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Policy Paper

Creating a Supportive and Stable Regulatory Environment for the UK Food and Drink Industry

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Introduction

The food and drink sector is a major contributor to the UK economy. Food and drink manufacturing is the UK's largest manufacturing sector, contributing £42 billion to the UK economy and supporting nearly half a million jobs across the country.¹ Alongside UK firms, US-headquartered companies have made long-standing investments in UK manufacturing, research and development, and product innovation. This transatlantic relationship is also reflected in trade flows, with the US serving as the UK's third-largest food and drink export market after Ireland and France. UK food and drink exports to the US were worth £2.8 billion in 2025.²

The government has acknowledged the important role of the food and drink sector in supporting economic growth, public health outcomes, and environmental sustainability through initiatives such as the Food Strategy for England and the 10 Year Health Plan. As these priorities move into implementation, policy coherence across government will be increasingly important. Close partnership between government and industry will be essential to achieving these aims.

Delivering these objectives will depend on whether businesses are operating in a stable and competitive business environment. The sector is already facing sustained pressure from energy, labour, input, and compliance costs, while adapting to a complex and fast-evolving regulatory landscape. Since 2022, this has included the phased introduction of the UK's high fat, salt and sugar (HFSS) regime, the implementation of Extended Producer Responsibility (EPR), reforms to the Soft Drinks Industry Levy (SDIL), and continuing changes in UK-EU trading arrangements. Further proposals, including changes to the Nutrient Profiling Model (NPM), would add to an already significant period of regulatory change. Moreover, despite being the UK's largest manufacturing sector and accounting for nearly a quarter of total UK manufacturing turnover,³ food and drink was not identified as a strategic growth sector in the UK's Industrial Strategy and remains excluded from competitiveness measures such as the British Industrial Competitiveness Scheme (BICS).



Taken together, these pressures are increasing costs and creating uncertainty for businesses operating in the UK. For companies making investment decisions across multiple markets, predictability and confidence in long-term policy direction are important considerations. When regulatory change is poorly coordinated or layered on top of existing cost pressures, the UK risks becoming less competitive relative to other European markets competing for the same investment and production activity.

Many of these pressures also affect restaurant and quick-service operators managing packaging obligations, advertising restrictions, reformulation requirements, and wider compliance costs. While the impact may differ from that experienced by manufacturers, the cumulative effect of regulatory change is relevant across the wider food and drink ecosystem.

1 Food and Drink Federation, [UK Food & Drink Manufacturing: Regional Report 2026](#)
2 Food and Drink Federation, [Trade Snapshot 2025](#)
3 Food and Drink Federation, [UK Food & Drink Manufacturing: Regional Report 2026](#)

This paper considers how the cumulative impact of regulatory change affects business confidence and investment in the UK food and drink sector. It uses developments relating to the NPM and EPR as examples of how policies developed separately can interact in practice. Both measures are supported in principle by industry, but their impact will ultimately depend on how they are developed, aligned, and implemented.

The Footprint of US Industry in the UK

Investment by US-headquartered food and drink companies has been a long-standing feature of the UK sector, supporting manufacturing, innovation, employment, and regional growth. These companies operate extensive production and supply chain networks across the country and have made sustained capital investments that contribute to productivity, skills development, and the resilience of the UK food system.

Recent investments illustrate the scale and continuity of this commitment:

- **PepsiCo** announced a £58 million investment in its Walkers Leicester factory in 2023, its largest UK manufacturing investment in 25 years. Since 2020, the company has invested more than £140 million across its UK manufacturing operations and supply chain.⁴
- **Mars, Inc.** invested £23 million in its King's Lynn, Norfolk manufacturing site in 2016 to expand production capacity and create new jobs, reaffirming its long-term commitment to manufacturing in the UK.⁵
- **Mondelēz International, Inc.** has contributed £933 million in gross value to the UK economy, including £272 million invested in its five UK manufacturing sites between 2012 and 2021. The company supports more than 10,372 jobs across the UK.⁶

These investments reflect long planning horizons and significant sunk capital across manufacturing, reformulation, packaging, and compliance systems. Reinvestment and expansion decisions are therefore highly sensitive to changes in the regulatory environment.

While US-headquartered companies have demonstrated sustained commitment to the UK, future investment is not guaranteed. Capital is allocated globally, and decisions are shaped by regulatory burden, operating conditions, and confidence in long-term policy direction. Maintaining a stable and proportionate regulatory environment will therefore be essential to sustaining inward investment and supporting the government's growth objectives.

Unpacking the Commercial Challenges

The primary challenge facing the food and drink sector is not individual regulatory measures, but how multiple changes interact over time. Regulatory initiatives are often developed in parallel, affecting the same products, manufacturing processes, and supply chains. While each measure may be justified on its own terms, their combined effect can create significant additional costs for businesses operating in the UK.

