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# The impact of wine import documentation (VI-1s) from 1 January 2021

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September 2020

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The Wine and Spirit All-Party Parliamentary Group's aim is to promote and inform on the economic and commercial benefits of the UK wine and spirit trade; to inform and stimulate debate on issues of relevance to the trade and to consumers, including English wine and British spirits; and to introduce parliamentarians to members of the trade from their constituencies.

The Wine and Spirit Trade Association acts as the group's secretariat and produced this report.  
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## Foreword

Wine is the UK's most popular alcoholic drink. It is a vital component of the offering of pubs and bars, provides the toast at all life's celebrations, and no British meal is great unless accompanied with a good bottle! Wine is enjoyed by some 33 million consumers in the UK. While recent years have seen a welcome growth in the English and Welsh wine sector, around 99% of wine consumed in the UK is imported, approximately half from the EU.

Before becoming co-Chairs of the Wine & Spirit APPG, like many we were not fully aware of the UK's position as a major hub for the global wine trade nor of the economic value of the wine industry to the UK. The UK is the second largest importer of wine by volume in the world, and perhaps surprisingly, as a result of the fine wine market and bulk bottling in the UK, wine is the UK's 6th biggest food and drink export, worth over £646 million in 2019 - ahead of beef, pork and beer exports in terms of value. Annual wine sales of £11 billion result in over £6 billion to the Exchequer in Excise Duty and VAT alone and support 130,000 jobs across the supply chain. Frankly, wine is as valuable to our economy as it is to our Great British lifestyle.

In our time as Chairs, we have spoken to many UK wine businesses who have told us their greatest worry about the end of the transition period is the introduction of V-1 documents for EU wines. As a global industry which is often overlooked, this inquiry has provided an important platform for those businesses to demonstrate their concerns and help policy makers understand the changes that could be made to not only mitigate those risks, meet the Government's aim of dismantling trade barriers and costs, and to provide solutions to help the UK wine industry thrive in the future.

We have held oral evidence sessions with a number of stakeholders throughout the UK wine industry supply chain and received written evidence from a wide range of stakeholders. We are extremely grateful to all those who contributed to this inquiry and to the WSTA for facilitating the investigation. Based on the evidence, this report looks to stimulate Government debate and offer solutions to what is clearly an existential problem for this invaluable UK industry.



Helen Grant MP, Co-Chair  
Wine & Spirit APPG

A handwritten signature in blue ink that reads "Helen".



Neil Coyle MP, Co-Chair  
Wine & Spirit APPG

A handwritten signature in blue ink that reads "Neil".

## Executive Summary

The introduction of wine import documentation (VI-1s) for wine imported from the EU from January 2021 will have a significant negative impact on the whole of the UK wine industry and threatens the economic viability of a number of businesses - potentially resulting in business closures or relocating outside UK, job losses and a reduction of excise duty payments to the Exchequer - as a result of:

- The end of the Transition Period on 1 January and the introduction of border controls and possible introduction of tariffs will disrupt traditional supply chains and add complexity to bringing in goods from the EU. The introduction of import certificates for EU wine (no other category of alcoholic drink will be required to be accompanied with a similar form) and maintenance of the EU certification requirements for non-EU wines will add further time and costs, which will ultimately fall to the consumer, without any demonstrable benefit.
- Expensive laboratory tests and forms, an inefficient paper-based system and disruption to the supply chain will increase costs for UK wine businesses.
- EU wine producers may be forced to choose to export to other countries to avoid unnecessary costs and bureaucracy. This will particularly impact independent retailers who rely on wine from smaller producers where the cost of a VI-1 will be disproportionately high per bottle of wine.
- It will be impossible for fine wine merchants to meet the testing requirements for fine wine and remain competitive, resulting in businesses having to relocate from the UK to avoid using the forms.
- It is not possible to simply replace EU wine with wine from third countries.

If the Government introduces the certification requirements for EU wines, UK consumers will not have access to the wide variety of wines they currently enjoy, as:

- Businesses may be forced to reduce the range of wines offered to bring down costs through removing any additional laboratory tests and forms required for the shipment of goods.
- UK businesses may not be able to import some wines produced on a smaller scale as the cost and inconvenience of producing VI-1 forms will mean importing those wines will no longer be financially viable.
- The introduction of VI-1s is on top of potentially damaging changes required post-transition period, such as label changes and customs declarations, which will all add costs to the final product.

The UK acts as a hub for bottling third country wine, some of which is exported to the EU along with fine wine and English Wine. Those businesses highlighted challenges including:

- The introduction of VI-1 forms for export to the EU will damage the UK bottling industry and could hinder the growth of the English Sparkling wine industry.
- Businesses do not believe the UK Government is prepared for the amount of paperwork required for UK wine exports to the EU and the lack of clarity over processes is hindering businesses ability to plan.

## Summary of Recommendations

Short- term, the UK Government should:

- Commit now to suspending the introduction of the VI-1 requirement for wine from the EU from 1 January 2021, to ensure continuity of consumer choice and ensure there are no significant price increases in the short term;
- Ensure any information used such as ABV and detail of grape variety is included in commercial documentation;
- Give the wine industry clarity and confidence by confirming and communicating the suspension of VI-1s from the EU as soon as possible; and
- Seek to minimise damage to the UK bottling industry by seeking at least a simplified or electronic agreement with the EU for wine exports from the UK.

