

# BREXIT FOOD & FARMING

ESSENTIAL NEWS, VIEWS AND ANALYSIS AS THE UK LEAVES THE EUROPEAN UNION

A SPECIAL SUMMARY FOR IAgRM MEMBERS – FOR DEALS ON FULL SUBSCRIPTIONS SEE PAGE 2

## Make or break time as EU/UK talks are delayed

UK and EU negotiators will be hoping that in future we look back at this period of the Brexit negotiations as a period of long darkness before the dawn. November the 10<sup>th</sup> is the halfway point between the Brexit vote and proposed Brexit Day in March 2019. All can agree that there is still a lot to be done before the UK can leave the EU, while businesses either side of the Channel are now getting very concerned how Brexit might affect them.

Negotiations on post-Brexit arrangements were due to begin this month, but they have now been delayed. If they are delayed again then there could be uncertainty that damages the economies of the UK and the EU. So, it is make or break time for UK and EU negotiators and all eyes will be on them and their talks on the 9<sup>th</sup> and 10<sup>th</sup> of November.

For the first time since the Brexit vote, **The Brexit Food & Farming Index** is negative, with the August figure at 99.9. Commodity prices and animal feed production are still higher than in June 2016, but are outweighed by a widening food trade deficit, higher costs and reduced milk and livestock output.

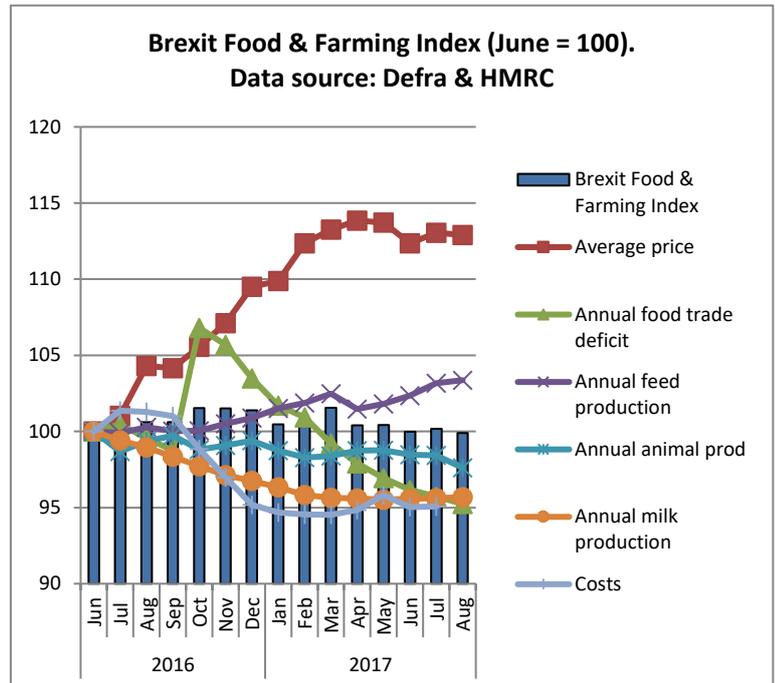
The Index compares latest farm economic performance with June 2016 (the referendum date) and consists of key price, cost, production and trade components, and posts a positive score for higher prices and production and a reduced trade deficit, but a negative score for rising costs.

### Your Brexit Food & Farming views

We welcome your views on **Brexit Food & Farming** and want you to help us shape the monthly publication.

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### In the full November Brexit Food & Farming:

#### • Brexit View

Brexit enters a crucial and dangerous phase.

#### • Brexit Talks

Trade talks could last three years – well into a Brexit transition stage.

#### • Brexit Policy

Natural capital ideas could form basis for a new UK agricultural policy, while UK proposes new post-Brexit customs laws.

#### • Brexit Opinion

Labour shortages rise up the agenda, while the AHDB suggests winners and losers from every trade scenario. There is also evidence that some consumers would support British after Brexit, while some would welcome cheaper, lower quality imports.

#### • Brexit indicators

Price rises stall, livestock production eases and the UK food trade deficit gets bigger and bigger.

