

Deal, no-Deal or Remain –these are the options, but which one is best for the food and farming industry?

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Article first published in *Farm North East Issue No91. January 2019*

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With just over 2 months until the official ‘Brexit-point’ you would have hoped that there would be some semblance of clarity about the UK’s future relationship with the EU. Unfortunately, after 2 years of bold statements, promises of great opportunities, and tales of woe, we are no closer to knowing which way our politicians will take us – whether we will have a no-deal Brexit, a managed Brexit, or indeed no Brexit. The politics and rhetoric surrounding much of the debate remain hugely divisive, and everyone will have their own set of opinions and beliefs as to which version of the ‘truth’ they think is best for them and our country. Politics will ultimately determine the Brexit end-game, but this does not mean that we should ignore what different outcomes may mean for the farming sector.

The easiest outcome to consider ought to be ‘Remain’, and indeed it is. But change is coming, whether we are in the EU or not. As sure as eggs-is-eggs CAP reforms come around with great regularity and the EU is currently going through that process just now. Under an outcome where the UK revokes Article 50 and remains in the EU, farmers will continue to be regulated and supported under the Common Agricultural Policy, as they currently are.

The second easiest option is a managed Brexit where there is a future, negotiated trade relationship with the EU that provides relatively free movement of goods between the UK and the EU. The Prime Minister’s deal that MPs wholeheartedly rejected was, in fact, only an agreement on the three key issues - citizens rights, the ‘divorce’ settlement, and the Irish border, From the outset the EU have stressed these matters had to be resolved before negotiations on our future trade relationship with the EU can begin in earnest. The likelihood is that there is little wriggle room from the Prime Minister’s deal, particularly as any further EU concessions must be ratified by all of the 27 EU member states. When Theresa May announced the proposed agreement there was also a political statement that suggested there would be a relatively close, smooth relationship between the EU and UK. If this direction of travel eventually comes to fruition then trade between EU and UK would continue, largely unabated – meaning Scottish farm and food products would be able to move to the continent relatively freely without facing the draconian tariffs that other non-EU countries (such as Brazil or the USA) are faced with. The down-side of this deal (and any deal) for many who champion Brexit was that being part of a relatively seamless future trade relationship comes at a cost – remembering getting preferential access to markets relies on a process of give and take. Having relatively unfettered access to the EU under Brexit would mean that our regulatory regime would

inherently be linked to the EU's law makers in perpetuity even though we would no longer have any clout or decision making powers on such rules and standards. Further, it has been highlighted that whilst we would have flexibility to introduce new support mechanisms in line with UK / Scottish Government objectives under such a deal – we would still be faced with limitations on things like the size of our future agricultural support budget, our regulatory standards and terms of trade deals with other international parties.

The hardest outcome to consider is that of a no deal Brexit, as there are so many unknowns. When out presenting on Brexit a number of people have expressed how they think a 'No Deal' Brexit would be their preferred option – as we have the 'WTO backstop'. This is the end-game that causes me sleepless nights – the more you understand it the worse the nightmare becomes. In essence this is a messy divorce where there is a very frosty relationship between the partners that split. We would leave the EU and have to go it alone, losing any preferred access to our main market for agri-food exports. This would have pretty significant consequences for Scotland's food and farming sectors. Firstly, in the short term there would likely be challenges finding workers to fill jobs in the soft fruit, food processing and haulage sectors – as immigration policy is not prepared for that eventuality, and a weak Sterling would make the UK relatively unattractive for economic migrants (wherever they come from). Secondly, it is important to realise that the 'WTO backstop' means little – and actually lead our food and farm exports would be treated in exactly the same way as other non-EU countries that do not have preferential market access arrangements. The way the EU has managed to protect its high cost, highly subsidised, agriculture sector from cheap imports is through a set of import taxes – called tariffs – and through setting high standards. These tariffs and standards are notified by every member of the WTO, and they should comply with the WTO rules. For most sectors and products – such as cars, televisions, etc. - the EU's tariffs are very low (for example 0% to 5%) meaning a no deal Brexit would have minimal impact on trade. However, for agri-food products these tariffs are extremely high in many instances (e.g. 30% to more than 100% of product value) which would likely mean that agri-food exports to the EU would likely dry-up pretty quickly under a 'no-deal' Brexit. On top of these tariffs, there are numerous non-tariff barriers to trade that would suddenly start appearing - such as abattoir and cutting plant inspections, border inspections points where paper work and physical inspections of consignments would have to take place, labelling requirements, proof on the origin, etc. This all sounds quite daunting – and it rightly is. That said, in Brexit discussions around the country people are rightly pointing out that the UK Government would place tariffs on products coming into our markets, limiting EU imports into the UK. This is spot on - the UK Government is notifying the WTO of pretty much the same tariff schedule that the EU uses – meaning UK farmers would be protected from cheap imports. This would then provide an opportunity for sectors where we are significant net importers – such as in the beef and dairy sectors. However, shortages of food on supermarket shelves could be a realistic possibility, and tariffs on imports to our protected market may lead to rapid food price inflation. The current UK Government have said that maintaining 'cheap food' is a priority which would therefore mean that tariffs

on products that meet our standards would be lowered to ensure adequate supply. This would likely mean that gains for UK farmers could be rapidly eroded with the EU regaining access to our food market – yes if we lower tariffs for other countries, under WTO rules we would also have to do the same for the EU. The only way to avoid that scenario would be to enter full free trade arrangements with other countries, but they are not a quick fix - generally taking years to negotiate. Further, each of the countries that the UK Government have suggested that we could do rapid trade deals with – USA, Canada, Australia and New Zealand – are all large agri-food exporters that have expressed that freer access for their food products would be a key point for negotiation.

As I said, sleepless nights trying to piece this Brexit jigsaw puzzle together – and that is before we think about future UK agricultural support budgets and policies. But don't have nightmares – sleep well.