Longer term, the UK Government should:

- Review the need for import certificates for wine;
- Consider whether better use of technology, as part of the Governments ambitious plans for electronic border controls in 2025 might be better suited for business, enforcement bodies and the UK consumer; and
- Work globally with the wine industry, including the EU, to ensure any future measures are fit for purpose, protects jobs, and stimulates trade and investment.

# What is a VI-1?

EU rules require wine imported into the EU from third countries to be accompanied by an import certificate (known as a VI-1). This is a paper document (except for wine from USA in which case the form is electronic) that has to be completed by the business exporting the wine, signed off by the relevant competent authority in the exporting country and, in most instances, has to include the results of an analysis of the wine from an approved laboratory:

Laboratory analysis required for a VI-1	
Full VI-1 Analysis	Simplified VI-1 Analysis
Total alcohol strength	Actual alcohol strength
Actual alcohol strength	Total acidity
Total dry extract	Total Sulphur dioxide
Total acidity	
Total Sulphur dioxide	
Volatile acidity	
Citric acidity	

The UK wine industry argues that this is hugely burdensome, costly and is unfit for purpose. It is, in effect a non-tariff barrier to wines entering the EU from non-EU wine producing countries. No other category of alcoholic drink is required to have a specific import certificate when imported into the EU.

The EU rules do however allow for a simplified procedure and, over time, several non-EU wine producing countries (Australia, USA, and Chile) have negotiated with the EU simplified import certification arrangements which, while not perfect, are a significant improvement on the full certification requirements. As there is no need for import certificates for moving goods within the Internal Market (these movements are currently facilitated through an electronic system: EMCS (Excise Movement Control System)) **one consequence of leaving the EU is that a full VI-1 form would be required to accompany wine moving between the UK and EU, and vice versa.**

## The damaging impact of introducing VI-1 wine documentation post-Brexit

**“I think it’s important to remind Government the wine and spirits trade raise £19 billion for the UK Exchequer and the wine trade about £8 billion. This is bad not just for the trade, not just for consumers, but also for the UK government - it’s in absolutely no one’s interest to be implemented.” – Liv-ex**

### The cost of introducing VI-1s for wine imported from the EU to the UK

As VI-1s are not currently needed for EU wines, their introduction would cost both UK and EU businesses time and money. The Wine & Spirit Trade Association (WSTA) estimates that the introduction of new forms and laboratory test demands could cost the industry up to £70 million, with each laboratory analysis costing around £330, with the paper form costing around £20 to stamp, and an estimated 500,000 VI-1 forms required. These costs would not only be a burden on EU businesses, but the costs would be passed on to UK importers and, ultimately, to UK consumers.

All the companies who responded to the consultation highlighted that there would be added financial burdens on their businesses because of the introduction of VI-1 forms for wine imported into the UK from the EU. The Government’s recent assessment by Defra Minister, Victoria Prentis, on 26 June 2020 in an answer to a Parliamentary question was that “whether the cost of producing VI-1 certificates on to UK consumers and importers is a commercial matter. It will be the EU producers’ responsibility to provide the VI-1 certificate”. While the Government is correct in stating that it will be a commercial decision, it fails to recognise that all the businesses which responded to this call to evidence have suggested that passing on costs to their business and in most cases to the consumer will be inevitable as a result of their introduction, and that importers will need to account for the form.

In responding to the consultation, many businesses pointed out that costs would be increased throughout the supply chain, and that while having to submit wines for the laboratory test and subsequent stamping of the form will be a main source of the burden, paperwork checks at the border and hold-ups in the supply chain, increased staffing requirements, increased costs from customs agents and hauliers, and delays in shipping times all contribute to the cost of the final bottle of wine reaching the consumer. One business commented that it already experiences this when dealing with third country wine imports which are currently required to be accompanied by a VI-1 form.

Respondents were most concerned however due to the main cost of producing the laboratory test and the cost of stamping the form, estimated to be of the order of £350 in total. This would be needed for each wine in each shipment – meaning that if there were three types of wine in one shipment, costs on VI-1 forms alone could exceed £1000. A

large online wine retailer noted that EU wines represent nearly three quarters of their total sales, and that the additional costs associated with producing the forms would have an “extremely damaging effect” on their business. Another business stated that they bring into the UK over 1000 product lines from the EU, meaning that at a minimum, it would cost over £330,000 to produce a form for each product. That particular business also said that if a VI-1 were required for all wine imports from the EU, some product lines would be seen as unviable, thereby reducing consumer choice.

It would be naïve to suggest that producers and UK importers would be able to absorb all this cost without passing at least some of it on to the consumer. The UK wine industry is already a competitive market due to its high excise duty rates meaning that businesses trading in the UK often do so on small margins – yet it has been suggested that 20p could be added to the retail price of a bottle of EU wine due to the form’s introduction. One comment in the written evidence stated that “adding additional complexity [means that] costs will inevitably be passed on to consumers and damage both importers and producers, costing jobs with no good reason.”