# Brexit summary

## A roundup of latest food and farming Brexit developments

- Some progress was made on citizens' rights and Northern Irish/Ireland arrangements were made in the fifth round of official negotiations between the UK and EU, but the EU has decided that there has not been enough agreement to move onto talks on post-Brexit arrangements, which will be delayed until December.
- Prime Minister Theresa May has said that the UK is seeking a tailor-made Brexit arrangement that is unlikely to be similar to that of Norway, Switzerland or Canada. She has confirmed the intention is for a deal that leaves time for the UK and 27 EU countries to approve it, following remarks by Brexit Secretary David Davis when he suggested a deal might be done at the last minute and voted on after Brexit.
- Defra Secretary Michael Gove told the Conservative Party conference that a new UK agricultural policy would not subsidise the rich as the CAP currently does. Defra's Natural Capital Committee has presented its recommendations to Defra on a 25 year environmental plan. It focuses on flood prevention, wildlife protection, pollution reduction and public engagement.
- The Department of Exiting the EU and Department of Trade have outlined plans for trade and customs legislation after Brexit.
- Welsh & Scottish Governments continue to urge the UK Government to rule out a no Brexit deal, while Scotland has called for Westminster to hand over £160 million in CAP support it says Scottish farmers are owed.
- A no-deal Brexit could cost the Irish agri-food industry €5.5 billion by 2030 and see a reduction in GDP of up to 10%, according to an EU report.
- An EU committee has failed to re-license the herbicide glyphosate for another 10 years, while the EU gears up for discussing new CAP reforms due to come into force in 2020.
- UK farming unions have called for the UK to ensure that a new customs arrangement does not damage agricultural trade. The NFU is strengthening links with European farming unions.
- The British Retail Consortium, the British Hospitality Association and English Apples & Pears have all highlighted the damage that the lack of EU labour could do to their sectors.
- The Agri-Brexit Coalition has said that Brexit provides an opportunity to invest in innovation in the British farming industry, saying that its members could fund developments worth £500 million a year, but it needs a supportive Government framework to maximise opportunities.
- The Agriculture & Horticulture Development Board and consultancy Agra CEAS have modelled the impact of new trade post-Brexit agreements on agricultural sectors. A hard WTO Brexit would damage the UK cereals and beef/sheep sectors but benefit dairy and, in particular, pigs.
- A Trinity McQueen survey found that 80% of consumers have noticed a rise in grocery prices since the Brexit vote, while a similar percentage say they are loyal to British brands, although a third would welcome lower food import prices even if standards were lower too. Meanwhile, a representative group of 50 voters opted by 31 to 19 to stay in the single market rather than see a no-deal Brexit
- A new UK farm policy focusing on improving farm innovation and resilience, while protecting the environment is proposed by a group of 27 conservation and environmental organisations.
- Farm product prices have stabilised or started to slip, while both food imports and exports continue to reach new record levels.

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**Days since referendum vote: 496. Days to Brexit Day: 513.**  
**Days to end of transition: 1,244**  
**(From 1 November 2017)**

## **Brexit view**

### **A Brexit of many phases**

Brexit has gone through a number of phases since the referendum last year. The first phase was one of almost disbelief that such a decision had been made. Then there was the phoney phase where we all got used to the idea that the UK was going to leave the EU, but there was little public action by either the UK Government or the EU. That phase only really came to an end after the UK General Election and the start of serious negotiations.

We are now in strange phase that is satisfying nobody. Talks are inching forward, but there are some very big separation issues still to be resolved if we are to move on to discussing what a post-Brexit relationship between the EU and UK is to look like. It is vital that both sides make that progress in the next two months or we will enter a phase of chaos and confusion.

In the past month we have heard the voices of those advocating a no-deal Brexit get louder. There could be advantages from such an approach, especially for certain parts of agriculture, including dairy and pigs, but it would hit the fragile economics of both the UK and EU and preparation for such a scenario would need to be made. We are also hearing more people saying that the complexity of Brexit means that it will never happen. The EU might welcome that scenario, but for the British Government it would be political suicide that would damage the standing of the UK across the world.

The uncertainty as to the path Brexit will take is not helpful to businesses or individuals, but it is vital they consider all Brexit scenarios. Whether there is a soft, hard, no-deal, Goldilocks or even no Brexit, there are fundamental changes that the whole process has highlighted for food and farming businesses – trade with the whole world is important, the sector is vulnerable to staff shortages and farm support is changing and declining. Businesses who respond to those changes are more likely to thrive in the future than those who don't.

### **Brexit talks update**

The fifth round of Brexit talks ended in time for a European Council meeting of EU leaders, where it was decided that not enough progress has been made to move on from negotiations on separation issues to post-Brexit arrangements, but with an intention to move on in December. Both sides reported progress in the talks, with an increased sense of shared political objectives.

Following the talks, EU chief negotiator Michel Barnier said that a trade deal could take three years to negotiate if negotiations begin in December. That would take the talks a long way past Brexit day on March 29 2019 and well into the two-transition period. If a deal is to be made before Brexit Day, then it realistically has to be done by November 2018 to give the UK and the 27 countries of the EU the time to approve it through their national parliaments – that is looking increasingly unlikely.

If Brexit does enter a transition period then the arrangements during that time will be crucial. The UK has said that it is prepared to pay £18 billion in that time – the equivalent of the current net contribution. What say the UK will have in EU policy in that time and what it receives back from the union are yet to be decided. Theoretically the UK could still have a say in EU Common Agricultural Policy reform and a claim on CAP supports in the two year period, but the EU will want to ensure that Brexit means exit and that the UK will have foregone all its entitlements. That could raise questions in the UK as to why the UK is still paying into the EU without getting anything back.

### **Cedric Porter, Editor Brexit Food & Farming**