

Lorna Slater MSP
Minister for Green Skills, Circular Economy and Biodiversity
The Scottish Government
St. Andrew's House
Regent Road
Edinburgh
EH1 3DG

By email

8 December 2022

Dear Minister,

DRS: Follow Up on Smaller Producers and Low Volume SKUs

As the representative bodies for the vast majority of smaller drink producers and those trading low volume SKUs in Scotland, we are writing to urgently request a meeting with you to clarify the current situation for smaller producers and low volume SKUs and gain agreement on next steps.

We attended the DRS conference organised by Circularity Scotland Limited (CSL) in Glasgow. We were pleased you were able to attend to present your views on the scheme and are grateful for your role in supporting the increasingly constructive dialogue we have been having with Government officials and other parties involved in setting up the scheme.

It remains of great concern to us that we are yet to resolve how we will protect smaller producers and those placing small volumes of specific product on the market. We refer to our previous letter to you, dated 8th November 2022, where we set out our suggestion for an 18-month grace period with a review after 12 months.

Our key message remains that we support the scheme's environmental outcomes, and believe our requests preserve these outcomes whilst avoiding significant disruption along the supply chain including business closures.

A grace period is needed to address the lack of financial resources and capacity available to small producers/importers to deal with the practical and economic challenges of DRS. Further evidence of the potential damage to producers emerged this week after CSL asked Scotland Food & Drink to provide more information of potential impacts from their members.

55 businesses responded to the survey with detailed information about the impacts. Worryingly, 92.73% of those who responded said the scheme represents a genuine risk to the viability of their business. We attach the report of the findings.

It is overwhelmingly clear from this report, as well as the information we have separately gathered since the DRS was proposed, that smaller producers must be protected, and that the best way to achieve this is through a grace period opt out.

The evidence, reinforced by the report, shows that the impact of taking part in a DRS will have a disproportionate impact on smaller producers beyond the producer fee or deposit. The administrative burden of complying with the requirements is beyond what most can manage given their lack of headroom and ongoing economic constraints.

Combine this with the principle that regulation should not impact on those who do not contribute to the problem, and the conclusion is inescapable.

The solution we have collectively suggested is for exempted products to be considered as OEANs. We understand there may be concerns around this and hope to discuss these in the meeting. We understand a light touch compliance option is being looked at as an alternative. We do not think this in any way addresses the concerns given that most customers will expect compliance, and businesses do not want to be “non-compliant”. They want the option to opt out.

As well as helping smaller producers to continue operating, other benefits include simplifying the process for CSL (fewer products to manage, fewer producer enquiries, easier to keep overall costs down) and Biffa (fewer products to collect, more efficient). This may also help to maintain the viability of kerbside collections made by local authorities who will need to continue collecting materials by having some drinks containers (mostly glass) captured in this process.

Criteria for Smaller Business and Low Volume SKU Grace Period

As previously indicated, assuming we agree the principle of a time limited opt out, we believe this should include SMEs who place fewer than 5 million articles onto the Scottish market.

An issue has been flagged by on-trade wholesalers and importers (it also impacts other alcohol businesses) that up to 30% of their revenue consists of duty. This would be enough to exclude some businesses from a standard SME definition, yet still threaten the viability of their business, so this may need further consideration.

Low Volume SKUs

Some of us were also asked to provide more data to support the low volume SKU figure and have set this out below. It shows that a per SKU figure of <5,000 articles onto the Scottish market per year would be a reasonable exemption threshold for low volume SKUs.

It is clear that many producers and importers have yet to decide on their future strategy, or fully calculate their financial implications, while so many key questions

remain unanswered. However, members from the Scottish Wholesale Association (SWA) and the Wine and Spirits Trade Association (WSTA) have supplied feedback to suggest that an exemption for low volume SKUs would assist significantly with cashflow and DRS administration and planning.

One SWA member suggested their labelling set up costs would be £6,500 while barcode purchasing and manual stickering of labels would cost a commercially unviable 50p per scheme article. Decisions are already being taken to reduce SKUs and consumer choice, as a result, to minimise costs. These changes for one SWA member represented up to 80% of SKUs being removed from Scotland and accepting a 50% drop in their sales volume.

SWA member feedback includes data which suggests that a 5,000 unit per SKU limit would take 87% of registered products out of the scheme but leave 83% of that producer/importer's volume still captured within DRS.

This would represent a considerable administrative saving to both CSL and to business. Applying this limit across all the producers/importers represented by SWA, removing 17% of low volume SKUs is the equivalent to 2.38m containers or 0.08% of all scheme articles.

We look forward to hearing from you about a meeting to finalise the position on this critical matter, alongside clarity around other issues such as online take back, return point exemptions, producer fee levels and timings, and price marked packs.

Yours faithfully,



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Scotland Food & Drink



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