A respondent based in the EU suggested that the cost of producing VI-1 forms for them would be around €95,000 to €140,000, plus an additional full-time admin worker. One major online wine retailer stated that the introduction of VI-1s would add around £1.5 million per year to supply chain costs. This is on top of potential lost business and decreased sales from a general increase in wine prices in the UK. For the fine wine industry, the cost is just as substantial, with one respondent estimating the forms would cost them between £1 and £2 million. Another UK based fine wine business which imports around a third of their wine from the EU said that their trading would be so

**“the fine wine market is one of very small profit margins, such that modest incremental costs can wipe out profitability on the respective shipment.”**  
**- BI Wines and Spirits Ltd**

heavily impacted that an estimated 5 to 10 jobs would be lost from their business.

It is also important to note that there are businesses throughout the wine industry which will be required to produce the forms for exports to the EU. One English wine producer said that producing a VI-1 to send wine to the EU would add £1 to each bottle just for their business. If that were passed on through the selling price, they stated “it would be multiplied by the percentage margins added on by importer, wholesaler and retailer, and the VAT taxes added onto the sale of our products in the destination country.” Furthermore, they noted that if you “compare this with the CCT (Common Customs Tariff) imposed on imports to the EU (circa £0.08/bottle), [...] you get an idea of the scale of impact these bureaucratic on-costs for export have as a barrier to trade.” For businesses re-exporting bulk third country wines to the EU, this is a significant additional cost. One business noted that the forms alone will cost them around £80,000, without even having to test the wine, which would encourage EU businesses to source wine from elsewhere.



## Case Study: The impact on independents - Cambridge Wine Merchants

Independent wine merchants offer a huge range of wines available in the UK. Cambridge Wine Merchants offers around two thousand five hundred different products for sale at any one time. Half of these products are wine, which accounts for 78% of sales with an average price of £12.60 – a little over twice the average cost of a bottle of wine sold in the UK off-trade.

Cambridge Wine Merchants, like many other independent merchants, considers itself first and foremost a specialist in European wines, with over 70% by range and sales from EU countries. Their business model relies on them being able to buy directly from small and medium-sized EU wine producers, and the wines they source directly give them a point of difference over other large importers.

Of the 900 wines directly sourced in the past 12-months by the business, the vast majority came from EU countries. Their proximity means there is a short replenishment time for order and delivery of wine. 200 orders may contain 1,800 different types of wine, each of which would require a separate VI-1 form under the proposed regulations.

While the administrative impact is relatively clear, it is difficult for businesses like Cambridge Wine Merchants to understand the full impact of their introduction due to the lack of clarity over certified laboratories and competent authorities, neither of which have been confirmed by the UK or EU Governments. However, using estimates of cost from Australia (which uses a simplified VI-1 form which would be less expensive than the proposed full VI-1) Cambridge Wine Merchants has estimated their introduction would result in an additional £111,000 in costs. This is on top of label changes (of up to an estimated £52,000) and customs declarations post-transition.

The impact on customers would mean an immediate increase of 10% on EU wines, which results in an extra £1.25 per bottle on the shelf – making them less competitive.

## Is the VI-1 fit for purpose?

Several respondents questioned the purpose of a VI-1 form and suggested that the information included on a VI-1 is unnecessary and does not fulfil any public health, or customs and excise requirement.

The Codex Alimentarius Committee on Food Import and Export Inspection and Certification Systems (CCFICS) Principles for Food Import and Export Inspection and Certification (CAC/GL 20-1995) guides governments on how to implement appropriate food control measures without impeding international trade. Several articles state that certificates should be fit for purpose and based on an objective risk assessment. Meanwhile, FIVS, the international association with members from the wine sector, has authored two papers on certification for food safety and authenticity which demonstrate that chemical analysis required by regulators on certificates for wine frequently do not demonstrate the intended purpose of the certification. While the papers specifically address certificates of analysis, the principles discussed apply to all types of certificates. Wine is a safe food product from a microbiological perspective and many regulatory regimes acknowledge this by exempting wine from food safety requirements.

**“ We would not be advocating anything that was in any way injurious to public health. There isn’t anything on the VI-1 form that is required that doesn’t already exist.” – Direct Wines**

It could be argued that the information on the form is required to ensure quality and authenticity of products, however the wine industry (and alcohol more generally) is already heavily regulated, and there is no equivalent of a VI-1 for other alcoholic beverages – only wine. In addition, there are very few countries outside the EU which require imports of EU wine to be accompanied by a document with similar information, suggesting its implementation would simply result in the UK being less competitive in its role as a global wine trading hub. Any information about the wine that might be required in the supply chain could just as well be contained in commercial documentation as it is for the vast majority of other goods.

