

Exporting canned drinks in 2017

INTRODUCTION

Post-Brexit, it has been argued that there has never been a better time for British businesses to explore new markets and export their products. Brand Britain is currently worth almost £1.5 trillion, with the UK shipping goods in excess of £300bn across the globe annually.

In total, Britain exported £18bn of food and drink products in 2015. The Government wants to increase that figure by £2.9bn by 2020, with the aim that 75 per cent of this would be to countries outside the EU. In its UK Food and Drink International Plan 2016-20 the Government states its plans to work with the industry to deliver a boost to the export market. British brands will be supported through trade and “cultural activity” to promote UK food and drink, and open new and build existing markets.

In this paper, the Can Makers takes a closer look at the trends driving the UK export industry, expressly relating to canned drinks, heading further into 2017 as well as the opportunities offered by export.



MARKET TRENDS

With regards to trends in the wider food and beverage market, the sector contributes £26.9bn to the UK economy and employs 850,000 people. According to the Food and Drink Federation, in Q3 2016 exports of food and non-alcoholic drink reached £3.4bn, up 12.1 per cent on 2015, while total year-to-date exports increased 10.2 per cent to £10.1bn against the same period in 2015.

The data tells a positive story, one in which food and drink brands in the UK, encouraged to export, are experiencing significant success. Certainly soft drink brands have seen an upturn. A weakened, post-Brexit pound has driven UK soft drinks exports in the second half of the year, after first-half sales soared by 13 per cent. In fact, the Food & Drink Federation says soft drinks alone hit £200.4m in overseas sales during this time, while volumes increased 3 per cent.

Turning to alcohol exports, data sourced from HRMC by the British Beer & Pub Association showed a total of 4,495,954 hl of beer exported between January and September 2016, up 512,743 hl since the equivalent period in 2014. Cans made up a significant 53 per cent of the export volume, an increase on the 51 per cent they represented in 2011.

In the last two years, sales from craft breweries have been booming as increasing international demand for craft products has coincided with a growing thirst for British beer. More than 220 million pints of ale, including from Yorkshire's Ilkley Brewery and Aberdeenshire's Brew Dog, were shipped to the States in 2015 worth a record £164 million. That's up 35 per cent since the year before. No doubt the figures will show another increase when 2016 figures are revealed.

In the craft segment, British brands are also expected to see domestic competition ease as foreign competitors, affected by weakness in the pound and the long-term threat of trade barriers, reduce exports into the UK. And, while a number of associations already exist to support brands with exporting, we have seen craft associations launch their own schemes. The Society of Independent Brewers (SIBA) launched its Export Club to help members send their drinks across the world; the club promises to open doors for independent breweries to sell the 'best beer in the world' outside the UK.

SIBA managing director Mike Benner: "The export market can be a real challenge for smaller brewers and SIBA has created the Export Club to inform, advise and open more doors around the world for our members to promote their fantastic beers."

OPPORTUNITIES OFFERED BY EXPORTING

A business exporting to overseas markets should achieve a higher growth rate in revenue than one that is only domestic.

The UK craft drink sector, alcohol and soft drinks, has seen significant growth since 2014. The number of small breweries, for example, has risen from 1400 to 1700 during the last two years. That's more breweries per capita than any other country in the world, and is a figure still increasing by approx 10 per cent per year. With more than 500 new breweries launched in the UK in 2016 alone, there is a risk that the UK market will reach a saturation point. That is, unless breweries look to other export markets.

Also in this time, the number of craft brands in a canned format has gone from a few, to a few hundred. The can is the ideal pack for any drink brand that exports its product. Cans are lightweight, easily stacked and take up less space than bottles. This provides storage and shipping efficiencies and limits overall transportation carbon emissions through logistics and supply chains.

Cans have an unparalleled safety record. Sturdy and unlikely to suffer breakages, their tamper-resistant and tamper-evident packaging provides consumers with peace of mind that their products have been safely prepared and delivered.

Naturally, having more drink producers in the UK is leading to greater domestic competition. Export is therefore a logical and natural next step for many to take. According to UK Trade & Investment (UKTI), companies that export see a 34 per cent increase in productivity within their first year of exporting and are 11 per cent more likely to survive if doing business overseas. By expanding the scope of their market, brands are less dependent on any one single territory and can minimise the sale fluctuations that occur naturally in combination with changing seasons, weather and events.