First, policies developed independently can create overlapping or duplicative requirements. EPR and the NPM are used in this paper as examples. Both measures are supported in principle by industry and pursue distinct policy objectives, but if their interaction with existing frameworks is not fully considered, businesses can face additional complexity and implementation challenges beyond the effect of any single policy.

Second, regulatory divergence and frequent policy change can increase complexity for companies operating internationally. Firms may need to adapt products, packaging, and manufacturing processes for different

4 PepsiCo, [We're investing £58 million in our Leicester factory](#)

5 The Manufacturer, [Mars Food reveals £23m investment in King's Lynn](#)

6 Mondelēz International, [Mondelēz UK Making the Right Impact](#)

jurisdictions, reducing efficiency and increasing costs. Over time, these effects function as non-tariff barriers, influencing trade flows, site selection, and future investment decisions.

Third, there is a risk of creating displacement costs where businesses are required to revisit investments made under existing frameworks, including reformulation, packaging, and compliance systems. When new measures are introduced before earlier changes have been fully implemented or evaluated, the value of those investments can be reduced and incentives for further innovation weakened.

These challenges directly affect investment planning and growth. In a capital-intensive sector, rising compliance costs and regulatory uncertainty reduce the headroom available for reinvestment, productivity improvements, and innovation. The coordination and sequencing of change are therefore critical to business confidence and future investment decisions.

Nutrient Profiling Model (NPM)

The Nutrient Profiling Model (NPM) illustrates how regulatory change can affect product formulation, investment, and business operations. It is a key benchmark within the UK's high fat, salt and sugar (HFSS) framework, determining how products are classified for advertising, promotions, and placement restrictions. As a result, changes to the NPM have significant commercial consequences across the sector.

Improving the nutritional profile of products has long been a priority for food and drink companies. To support public health objectives, businesses have invested substantially in reformulation, innovation, and manufacturing capability to meet existing HFSS requirements. These efforts have changed product composition and increased the availability of healthier options. For example, PepsiCo alone invested £35 million over three years between 2022 and 2025 in line with their industry-leading ambition for 50% of UK snacks sales to come from healthier choices.⁷

Any revisions to the NPM should be informed by robust evidence and a full evaluation of existing HFSS measures. Reforming a key classification tool before the current regime has been properly assessed risks introducing further uncertainty and undermining confidence in the stability of the policy framework. This is particularly important given the scale of prior investment under the current framework. Businesses have already invested heavily in reformulation, innovation, manufacturing changes, and compliance in response to existing HFSS requirements. If product classification or regulatory treatment changes significantly, businesses may be required to revisit work already undertaken and could face renewed restrictions on products developed to comply with the current model.

Implementation must also be practical. Where policy relies on complex metrics such as free sugars, there is a real risk of inconsistency across product development, labelling, and enforcement. Without a workable and proportionate approach, changes to the NPM could create confusion, increase compliance costs, and discourage further reformulation and innovation. Meaningful engagement with industry will be essential to ensure any changes to the NPM support public health goals without creating unnecessary commercial disruption or undermining confidence in future reformulation efforts.

Extended Producer Responsibility (EPR)

Similar challenges arise through Extended Producer Responsibility (EPR). Environmental sustainability is a strategic priority for the food and drink sector, and companies have invested heavily in areas such as sustainable packaging, emissions reduction, water stewardship, and agricultural practices. For instance, Mars, Inc. launched its multibillion-dollar Sustainable in a Generation Plan,⁸ The Coca-Cola Company set environmental goals through 2035,⁹ and PepsiCo developed its PepsiCo Positive sustainability strategy

7 PepsiCo, [Positive Choices](#)

8 Mars, Inc., [Mars Sustainability Plan](#)

9 The Coca-Cola Company, [The Coca-Cola Company Evolves Voluntary Environmental Goals](#)



spanning innovation, manufacturing, and distribution.¹⁰ These investments reflect the sector's long-term commitment to improving environmental outcomes.

EPR aims to reduce packaging waste and improve recyclability, objectives supported by industry. The scheme also introduces a major new cost burden for producers, who are required to cover the full cost of managing household packaging waste. In 2025/26, around £1.4 billion is expected to be raised through EPR fees paid by producers.¹¹ The success of the scheme will depend on clear governance, accountability, and meaningful producer involvement.

EPR also creates significant ongoing costs for businesses already investing in sustainable packaging and broader sustainability priorities. Greater certainty over future fee levels, implementation arrangements, and the allocation of funds would make long-term planning easier and help businesses adapt efficiently. Businesses also need confidence that fees paid into the system will deliver better recycling outcomes and value for money. The appointment of a Producer Responsibility Organisation is a positive step if it improves governance and strengthens trust in the scheme.

