelling, has proven to be highly effective in both protecting consumer health and ensuring that consumers have confidence in the safety and authenticity of the food and drinks they buy. EU food laws, which have been subject to fundamental revision over the last 15 years following a number of high profile incidents in the late 20th century, have at their core the principle of ensuring safety across the food chain from farm to fork and are founded on sound science, best practice and internationally recognised systems such as hazard analysis and critical control points (HACCP).

It is equally important that legislation, particularly when based on global standards, is not over-implemented or gold-plated, which can lead to distortions of competition and that control and audit mechanisms are neither over-bureaucratic nor

burdensome. And while there have been significant advances in the way food law is enforced across the EU, Brexit provides the opportunity to develop a smarter and more risk-based enforcement and inspection regime that is tailored to meet the needs of UK businesses. There is an opportunity for the wine and spirit industries to play a greater role in working with enforcement bodies to develop guidelines. In particular the WSTA has already started exploring entering into Primary Authority partnerships for products falling within its remit.



This would provide our members and enforcement bodies access to assured advice on compliance and for co-ordination of inspection and enforcement activity. It would help businesses to comply with regulations at local authority level and for a more harmonised approach to enforcement. This would not only increase efficiency and save on costs for both businesses and local authorities, but would deliver benefits to the regulatory system as a whole.

### Maintain and strengthen consumer confidence in the quality of wines and spirits available on the UK market while encouraging innovation

Clearly defined EU production standards and labelling rules protect consumers and producers alike. For example EU rules on the definitions of gin, distilled gin and London gin protect both consumers and producers from inferior products. Similar protections are also provided by strict EU rules on how wine can be made, labelled and marketed.

The current definitions for spirits and most of the production rules for wine should be maintained when the UK leaves the EU.

Strict product definitions while protecting producers can also inadvertently stifle innovation. While EU rules recognise sloe gin and permit the product to be substantially different from the other categories of gin, the same cannot be said of other traditional British products such as damson gin. Brexit provides the opportunity to stimulate innovation by immediately removing prohibitive restrictions while at the same time maintaining consumer confidence and the integrity of established product categories and brands.

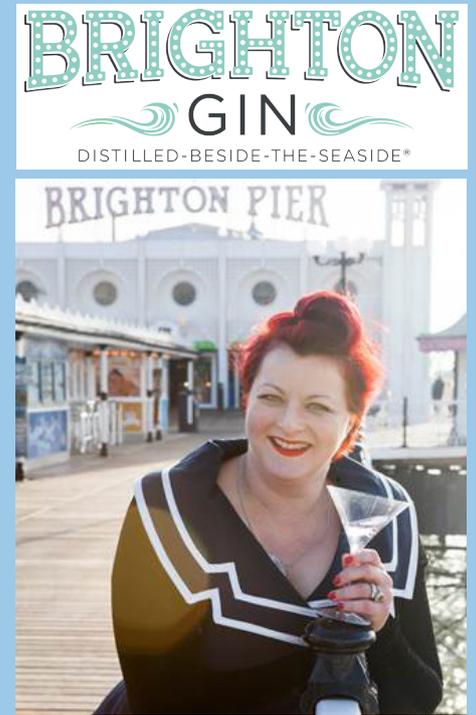
Likewise for wine, the current EU regulatory regime imposes different rules on imported wine than on wine produced in the EU which can lead to a distortion of competition. For example, it is possible to make a sparkling wine in one EU member state from a still wine produced in another EU member state while it is not possible to make a sparkling wine in the EU from a still wine imported from outside the EU. This is not equitable. Brexit provides the opportunity to remove such restrictions which would encourage innovation and further investment in UK businesses while at the same time meeting consumer demand for more diverse and innovative products.



## Case Study: Brighton Gin

As well as being overwhelmingly confident in the quality of our product, one of the factors influencing our decision to drop everything and make, market and sell Brighton Gin was the EU protections on use of the term distilled gin. We've taken great care to pick a range of quality botanicals and to make sure our Brighton Gin tastes as it should, and its reassuring that others using the term distilled gin have to do the same – even though we think our gin is best! When we leave the EU it will be important to maintain the definitions and safeguard the reputation that distilled gin, specifically British distilled gin, has throughout the UK, Europe and the world.