**“The VI-1, which has been rolled over from EU law, is blatantly anti-competitive and protectionist. It is designed to serve the interests of the major wine producing nations in the EU. It does not serve the interests of the UK, which imports nearly 100% of its wine and is the biggest net importer of wine in the world [...] This is not “taking back control” it is shooting ourselves in the foot”**

Another common theme throughout responses was that wine importers did not believe the information required on a form is relevant or necessary, and that the main information which has a practical use for those businesses is the actual strength of the wine (ABV). This information is already included elsewhere in customs related documentation or commercial accompanying documentation, which is more efficient as it is completed electronically. One business noted that for current third country imports, once the VI-1 is filed, it is unlikely to be referred to again. A larger company noted that Total Acid (as Tartaric), Volatile Acidity (as Acetic) and Total Sulphur Dioxide can sometimes be useful for the business and the competent authorities, but there is a question as to whether the VI-1 is the right vehicle to move that information on.

It was suggested that a simplified VI-1 could be used as an alternative to a full VI-1, as it reduces the information required to businesses throughout the supply chain. A simplified VI-1 includes useful information to UK wine businesses, such as importer details, a description of the product, and the ABV – removing the need for unnecessary tests and information. It is currently used by several third countries and provides an audit trail to help protect businesses against fraud. There were however also concerns about the simplified VI-1, in that there is no real difference between it and the full VI-1 in terms of burden on the producer and importer. While the information requirements are reduced, there is still a bureaucratic impact on the supply chain in terms of time to send wine off to a laboratory to be tested, administrative work required to fill in the forms, and costs. In addition, it was noted that having different VI-1 requirements for different countries can result in added confusion in a businesses' supply chain in managing diligence and clearance.

**“It is staggering to us that as it currently stands the UK Government is planning to impose anti-competitive and highly protectionist rules that do not serve the interests of the broader UK wine trade or consumers.” -  
BI Wines and Spirits Ltd**

## Supply Chain disruption

Respondents were particularly concerned about the impact of the introduction of VI-1s on the supply chain. Many cited delays at ports and disruption of just in time supply chains, noting that this may result in greater stock holding requirements to supply necessary buffer stocks, having a knock-on effect on cash flow due to the cost of the product themselves, extra storage charges and increased guarantees. These burdens are exacerbated by the additional requirements following the UK's departure from the Internal Market such as customs declarations which will be required on 1 January 2021. Furthermore, if the original form is not received with the goods in moving the products to the UK, businesses are unable to sell those products until the form is obtained.

One respondent stated, "At present, the VI-1 form is checked on arrival and then filed with other receipt paperwork. These checks take time and slow the Goods-In process. Clearly an increase in checks from 756 deliveries per annum to 3,684 will add significant time to the process, leading to a loss of efficiency and an increase in cost. This will be exacerbated by the natural fluctuations in arrival of goods due to the Christmas peak and the natural cycles of dealing with an agricultural product."

The laboratory test and signing of the form by a competent authority is also expected to increase the length of the supply chain. One respondent noted that as opposed to being able to ready a product for export within 24 hours of receiving an order, they would be required to fill in additional forms, source a stamp and signature from competent authorities, and possibly have to have the product tested, potentially resulting in a delay of up to two weeks or more. This would reduce businesses ability to deliver products to customers quickly. In addition, as these forms and laboratory tests have not been used before, and businesses and competent authorities have no experience of using them, it would be unsurprising if there were delays and a bottle-neck of applications unless sufficient extra resource is put in place. These sorts of delays would disrupt the just in time delivery model which is essential to many UK wine businesses who are unable to hold extra stock due to the UK's high excise duty costs.

## The impact on UK exports to the EU

The UK exports some wine to the EU, including fine wine, English Sparkling wine and wine from third countries - some brought into the UK in bottle but the majority brought in in bulk, bottled in the UK and re-exported to the EU.

Bulk bottlers are particularly concerned about the potential introduction of VI-1 requirements to the EU. Post-transition, these businesses will need to bring goods in on one VI-1 to the UK and then use another VI-1 to re-export goods to the EU. This will be a major bureaucratic exercise. One major bottler highlighted that they will need to produce over 1200 new Vi-1s post-transition, which will take over 2400 additional hours to complete – adding approximately £80,000 to their costs.

The requirement of a paper form, and no electronic alternative, means that businesses will need to transfer information by hand to a new EU VI-1, which will take a significant amount of time and resource. Moreover the form will still need to be stamped by a competent authority which has not yet been confirmed by the UK Government and will be an additional cost to be issued. It is not yet clear what the time frame will be, or who will be issuing the forms, yet it is anticipated that tens of thousands of such VI-1s will need to be issued each year.

It is not in the UK Government's gift to remove the VI-1 requirement for wines it sends to the EU and it is unlikely that this requirement will be removed anytime soon as it would require fundamental reform of the EU VI-1 system. It is however important that the UK takes the opportunity to negotiate a simplified or electronic version of the EU form for UK exports to the EU, such as is agreed for wine exports from countries like the US. In addition, removing the requirement for VI-1s for imports to the UK - which is in the Government's gift - would mean more capacity to ensure those businesses which do need VI-1s stamped and signed for exports are able to do so, and the Government can focus its efforts on streamlining those processes.

As a long-term goal, the UK should seek to work with the EU and the rest of the world to introduce a system of mutual recognition.

