

Scottish Deposit Return System: Dairy sector

Dairy UK is the trade association for the British dairy supply chain. It brings together processors, dairy co-operatives, manufacturers, farmers and bottled milk buyers throughout the United Kingdom. Dairy UK represents 85% of the milk processing industry in the UK and 90% of the industry in Scotland which includes all of the all major dairy processors and cooperatives. In total, milk production in Scotland represents 8-10% of the total UK market.

Dairy UK welcomes the opportunity to respond to the call for evidence on the feasibility of a Scottish Deposit Return Scheme. This paper outlines the repercussions the scheme would have on the dairy industry, and in particular liquid milk processors and also highlights some of the other implications the scheme would have in Scotland.

1. Milk is not a suitable product for a deposit return system. Milk is exempt from deposit requirements in Europe and most jurisdictions in the US and Canada and we recommend that it is not considered within the scope for Scotland for a variety of reasons:
 - Milk is mostly consumed at home, and therefore does not significantly contribute to the litter problem. Including milk within the scheme would make a negligible impact on total litter reduction and it is therefore unfair on the industry to bear the additional costs associated with a DRS.
 - Currently milk bottles are the top recycled packaging product in the UK at over 80%, mostly via kerbside collection. The current system is good and efficient and the introduction of a deposit system would be inconvenient and confusing for consumers.
 - Storing the empty containers in-store may have serious hygiene implications.
 - Milk is considered a household staple and increasing the sale price of milk by applying a deposit would prove unpopular with consumers.
 - Milk is most often supplied in container types not usually handled through deposit systems, such as beverage cartons and HDPE plastic containers.

2. Milk processors within the Scottish DRS would remain revenue neutral from deposit fees but would face significant extra administration costs as well as management time and effort in producing data submissions for the deposit system to operate effectively. The additional financial costs on the producer include:
 - Joining fee
 - Annual administration fee
 - Costs of changing the label on the containers
 - Stock keeping costs – new labels would only be required for milk products sold in Scotland.

3. If, as recommended in the Zero Waste Scotland report, the DRS operated in conjunction with the existing PRN system, milk processors would be paying twice for each item of packaging handled; once for the current compliance costs (costs of compliance scheme membership, PRNs, etc), and once for the administration and registration charges associated with the deposit scheme.
4. Care has to be taken to ensure the system is reasonable, proportionate and non-discriminatory so as not to undermine the competitiveness of milk processors in Scotland. A Scottish DRS could segment the current UK beverage market between Scotland and the rest of the UK. The internal market has the potential to be distorted if prices are disproportionate and a separate labelling system is used.
5. The potential for trade barriers to occur also needs to be taken into consideration when designing a deposit system. There is a risk that a product produced in another Member State cannot be put on the market if another Member State has a mandatory deposit system in place because the packaging would not fit with the format imposed by the deposit system.
6. Cross border trading has been an issue for DRS's in other countries. Consumers may try to avoid paying deposits by shifting to deposit free products. This includes shopping in stores across the Scottish border where mandatory deposits are not applied. Consequently, processors supplying milk products to retailers in the Scottish border region could face losses due to 'customer migration'.
7. With the introduction of a mandatory deposit systems for one-way-packaging the dairy processor has no incentive to reduce packaging volumes and waste or to reuse or recover packaging in accordance with the waste hierarchy, since the link that is created with producer responsibility legislation between the material produced and the price paid for its recovery at end of life is completely severed. For example in Germany, the processor has no incentive to optimise beverage containers that are placed on the market, as the financing under the deposit return system is based on the number of items rather than on weight.
8. A Scottish DRS could damage the viability of existing proven and optimised systems of collection and recycling. Scotland should be continuing to support the expansion of the UK's recycling infrastructure, which has been successfully developed to receive materials from kerbside collections, and work towards increasing capture rates in Scotland. A Scottish DRS would divert attention and funds away from existing recycling systems which are working very efficiently. Households are increasingly familiar with these schemes, and much of the infrastructure required is already in place, it does not make sense to change, at an added cost, an already efficient system.

- 9.** A Scottish DRS would also contradict the policy thinking behind the new Waste (Scotland) Regulations, which further strengthened and extended the collections of separate materials by local authorities.
- 10.** It is likely that the majority of materials collected through a deposit scheme would be diverted from the existing household collection schemes, rather than being new material that is not currently collected. This has the added impact of reducing revenue streams for the local authority.
- 11.** The introduction of a DRS in Scotland could also potentially be costly, inconvenient and confusing for consumers. Compared with the efficient local authority refuse and recycling collection, it may strike consumers as inconvenient and confusing to further separate their waste which must be dealt with in a special way and deposited away from the home. For older age groups, and for those in rural locations or lacking mobility or their own transport, the concern about inconvenience is greater. Deposits could be seen to impose an additional cost to low income householders and those who are not easily able to participate.

It is for the reasons above that Dairy UK recommends that liquid milk products should not be considered within the scope of a Scottish Deposit Return Scheme.