Helen Chesshire  
Co-Founder, Brighton Gin





# At the heart of the industry

## Ensure the UK remains at the heart of the world wine trade

The UK is the second largest importer of wine in the world with 99% of all wine and sparkling wine consumed coming from outside the UK. Approximately half is produced in the EU while the remainder comes mostly from Australia, USA, Chile, Argentina, South Africa and New Zealand.

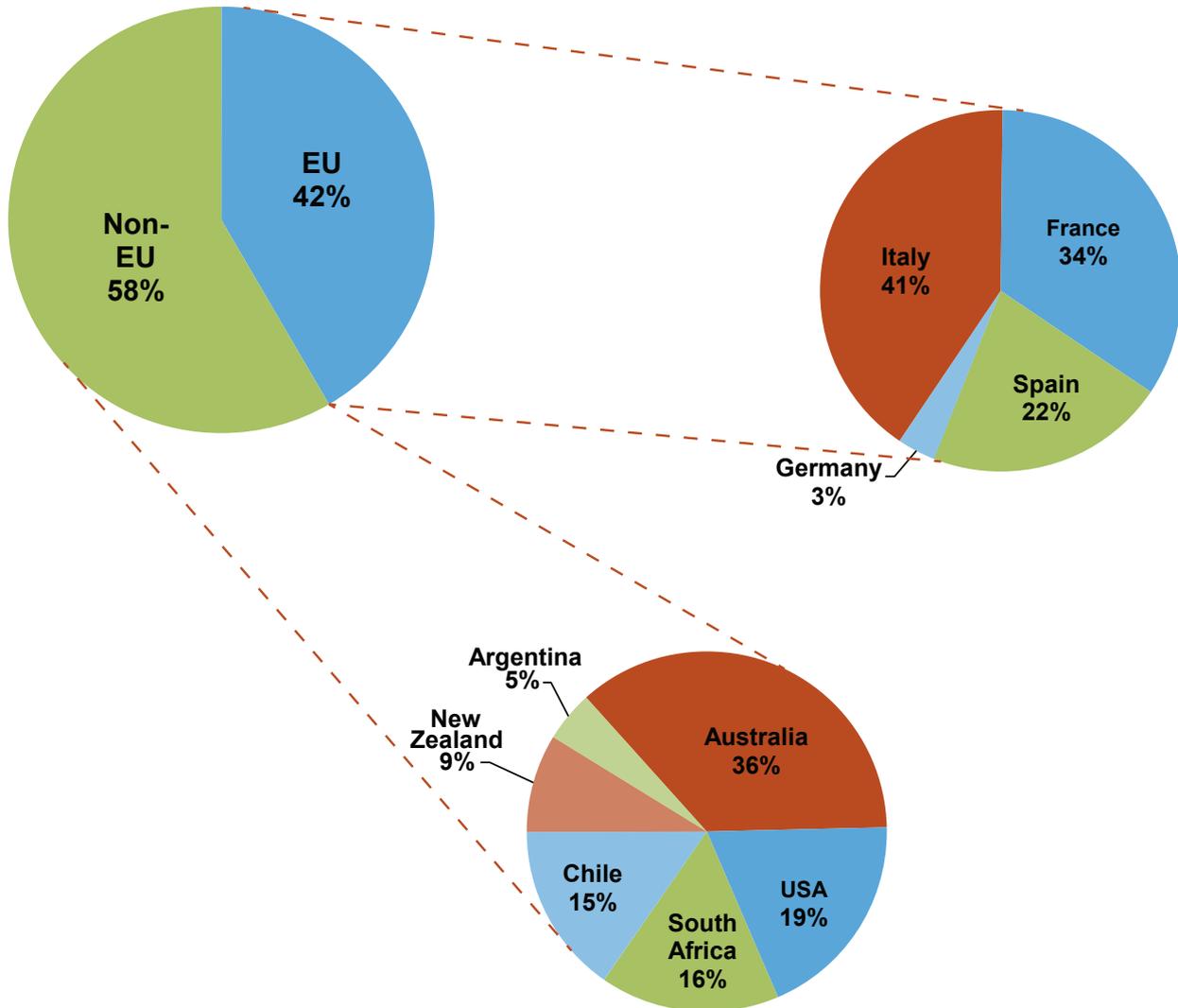
Ensuring UK businesses continue to have access to and to trade in EU produced wines once the UK leaves the EU is vital. **The WSTA believes the only way to minimise disruption to trade is for the Government to ensure that there is tariff and quota free access for EU produced wine and sparkling wine once the UK leaves the EU.**