## Case Study: Views of a UK business using VI-1s

### Accolade Wines

Accolade Wines is the 6th largest wine company by volume in the world. They employ around 500 people in the UK at their head office, and bottling and warehouse facility which is the largest in the UK. They own three of the top ten wine brands in the UK, including Hardys, Echo Falls, Kumala, Banrock Station, as well as some more premium wine brands. They act as a hub for wine, importing wine in bulk mainly from third countries, bottling it in the UK, and then selling that wine in the UK or exporting it to other European countries.

Accolade Wines have experience of using both the simplified and full versions of the VI-1 certificate. Post-transition period, they anticipate that they will need to produce between 15,000 and 18,000 documents – equivalent to around 50 to 60 VI-1 forms per day. They are concerned that changing their systems to manage the increase in VI-1 forms will be complicated, as much of the work will need to be carried out manually. In addition, if forms need to be signed off by a UK competent authority, orders may be delayed, and space to store stock while it is being certified will not be available despite having the largest wine warehouse in Europe.

## Laboratory testing

The main component of a VI-1 form is a test which must be carried out by an approved laboratory. The WSTA estimates that the test would cost in the order of £300 - £400 per batch of wine.

One respondent noted that while their third country suppliers are easily able to meet the requirements for the laboratory test as they are often large businesses, many of those they trade within the EU are small. This may mean a larger variety of smaller quantity wines, meaning more tests, meaning that EU laboratories will need to be sufficiently staffed to be able to process the extra workload for all UK exports. While it may be suggested that most wine is already tested to some degree, so the information would not be too difficult to obtain, there is an additional concern the test must be carried out by an approved laboratory – a list of which does not yet exist. Whether EU producers can produce the necessary information is largely out of the UK importers control, creating unnecessary uncertainty.

This is also an issue for wine exported from the UK to the EU. Currently there are no approved laboratories, and there is a real concern from the evidence obtained that there is not enough time to approve laboratories and create testing capacity before the end of the transition period. This could be rectified by allowing self-certification of laboratories who meet internationally recognised standards but there is little time to put the necessary processes to do so in place.

The fine wine section of the UK wine industry has serious concerns about how possible it is to obtain a laboratory test for the product they sell, which are often old and rare fine wines. Unlike other areas of the wine industry, fine wine merchants buy their products from the secondary market, as opposed to from producers. The ability to produce a form would be severely restricted by the fact that the original producer may not have the information required or if they do have it, it may not be reliable, or the fact that the UK business may not have any relationship with the producer or they are unwilling to engage with them as they do not buy their wine directly from them. Meanwhile, it would be wholly impractical for fine wine merchants to test wine themselves. The value of fine wine is often based on the case and testing the wine would mean removing and opening a wine from the case, meaning it is automatically devalued. One respondent stated that the cost of a six-bottle case can often be over £100,000, and by removing one bottle of wine, that value is automatically halved.

## Case Study: The fine wine industry

### Liv-ex

Liv-ex act as a global marketplace for fine wine merchants and have customers in 42 countries. 70% of the wine they sell is for export. European wine accounts for 94% of their sales, and around 50% of their supply is directly from the EU.

Unlike most other wine which is usually consumed within 18 months of production, fine wine is often not opened for over 10 years, and often more. The supply chain is therefore long, complex, and highly fragmented. The wines are often highly priced and actively traded in what is called the secondary market – this means the wines are sold mostly merchant to merchant, as opposed to buying wine directly from producers.

If VI-1s are needed for EU wine importers, it would be up to Liv-ex's suppliers to test the wines and produce a form. As there is no producer involved in the transaction and the wines are often years old, this would involve opening a bottle of wine which can regularly be worth hundreds or even thousands of pounds each. This is on top of the cost of the laboratory tests and administrative costs. Liv-ex has estimated that with an estimated added cost of £400 per transaction and trading at the same level as they do currently, compliance would cost Liv-ex around £6m, equal to 10% of their sales.

With this potential massive increase in costs, it is unlikely that their suppliers will subsidise those costs and will simply sell their wine elsewhere. Liv-ex as a business may therefore be forced to move large parts of its supply chain outside of the UK, resulting in UK job losses and exchequer revenue.

## Difficulty in obtaining VI-1s for imports: EU preparedness

There is currently no requirement for EU producers to create a VI-1 form. Nearly all of the respondents suggested that they do not believe their suppliers are prepared or understand the processes they will have to follow in order to produce the required documentation – and this is arguably due to the fact that there are no authorized laboratories, process in place for obtaining the paper forms, or indications of who will act as competent authorities in each Member State. One respondent to the consultation noted that most current testing that is undertaken by EU producers is basic and carried out in-house. There are real concerns that EU wine-makers – especially smaller producers – will simply look at selling their product elsewhere. This will result in UK wine businesses being less competitive and damage their sales. With less than four months until the end of the Transition Period the UK Government has yet to confirm the practicalities of introducing the new requirements. Currently the list of authorised third country signatories, producers and certified laboratories is held by the EU Commission, to date the Government has yet to confirm which Government Department or Agency will hold this data or to whom EU producers might notify.

