



# Agriculture and Brexit

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# UK membership of the World Trade Organisation

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- UK is a full signatory member of WTO
- ..... but it has no schedules or commitments of its own
- UK will need to have these in place by March 31 2019
- **“Smoothly separating the UK from the EU schedules is the best way we can reassure our WTO partners that their trade with us will not be disrupted”** – *Julian Braithwaite, UK Ambassador to the WTO, January 2017*
- ‘Copy and paste’ will work in many cases – but not all.....



# Food import prices would rise under full WTO scenario

## Hard Brexit WTO tariff rises



# Farm labour supplies would be severely constrained

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Andrea Leadsom has said that farm workers could be made redundant by robots and mechanisation – but a strawberry picking machine for example currently costs some £600,000.

Chris Grayling has said we could grow more UK fruit and veg, but who would pick, pack and process this produce post-Brexit?

Craig Mackinlay suggested that more UK workers might be attracted to work beside “gorgeous East European women” in Kentish fields.

But the UK farm industry would still need about 90,000 seasonal workers a year by 2021, on top of over 250,000 permanent workers, more than 75% of whom come from EU countries – mainly Eastern.



# Supply chain logistics present fresh food problems

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Suggestions are based on so-called ‘frictionless cross-border trade’ and blockchain technology – precedents suggested include Norway.

This has been rejected by both Ireland and Northern Ireland as being unworkable given the mutual interdependence of their farm and food/dairy processing industries.

Concerns also raised by customs delays and stacked up lorries full of perishable fruit and vegetables, cut flowers being shipped into Dover and other UK ports from the Netherlands etc.

Similar challenges for UK produce being shipped into EU markets.



## Future farm subsidies likely to shrink post-Brexit

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UK government has committed to current level of direct farm payments to 2022 (about 3.1 billion euros per annum), by which time a new EU Common Agricultural Policy will be in force.

Agriculture currently comprises about 40% of total EU budget but this total is decreasing over time. Increasing emphasis placed on replacing Pillar One production subsidies with Pillar Two environmental payments which aligns with what Mr Gove also wants.

But increasingly UK farmers would have to compete post-Brexit with payments to NHS etc., so likely payments would decrease and small 'uneconomic' farms would go to the wall – such as upland sheep.



# Post-Brexit trade opportunities seen for UK pig farmers

Defra Secretary Michael Gove has said British farmers will be able to sell more pigs' ears to China after Brexit. But there it would compete with the well-established US, and Irish traders.

KEY INDICATORS			
	H1 2016	H1 2017	Change
All food & drink	£9.4bn	£10.2bn	8.5%
EU	£5.7bn	£6.3bn	9.0%
Non-EU	£3.7bn	£4.0bn	7.6%
EU share	60.9%	61.2%	+0.3pp
Non-EU share	39.0%	38.7%	-0.3pp
Trade balance	-£10.7bn	-£12.4bn	-15.8%



# Farmers warned incomes could halve post-Hard Brexit

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- Under a unilateral 'no deal' WTO scenario, average UK farm incomes could fall from £38,000 to £15,000 a year - ADHB
- But a slight increase seen if UK strikes a 'free-trade' deal with EU.
- How many existing EU food quality/environment rules to keep? (on hormone-injected beef, chlorinated chicken, GM crops, neonics, glyphosate?) This would come from a US/UK free trade deal.
- But the US is currently at odds with the UK, as are other leading world farm producers, over its proposals to eat into current EU quotas.
- A preliminary deal was mooted between London and Brussels in September on how to split the EU's existing tariff rate quotas (TRQs) agreed under the WTO, but it was rejected by the US, Canada, Argentina, Brazil, Uruguay, and Thailand in a jointly-signed letter.
- Post-Brexit farm trade deals suggested with Australia, New Zealand (both major food trade exporters), India, Mexico, Middle Eastern countries.





# The Brexit clock is ticking.....

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- ▶ As with UK-EU trade negotiations, at least a transitional deal needs to be in place by March 31 2019.....





Questions?



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