Of the major non-EU wine producers supplying the UK, all but Argentina and New Zealand currently benefit from bilateral wine agreements with the EU, but the terms of the various agreements differ. Once UK leaves the EU, these bilateral wine agreements will no longer apply and therefore will need to be either rolled over or replaced. And while the UK Government cannot formally enter into discussions with non-EU countries while still in the EU there is nothing stopping industry doing so, and the WSTA has already been active on this front. **At recent international meetings of FIVS and the World Wine Trade Group, the WSTA has agreed to work with our trading partners to develop model agreements to ensure that Brexit does not disrupt the trade flow of wine and spirits into and out of the UK.** Such agreements can then be adopted by Government, secure in the knowledge that the technical standards have been agreed by both importers and exporters.

As a further mechanism to facilitate international trade, the WSTA believes the UK should look to use existing mechanisms wherever possible. **For wine, the World Wine Trade Group has proved itself to be a successful trade facilitator, which the UK should join immediately on leaving the EU.**

## UK wine consumption by country (by volume)

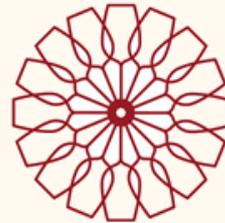


# The UK at the heart of the world wine trade

## Case Study: The World Wine Trade Group (WWTG)

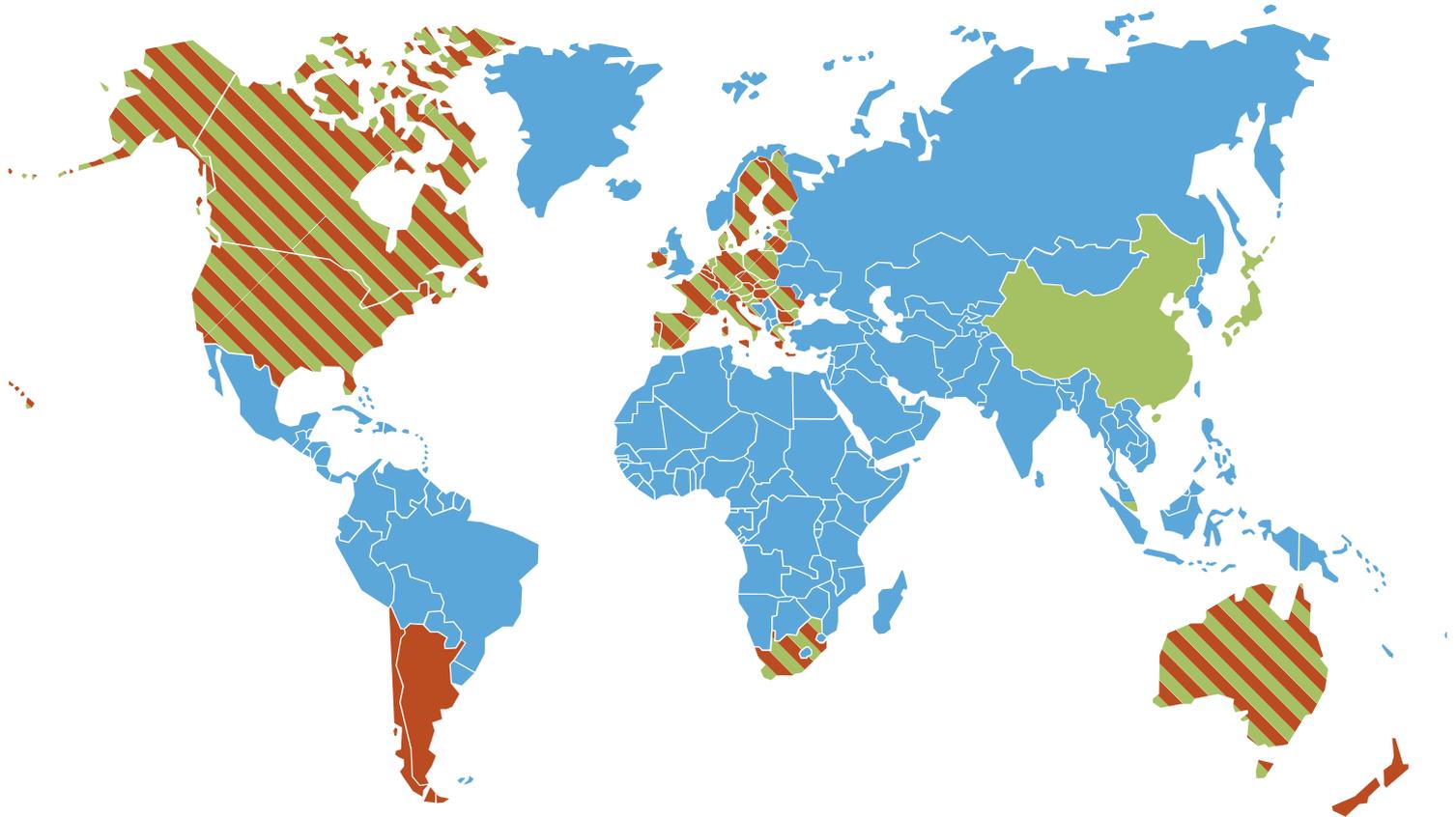
The World Wine Trade Group (WWTG) is an informal group of government and industry representatives from the wine-producing countries of Australia, the United States, South Africa, Chile, New Zealand, Argentina as well as Canada and Georgia. Founded in 1998, the Group aims to facilitate international trade in wine and protect consumers, benefiting both wine exporting and importing countries.