Success in exporting can also lead to opportunities for brand expansion. Research by UKTI shows that, since exporting, 59 per cent of companies either develop a new product or service, or modify an existing one. Interestingly, it has been seen that firms that export are more likely to experience higher productivity in the workforce, alongside stronger financial performance.

EXPORTING 'HOW TO'S AND TOP TIPS

Exporting isn't something any business should enter into lightly. While the benefits are great if managed properly, when approached hastily it can easily fail and damage the business. The drink brands that have the most success are those that behave proactively, building the right relationships, seeking the correct audiences and fostering partnership opportunities.

But when is the right time to export? Research is essential to answering this. It ensures businesses understand all of the steps involved, can find and create opportunities, and handle the practicalities of export appropriately. Here are five 'top tips' to help businesses start thinking in the right way about export.

1: Research your markets

Businesses should conduct research to identify target markets for their brand/s and discover those with the most potential or existing demand for the drink in question. A good place to start is by contacting trade and professional associations, such as the Food & Drink Exporters Association (FDEA) or UK Trade & Investment (UKTI), for detailed, country-specific advice.

When selecting a market to start with, checking the strength of the economy in the region is a clear starting point, as is the identification of potential sellers or distributors for the brand abroad. Also important is knowing the competitive landscape. Which brands are already selling well in the area; is there space for the drink within the market?

2. Consider the law of the land

In choosing a market, local laws and regulations ought to be thoroughly investigated. It may sound unlikely, but the ingredients allowed in a drink or its packaging in one country might be illegal in another.

As part of the process of exporting, brands may need to adapt the label of their drink to meet local regulations. Because laws can vary from one country to another, a simple translation is inadvisable. Within the EU there are standardised rules in place, though some countries have additional guidelines. For example, in Sweden, if a drink contains antioxidants, dye stuffs or preservatives, this must be clear on the label. Outside of the EU, the differences can be significant.

3. Do your paperwork

There are few things more inconvenient than instigating the export process and paying for the drink to be shipped abroad, only for the product to be halted at customs because paperwork hasn't been completed correctly.

At the moment, we still have freedom of movement in the EU (where products can move freely across borders without customs checks), but this seems likely to change with the outcome of Brexit. Even before the process of exiting the EU has been completed, some paperwork may still be required. The easiest thing to do is to contact the authority in the destination country, asking them simply about the best route through customs.

4. Think about how you transport

Depending on factors such as distance, each mode of transportation offers different advantages for shipment. Important points of consideration are costs, which will vary according to distance, speed and required time of delivery.

Aside from this, bear in mind the condition in which the drink must be kept. If, for instance, heat will have a negative effect on the quality of the product, consider modes of transport with cooling options and avoid routes that pass through areas with extreme climates.

5. Know your VAT responsibilities

When exporting, there are important VAT rules and duties to consider. If you are producing beer, then you should also visit <https://www.gov.uk/guidance/beer-duty> to read about required Beer Duty.

VAT is another fiddly matter that is surprisingly easy to overlook when first assessing the benefits of exporting. Depending on whether the drinks will be exported within the EU or not, VAT responsibilities will differ.

At a basic level, when selling outside of the EU, it is essential that companies keep thorough records and submit details of all sales on their VAT return. They are responsible for clearing goods outwards of the UK through UK customers. Documents that count as proof of export, such those relating to the identity of the customer, the goods and their value, the export destination, the mode of transport and the route, should all be saved. As sales increase, there will come a point when a form called an Intrastat Supplementary declaration will need to be completed.

If in doubt, checking with HM Revenue and Customs (HMRC) will ensure that nothing goes amiss.



CONCLUSION

If you are an alcohol or soft drinks brand considering your strategy for growth, exporting may offer the ideal opportunity for achieving your goals. While no change in business model comes without risk, there really has never been a better time for beverage companies to try their hand at exporting.

This guide has been intended to act as a simple introduction to exporting and the potential it can hold for brands. If it has piqued your interest, there are a number of professional associations and websites which should be your next port of call:

- Export Britain www.exportbritain.org.uk
- Food & Drink Exporters Association: www.ukfdea.com
- Food and Drink Federation: www.fdf.org.uk/exports/ukexports
- The British Exporters Association: www.bexa.co.uk
- The Institute of Export: www.export.org.uk

We wish you luck on your journey to export, and are keen to hear your success stories. Please do contact us on canmakers@onechocolatecomms.co.uk if you have tips or further insight you would like to share.