**“The EU27 supply base is pretty unfamiliar with the process of VI-1s and the laboratories ratified by Defra to undertake the tests do not yet exist. For those suppliers who were trying to be proactive and work out what to do, they are getting little to no information on their own Customs officers so my view is that it would actually be chaos. Even if you take out some of the consumer impact.” – Direct Wines**

There is also a concern that while many UK wine businesses and freight forwarders will be aware of VI-1 requirements as they currently deal with the forms for third country imports, EU producers will have never been required to produce the form and it will be entirely new process. It was suggested that support from the EU may not be available for EU wine producers, and so there will need to be an exercise in informing EU trade bodies of the UK's new VI-1 requirement.

For fine wine businesses, again, there is a significant concern that it would be impossible to obtain a form from their EU suppliers. One business stated in their evidence that if EU producers are unable to produce the forms, they will simply stop trading due to the risk of goods being held up in the supply chain – something which can be particularly damaging to wine stuck in a lorry for a prolonged time in particularly cold or warm weather.



**“For our wholesale customers, I’m currently trying to make supply contracts for 2021 for restaurants, bars, hotels and universities in Cambridge and Oxford. For the first time, in 28 years, I really don’t know what I can offer them and at what price from the current range I stock. They cannot plan, they cannot take orders, they cannot make arrangements for their customers for what is less than 6-months away. We thrive on our ability to ship small quantities of wine; it is what our business model is based on. Most of those suppliers would have no problem selling their wines in other markets, so I suspect they will decide it is just not worth selling to us in the UK. And our enviable position will be lost.”**

**Cambridge Wine Merchants**

## Case Study: Views of an EU producer

### Cramele Recas

Cramele Recas is a winery based in western Romania producing over 25 million bottles per year, the country's largest exporter and largest exporter to the UK market. In 2018 they employed over 100 people in the UK to sell their wines and directly contributed over £11.5 million in duty and VAT to the Exchequer. They are one of the small numbers of EU producers who have worked with VI-1 documents and understand very well the problems and costs that they cause.

VI-1 forms ceased to be issued in Romania in 2007 after joining the EU, and so the infrastructure is not in place to produce them efficiently. There are currently only two laboratories, both of which are outdated, not fit for purpose, and underfunded. For Cramele Recas, their closest laboratory is 400 miles away. Sending a sample to the laboratory would cost around €40 per sample by courier. The winery will then wait for approximately 14 days to receive the correct documentation back from the laboratory. In Romania, it can cost between €40 to €50 to test one sample – which is cheaper than in many EU countries.

Following analysis, the VI-1 requires a signature from the competent authority. In this case it is a government wine inspector, the closest of which is around 100 miles from their winery. This again costs roughly €15 for a courier and approximately three to five days for the return of the form. Romania has only 12 inspectors, which would likely result in delays.

In total the process takes around three weeks, a cost of €133 per document, plus the extra administrative burden in house. Scaling this up to take into account all of their UK exports, Cramele Recas estimates based on its 2018 exports of four million bottles of wine, that the average consignment (containing around 20,000 bottles of wine made up of seven different products) would cost an approximate additional €950 and three week delay compared to the current situation.

Even if EU businesses can produce VI-1s for their exports to the UK, it would not be unreasonable to suggest that the administrative burden and cost will deter EU producers from exporting their products to the UK, resulting in reduced choice for the consumer.

## UK wine industry preparedness

**“The last Defra update was September 2019, so we are now in July and there has been no further clarity on system and labelling. These things all take time.” - TWE**

The UK wine industry wants to prepare as best it can for the introduction of VI-1 forms, but nearly all respondents commented that it has been difficult to do so owing to a lack of clarity from Government on what will be required. This is particularly an issue for retailers moving product to Northern Ireland from the rest of the UK.

A number of respondents noted that while they believe they will be ready for the introduction of VI-1s from the end of the transition period, they are concerned that their suppliers will not. Some businesses however predicted they would not be ready, and for fine wine, one company stated they would “in practice never be able to trade with VI-1 forms as they currently stand” regardless of how much preparation they undertook.

**“Large business, like Liv-ex, have the resources and a big logistics network in Europe so we’re in a position where we have the resources and the means to be able to restructure our supply chain in quite a complex way in order to keep trading but I think for many of our customers that simply wouldn’t be possible. Many of them at the moment are just hoping this problem goes away because it is genuinely too difficult. We’ve still got a lot of work to do I think before we’re going to be ready on this.” – Liv-ex**

In addition, one business also noted that by introducing the requirement on 1 January 2021, there will be further burdens due to the fact implementation will coincide with the wine industry’s peak trading period, while at the same time they will be required to contend with customs declarations and other new post-transition requirements.

**“We can prepare ourselves if the UK government makes this position clear. But if the UK Government has made its position clear, and EU countries think that they haven’t, then there is very little we can do as businesses. [...] No one wants to start planning unless it is absolutely necessary and if it’s going to be absolutely necessary then it’s the producers who need to get to work on this. We will help them as much as we can but there’s nothing we can do to prepare ourselves other than talk to those who need to do something.” – Cambridge Wine Merchants**

## UK Government preparedness

While several businesses anticipated that they should be able to be ready to trade with VI-1s, this is contingent on Government providing urgent clarity in several areas, including confirming processes, competent authorities, and laboratories. Businesses also cited concern that there are not enough UK or EU inspectors, that border staff in the UK and EU are not trained to understand the requirements of the forms, and that there are not enough laboratories in either the UK or EU.