The WWTG recognises the unique characteristics of each WWTG member's regulatory system and works towards the mutual acceptance of practices and labelling rather than imposing a single regulatory approach. For example the WWTG's Mutual Acceptance Agreement (MAA) recognises that each WWTG member has established acceptable mechanisms for regulating wine-making practices, and in turn agrees to accept the wine-making practices of all other WWTG members. This facilitates trade in wine and avoids the imposition of obstacles to such trade by permitting the importation of wine produced in another member country produced in accordance with the country of production's laws, regulations and wine making practices. The Agreement benefits winemakers, exporters and importers by assuring them access to markets without the imposition of trade barriers based on differences in wine-making practices.



**World Wine  
Trade Group**





Priority markets for wine imports ■ :

- Argentina
- Australia
- Canada
- Chile
- EU
- New Zealand
- South Africa
- USA

Priority markets for gin, English wine and fine wine exports ■ :

- Australia
- Canada
- China inc. Hong Kong
- EU
- Japan
- Singapore
- South Africa
- USA

### Ensure sustained growth in spirit production coupled with increased exports of spirit drinks and English wine

The UK is the world's largest exporter of spirits accounting for more than 25% of global exports. Gin is the second largest traded UK spirit after whisky with 3 out of 4 bottles of global gin exports originating in the UK. Gin exports by value have seen a 166% increase since 2000 driven in part by the growth in premium gin sales.

UK is an important hub for imported spirits too. The UK is the 6th largest importer of spirits by value and 4th by volume. This includes £220m in whiskies, over £115m in vodka (the second largest importer of vodka by volume and value after USA), over £65m in rum and a further £300m in other spirits imported in 2015.