Given the shared environmental objectives underpinning EPR, close collaboration between government and industry is essential. A well-designed and workable scheme will support continued investment in sustainable packaging and deliver environmental benefits without unintended consequences for competitiveness and growth.

Regulatory Interoperability and Trade

These domestic regulatory pressures sit within a wider international context that shapes investment decisions across the sector. As the UK continues to define its post-EU regulatory framework and reset its trade relationship with the EU, regulatory differences can create additional cost and complexity for businesses.

This is particularly relevant in areas such as sanitary and phytosanitary (SPS) requirements, where the UK and EU are pursuing closer alignment to ease trade frictions for food and agricultural products. Similar pressures arise in packaging and product regulation, as well as environmental and human rights due diligence frameworks. Developments at the EU level and ongoing UK consultations continue to shape the requirements facing businesses operating internationally.

Significant regulatory divergence may require businesses to adapt products, packaging, and manufacturing processes for different markets or operate multiple compliance systems. This reduces efficiency and raises the cost of operating in the UK relative to other European markets competing for the same investment and production activity.

¹⁰ PepsiCo, [Our Sustainability Approach](#)

¹¹ UK government, [Year 1 Extended Producer Responsibility for packaging fees update](#)

As these frameworks evolve, the UK has an opportunity to take a more strategic approach to regulatory design. Without greater coordination, there is a risk that cumulative divergence and overlapping requirements could weaken the UK's position as a competitive destination for food and drink businesses.

Policy Recommendations

The following recommendations would help create a regulatory environment that supports growth, public health goals, environmental objectives, and long-term investment in the UK food and drink sector.

Assess cumulative regulatory and commercial impact across government

Establish a formal cross-government mechanism, supported by regular engagement with industry, to assess the combined effects of policy measures affecting the food and drink sector. This should improve coordination and sequencing across departments while reducing unintended consequences for growth and investment.

Take a coordinated approach to new measures

Develop new regulatory measures with explicit consideration of how they interact with existing frameworks and each other. Better alignment across government would reduce duplication, simplify compliance, and give businesses greater predictability when planning investment.

Promote regulatory interoperability and minimise avoidable divergence

As the UK's regulatory framework evolves, assess the impact of divergence from major markets, particularly the EU. Supporting interoperability can reduce non-tariff barriers, improve efficiency for global companies, and strengthen the UK's attractiveness as an investment destination.

Ensure policy change is evidence-based and proportionate

Future reforms should be informed by robust evidence, including evaluation of existing measures. Recognising prior investment and allowing sufficient time for adjustment would reduce displacement costs while preserving incentives for innovation.

Prioritise practical implementation

Implementation should be clear, proportionate, and workable, particularly for complex or system-wide measures such as EPR. Government should continue to assess the cost and operational impact of the scheme to ensure fee levels and delivery arrangements remain proportionate and support investment across the sector. Early clarity on timelines, costs, and governance would help businesses adapt efficiently and continue investing.

Identify food and drink as a strategic growth sector

Recognise food and drink as a strategic sector for growth within the UK's industrial strategy and ensure it has access to the competitiveness measures available to other priority sectors, including BICS. Given the sector's scale and contribution to manufacturing, exports, regional employment, and innovation, this is essential to sustaining investment and supporting growth.

Conclusion

The food and drink sector plays a critical role in the UK economy, supporting jobs, supply chains, and regional growth while contributing to public health and environmental outcomes. Investment by US-headquartered companies has been an important part of that success, reflecting long-standing confidence in the UK as a location for manufacturing, innovation, and product development.

The principal challenge facing the sector is not individual regulatory measures, but their combined effect on business operations and investment. When policies are developed and implemented in parallel without sufficient coordination or sequencing, they can influence investment decisions and weaken the UK's competitiveness relative to other markets.

The examples set out in this paper illustrate how these dynamics operate in practice. Developments relating to the NPM and EPR show how well-intended measures can affect prior investment and future decision-making if not carefully designed. More broadly, increasing regulatory divergence can also raise costs and complexity for internationally active businesses. Recent changes to the Soft Drinks Industry Levy provide a positive example of how constructive government-industry engagement and proportionate policymaking can recognise progress already made and support public policy objectives.

As the government advances its objectives on growth, public health, and environmental sustainability, greater attention to the cumulative impact of regulation is needed. Coordinated, evidence-based, and predictable policymaking will help maintain the conditions for continued investment in the UK food and drink sector. This should be complemented by recognising food and drink as a high-growth sector in future Industrial Strategy updates, with access to competitiveness and cost-reduction measures available to other priority sectors.

Stronger collaboration between government and industry, combined with a more strategic approach to regulatory design and delivery, can support policy objectives and long-term competitiveness. With the right framework, the UK can continue to attract investment, drive innovation, and strengthen its position as a leading market for the global food and drink industry.



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