**“Given the information which has been passed to business so far, we do not believe the Government is ready to action this change. The infrastructure has not been defined on how business is to submit VI-1 documents to a competent authority for authorisation, if they can be submitted electronically, expected period of return of authorisation and DEFRA’s capacity to fulfil the trade’s expected requirement. Without clarity and a suitable infrastructure trade will be adversely impacted.”**

There are also major concerns over the lack of clarity on trading with Northern Ireland. This is a particular concern for retailers who often move goods in mixed consignments, which may include small quantities of wine, to individual stores. If the goods were moved as one load with one type of wine, only one VI-1 would be required, but in this model (used by most retailers with stores in Northern Ireland and the Republic of Ireland) a VI-1 form would have to be produced for each consignment if the quantity of wine is over 100 litres. If there are multiple types of wine in one consignment, that means multiple forms per consignment, creating a significant administrative burden and cost, resulting in an increase in cost and a decrease in choice for consumers.

**“This is going to be unbelievably difficult to implement, my firm alone will have to produce at least 15,000 forms. 600,000 or more forms are going to be produced. Who is going to check these? What labs have been authorised to do this analysis? Who is going to certify them? None of those things have been established. Getting rid of them remove a significant barrier to trade not just with our trade with the EU but with all wine producing countries and that is a net win. Lowering prices, increasing choice.” – Liv-ex**



## An outdated paper form

The VI-1 form is outdated – there are few supplementary import documents which are required to travel with the goods as a paper form. Paper forms are inefficient and increase ability for errors, for example through mixing up forms, forms going missing, forms must be filled in by hand meaning mistakes are much more difficult to correct. Furthermore, paper documents must be kept for a sufficient period and be available for auditing. The increase in numbers of VI-1s required because of their introduction for wine from the EU would result in more pieces of paper and therefore increased storage requirement. Increased staffing requirements would drive up the cost of doing business and reduce competitiveness.

Businesses were quick to highlight however that an electronic version of the same form is not much of an improvement, as there is minor difference in terms of the administrative work, time spent to produce the forms, analysis costs and – particularly for fine wine businesses – the ability to obtain the information. Some businesses noted that replacing a VI-1 with an electronic VI-1 is also a missed opportunity to integrate information exchange throughout the supply chain. Businesses do not want to have to invest in old technology, but invest in something which is futureproof and can be used as part of an integrated supply chain.

## Exemptions

There are some exemptions for VI-1 imports which would also be rolled over if the rules are copied into UK law verbatim, perhaps the most useful of these being an exemption for wines moving in consignments of less than 100 litres.

Unfortunately, most respondents stated that neither of these exemptions would be particularly helpful, noting that they move most products in consignments over 100 litres. Furthermore, several businesses stated that while they may be able to make use of the rule allowing smaller consignments, it would result in shipping smaller orders, pushing up costs (estimated by one business to increase from £5 to £75 per case) and having a knock on effect of increasing their carbon footprint. In order to take advantage of this exemption, businesses may have to make substantial changes to their supply chain.

## The importance of EU wine to UK businesses

Defra Minister Victoria Prentis MP recently stated in a written answer on 26 June that “new world producers’ including Australia, New Zealand, USA, Chile and Argentina continue to import and currently account for 50% of wines on the UK market. UK customers will still have a wide and varied choice of quality wine.” However, many businesses noted that the introduction of VI-1 forms from the EU will reduce consumer choice and increase costs, and that EU wine cannot simply be replaced by third country wines. This is particularly true for the fine wine industry. One response stated that over 94% of the fine wine market is EU wine, and this would be impossible to replace with non-EU wine as fine wine sales are heavily based on provenance.

**“Another impact as well is a big reduction in range and choice. UK customers have become accustomed to being able to buy the food and drink, they like, from all over the world. If they are suddenly unable to buy major brands like Bordeaux, Champagne, Rioja, Prosecco, I think they are going to be very unhappy” – Cambridge Wine Merchants**

In the same written answer, the Government also stated, “the EU introduced the VI-1 form for third country imports and will be subject to the rule themselves as they become a third country importer to the UK”. One business said that they believe “too much emphasis has been placed on the significance of UK wine producers and far too little emphasis on the significance of the UK as the global hub of fine wine trading, the business which we ourselves are engaged in.” According to the WSTA, English wine accounts for less than 1% of UK wine market, while the sale of EU wine in the UK contributes approximately £2bn to the UK Treasury in excise duty alone. .

**“[VI-1s] will seriously damage consumer choice, reduce competition and raise prices. The UK is famous for the diversity and competitiveness of its domestic market. The VI-1 puts this at risk.”**

The UK imports around one billion bottles worth of EU wine, which is equal to around 27% of the entire exports of the rest of the world’s production. Replacing EU wine with third country wine would mean importing around 20% worth of the 3.8 billion bottles currently exported by the rest of the world. Such a great increase in demand would likely result in increased costs and consumers giving up wine brands they currently enjoy.