The UK currently exports £1.6bn of spirits to the EU, £200m of which is gin. [To protect this trade the Government must ensure that immediately on leaving the EU there is tariff and quota free access to the EU market for UK produced spirits, spirit drinks and English wine. Furthermore, in order to reinforce existing and promote new markets it should be government policy to serve British food and drink - including gin and English wine - at the UK's embassies and overseas missions.](#)

The current bilateral trade deals the EU holds with third countries will lapse and will need to be rolled over or replaced and agreements established



[with other priority markets. As with wine, there is an opportunity to develop a standard model trade agreement for spirits to ensure that Brexit does not disrupt the flow of spirits out of and into the UK. Such agreements can then be adopted by Government, secure in the knowledge that the technical standards have been agreed by both importers and exporters.](#)

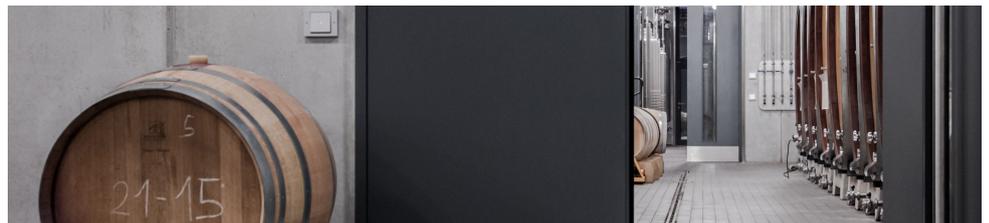
When the UK leaves the EU the UK will have to replace the EU system for protecting food and drink names (Protected Designations of Origin (PDO) and Protected Geographical Indications (PGI) for wines and aromatised wines, and Geographical Indications for spirits). [The Government must establish a UK system for existing protections for UK wine and spirits and take the opportunity to revise current protections for English wine and sparkling wine, and introduce a new protection for British gin.](#)

## Ensure ease of commercial movement of wines and spirits into and from UK

The EU Customs Union provides a single mechanism for goods to enter and leave the territory of the EU and, once within the EU, allows goods to freely circulate on the basis of a single system. Although excise duties are levied nationally, the basic system of holding and movement is communal. [The UK must continue to have access to the Excise Movement and Control System \(EMCS\) in order to facilitate movements around the EU.](#)

[Whatever the basis of the UK's trading relationship with the EU, there must be clear, workable and well-tested mechanisms in place to enable cross-border trade from the moment of Brexit.](#)

Brexit will probably require having to introduce a customs border with the EU, with commensurate demand on IT and systems to check vehicles without undue delay. If the UK leaves the customs union [there will be opportunities to create a more integrated system which would also counter illicit trade and therefore reduce the requirement for controls further down the supply chain.](#) This might include moving away from traditional distinctions between “customs” and “excise” regimes, reviewing the need for guarantees for movements between trusted traders and greater reliance on self-assessment. The innovative use of technology such as QR codes and data sharing with HMRC will be central to this.



# Commercial Movements

## Case Study: PJ Shipping

PJ Shipping Limited is an SME formed in 1999 based close to the port of Dover, Kent.

We are responsible for handling the Customs formalities on behalf of smaller importers of wine, spirits and beers from most, if not all, EU countries, originally as a Registered Excise Dealer and latterly as a Registered Consignee.

We handle the imports for 75 to 100 companies who between them bring in around 150-200 shipments per month paying excise duties of approximately £4-5 million per annum and also collect VAT on shipments for private individuals and non-registered companies. In 2016 we have seen a growth in this trade of approximately 10% and this has continued following the June vote to leave the EU.

Leaving the EU's Customs Union would mean that we would need to provide our customers with a Customs clearance facility for their shipments arriving from the EU. There is however a significant risk that lack of necessary infrastructure at UK entry ports, particularly Dover being the closest port to the EU, might lead to significant congestion. As such it will be essential to guarantee the free movement of cargo that we currently enjoy. More importantly, and specific to alcohol, we must continue to have access to the Excise Movement Control System



(EMCS) which helps in the prevention of fraudulent movements, helps HMRC and foreign Customs to control movements and enables UK Customs to obtain statistical information on movements. To lose our access to EMCS would be a totally retrograde step for the whole of the alcohol trade in the UK and it is essential that this needs to be high on any discussion agenda with the EU post Brexit.