## Securing the future of the UK wine industry

While the responses to this inquiry have highlighted a clear need to remove the immediate threat of introducing VI-1s for imports from the EU in the short term, many businesses highlighted a need to create a system long-term which is fit for purpose for a UK outside of the EU to account the context of the UK an importer as opposed to a producer.

Respondents were ambitious about the potential for the wine industry following reform of the system, and there is an appetite to take this opportunity to build on the UK's position as the world's wine hub. Removing VI-1s entirely and creating a new, electronic system which is fit for purpose is not a distant possibility, and there are businesses within the wine industry who are working towards solutions now. Such a solution goes far beyond simply replacing the paper based VI-1 system with an electronic version. A future electronic system could be used throughout the supply chain, from vineyard to consumer and could potentially be accessed by different interests for different purposes: customs, excise, fraud prevention, provision of consumer information, tasting notes etc.

Leaving the transition period at the end of the year, and removing that short term threat, gives the industry the time and confidence it needs to help create a new system, fit for purpose, which can be used for wine imports from all over the world. This change in process could take a matter of years if the Government took the initiative to drive this new agenda.

**“The simple impact of allowing these businesses to go digital faster through well-managed data streams on next-generation platforms to better comply with the import, export standards and regulation could relieve a tremendous financial burden and put money back into the real economy. In my opinion, the Government should declare a “War on Paper.” it is wasteful, unsustainable, and in the long term not resilient as Covid-19 has shown us.” - Chainvine**

The introduction of a new system which removed barriers to trade would maintain high standards for consumers while reducing the burden and costs of outdated paper-based forms. One respondent stated that replacing paper-based forms with data and digital compliance is “low hanging fruit” and that the UK has a real opportunity to act as a world leader through adopting new technology.



**“The government should look at the UK leaving the EU as an opportunity to relieve the drinks trade of the burdens imposed by the EU on the drinks sector of many years. There is a real opportunity to modernise, simplify and importantly reduce cost to our sector by removing the burden of not only VI-1 forms across the board but to consider embracing the technology developed with EMCS (Excise Movement and Control System) and adopt the same technology with trade throughout the world.” – LCB**

## Case Study: The US system and the WWTG

### Wine Institute California (USA)

The California Wine Institute represents California wine producers. Approximately 95%-97% of US wine exports come from California. Last year, around £200 million of wine was exported to the UK. It is by far the largest agricultural product exported by the US to the UK.

US exports to the EU, are accompanied by a simplified form which can be completed electronically and provides information such as the declaration of alcohol content, the colour of the wine, the exporters address and the importers address. European wine imported in the United States does not need a certificate. Since 2006, the US and EU have had a wine agreement and that will be rolled over to the UK. The California Wine Institute producers view the fact that US wine needs to be accompanied by a certificate while EU wines do not as unfair.

While the Wine Institute recognises that it is relatively easy for their producers to produce a simplified form, they are clear in their message that it is unnecessary as the information used is already available either on the bottle or on other commercial documents. By removing wine import documentation in its current guise for wine from all over the world, the UK would remove the need for tens of thousands of pieces of physical paper, and streamline the bureaucracy impact on businesses and Government departments.

Future reform of the system would mean the UK could remove this unfair barrier to trade for US wines through a system of mutual recognition, via a winemaking agreement with the USA. Alternately, the World Wine Trade Group (WWTG) for example is based on a system of mutual recognition, and its members do not require certificates when trading between each other. This is something major wine producing countries are signed up to, yet the UK lags behind in insisting to maintain an outdated, paper based system which is not fit for purpose and hinders imports of a product it does not produce itself yet is majorly important to the Exchequer.



## Conclusion

Introducing import documentation for wine from the EU to the UK would be lose, lose, lose for businesses, consumers, and the UK Government. Based on responses, it would mean:

- Lower sales for businesses
- Higher prices to the consumer
- Less consumer choice
- Less duty and VAT for the Government

There are benefits to the UK wine industry if the Government did not introduce wine import documentation for imports from the EU post-transition. The first and most obvious result would be avoiding potential damage to UK wine importers, meaning that businesses can remain competitive, removing the risk of economic damage and resulting job losses. Without the requirement, it will mean fewer delays at ports which are likely following the introduction of customs declarations at the end of December 2020. Put simply, reducing administrative burdens and costs will ultimately benefit the consumer.

**“The best mitigation would be to not implement these requirements at all.” – Direct Wines**

# Appendix

## Written evidence

BI Fine Wines & Spirits

Chainvine

Cramele Recas

Davy and Co.

Liv-ex

London City Bond (LCB)

Mentendorff & Co. Ltd

The International Exhibition Co-operative Wine Society (The Wine Society)

Note: two businesses did not wish to be named

## Oral evidence sessions

13 July 2020, Chaired by Neil Coyle MP, APPG Co-Chair

Attended by: Sir Peter Bottomley MP, APPG Vice Chair

Hal Wilson, Cambridge Wine Merchant

James Miles, Liv-ex

Nick Taylor, Direct Wines

14th July 2020, Chaired by Helen Grant MP, APPG Co-Chair

Katherine Bedard, Wine Institute California

Brigitte Xelot, Accolade Wines

Derek Nicol, Treasury Wine Estates

Nick Deaves, Australian Vintage



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