**Paul Hammond**  
Director, PJ Shipping Ltd.



### Ensure the continued success and sustained growth of English wine

The rise of the English wine sector has been a success story over recent years and is at a crucial point in its development. The sector has seen significant growth over the last few years and its future looks even brighter. Total area under vine has more than doubled since 2009 and production is set to double from 2015 to 2020 with similar rates of growth predicted to 2030 and beyond. English wine is one of the few agriculture sectors showing such potential and that success brings growth to the rural economy, the creation of skilled jobs and the potential for increased tourism. **As such it is crucial that Brexit does not interfere with the projected growth and that the industry can reach its full potential once free from the constraints of the European wine regime.**

The rapid growth of the sector might have brought the UK into conflict with the EU in the coming years. While the UK currently benefits from an exemption from EU controls on vineyard plantings which restrict increases in area under vine in most other European Member States to 1-2 per cent per year, there is no guarantee that the UK's exemption will remain in the future. The loss of the derogation would impact severely on the sector which has seen a growth in new plantings of about 10% total are under vine year on year. **It is critical that the UK Government permits unrestricted new vineyard plantings when the UK leaves the EU while the UK industry takes a lead in ensuring quality is maintained.**

Currently vine growing and wine making are classified as agricultural practices and therefore remain eligible for support from the EU's Common Agriculture Policy. **Post Brexit it is important that vine growing and wine making continues to have access to future funding and also to be subject to agricultural planning rules.**

For English wine makers to continue to succeed, the sector must remain competitive with wine makers in Europe and across the globe. **As such it is important that the English sector continues to have tariff free access to wine making equipment and also access to other inputs available outside of the UK, such as pesticides.**

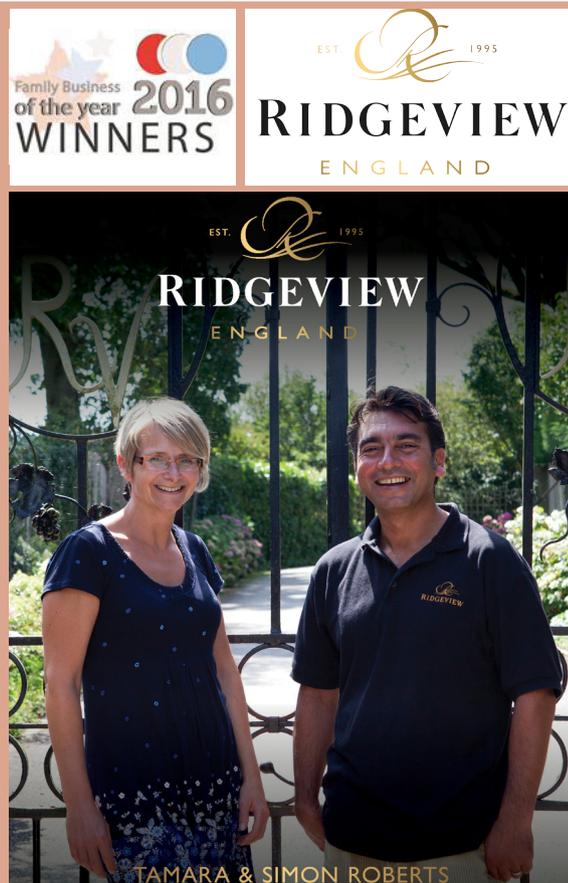
The English wine sector must also need continued access to skilled workers such as vineyard managers, winemakers and pickers. Any restrictions on the free movement of persons once the UK leaves the EU must not leave the sector with a skills shortage. Access to EU workforce extends beyond English wine to the hospitality sector where 18-30 year olds account for approximately half of jobs in the sector. **The Government should consider extending the countries who can have access to the Youth Mobility Scheme.**

## Case Study: Ridgeview

Ridgeview is a second generation family company, based in the foot of the South Downs in Sussex, dedicated to creating world class sparkling wines using traditional techniques. Our first vines were planted in 1995 and our first vintage produced 5000 bottles. Since then the vineyard has gone from strength to strength, gaining international recognition and winning international awards and we now produce about 250,000 bottles of sparkling wine per year and plan to increase this to 500,000 bottles by 2020.

Complete confidence in the quality of our wines have allowed us to expand production but so has access to funding streams some of which derive from EU structural funds. As we prepare for Brexit, it will be critical that the Government does all it can to help English wine grow and that includes continued access to funding streams.

Equally important will be to remain competitive, in particular to compete on a level playing field with producers in Europe. For example, even while we remain in the EU, because wine making is still a relatively niche agricultural sector, we do not have access to pesticides that are available to vineyard managers in mainland Europe. Not only does this distort competition but it also means that we may not be able to keep our future use of pesticides to a minimum.



Finally as we continue our efforts to increase the exports of Ridgeview I hope the Government will do all it can do reinforce existing markets and help open new ones and that includes serving English wine, together with other Great British food and drinks at all UK embassies and missions overseas.

**Tamara Roberts**  
CEO, Ridgeview

## Speaking for the wine and spirit trade

The WSTA represents over 300 companies producing, importing, exporting, transporting and selling wines and spirits in the United Kingdom.

WSTA members range from major retailers, brand owners and wholesalers to fine wine and spirit specialists, logistics and bottling companies.

We campaign for a vibrant and sustainable wine and spirit industry, helping to build a future in which alcohol is produced, sold and enjoyed responsibly.

**The Wine and Spirit Trade Association**

[www.wsta.co.uk](http://www.wsta.co.uk)

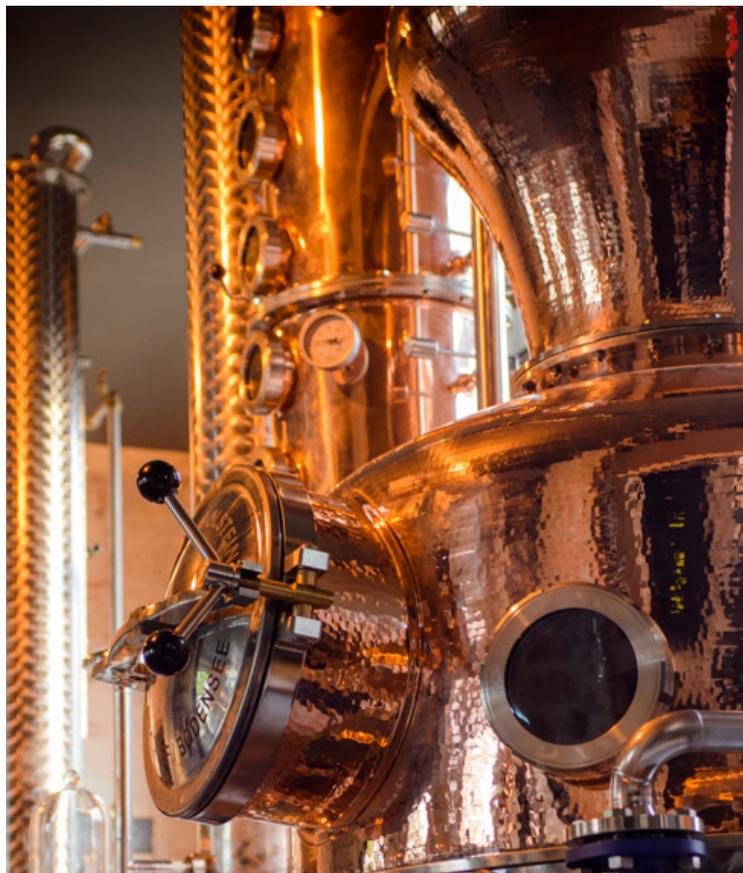
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speaking for the wine and spirit trade



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