

Sneak Peek: Farmageddon? Brexit and British Agriculture

Centre for Brexit Studies Academics have contributed to another Bite-Size Brexit book which aims to put an industry which has been somewhat forgotten in the Brexit debate into the frame: Agriculture.

Farmageddon? Brexit and British Agriculture, edited by Caroline Stocks and John Mair, explores both paths that Brexit could mean for Agriculture in the UK. Being an underexplored issue in the 'Great Brexit Debate', the book remedies that and puts the industry, which will impact a huge amount of businesses across Britain, into the spotlight.

Brexit could offer an opportunity for British Agriculture post Brexit, free of the Common Agricultural Policy. It could also be a disaster with export markets lost, subsidies and bankruptcies. But which one will it be?

As well as a wide range of impressive book contributors, Centre for Brexit Studies Director Professor Alex de Ruyter and Researcher David Hearne contributed a chapter to the book, weighing in on the debate. The chapter, titled 'The end of agriculture as we know it?', the two Academics discuss how Brexit has the potential to change the very fabric of UK agriculture – and not necessarily for the better. The two explain why tariffs, regulations and a new-look domestic farm policy could come at a cost for UK farmers.

Enjoy Professor Alex de Ruyter and David Hearne's chapter below...

The end of agriculture as we know it?

Brexit could pose an existential threat to British agriculture as we know it. To many, including within the sector, this will sound like hyperbole. However, the reality is that agriculture as we know it today is fundamentally a product of state intervention and this is true both in the UK and across the world.

Leaving the EU has the potential (and we stress the term) to fundamentally alter the state of play in which UK agriculture finds

itself. This, of course, does not mean that we will suddenly stop growing things or raising livestock. But it does mean that the way in which this is done, the structure of ownership, the mix of activities and, as a result, the countryside itself, is changed utterly.

The extent to which any of this happens will naturally depend on both the outcome of the Brexit process itself, and the future policy framework of the UK Government. To this end, we briefly outline three key pillars of European agricultural policy and outline how they might change post-Brexit – namely the European Union Customs Union, harmonised sanitary and phyto-sanitary standards, and the Common Agricultural Policy.

The EU Customs Union

Most of the UK's food exports go to the EU – £10.8bn vs £4bn to the rest of the world. A large part of the reason for this is obvious: the EU Customs Union.

Most countries are deeply protectionist when it comes to agriculture and the EU is no exception to this. Consider the tariffs on a leg of lamb² as an example – the EU applies a tariff of 12.8 per cent of value plus €222.7 per 100KG on lamb³ a, which gives a formidable competitive advantage to a British farmer exporting to France over his or her counterpart from elsewhere. It's unsurprising that 95 per cent of British sheep meat exports go to the EU³.

These tariffs also mean, naturally, that British farmers are protected in their home market. The UK's agricultural imports show a similar story, with only a minority coming from outside the EU (of which the only significant bit relates to fish from Norway and Iceland and fruits – many of which just can't be grown in the EU or are highly seasonal in Europe).

Their removal would benefit consumers by reducing food prices, and there would be substantial pressure on any government to facilitate this in the event of a hard Brexit.

So, the impact of leaving the Customs Union would depend crucially on what came next. All options on the table expose the agricultural sector to significant risks.

A comprehensive Free Trade Agreement with zero tariffs between the UK and EU27 is one possibility, although agricultural exporters would need to get used to the additional paperwork (and costs) associated with customs declarations. However, this would be within the EU's gift – the UK would have only modest leverage in such negotiations and it's likely that the EU would drive a hard bargain.

Moreover, although such a move would enable further FTAs with other partners (about which we have heard a great deal from figures such as Liam Fox), it is unclear whether they can provide much benefit to the agricultural sector.

Most countries are highly protective in this regard, with China imposing a 15 per cent tariff on a leg of lamb, for example. Even with a trade agreement, many of these tariffs are reduced rather than eliminated – Switzerland pays a tariff of 9 per cent on similar exports to China (ibid).

Still, it could be worse – at least agriculture is spared the issues of 'diagonal cumulation' that would bedevil the automotive industry in such a scenario.

Any new comprehensive customs union with the EU would at least guarantee tariff-free access to that market and avoid customs paperwork. However, unless the UK were granted a seat in the table (and it's not clear why the EU would do this for a non-member), it would run the risk of having to open its agricultural market to third parties without any say in the matter. Indeed, as in the case of Turkey and Mexico (albeit not applicable to agriculture) it would not even be able to guarantee like for like.

What is certain, however, is that under a so-called 'no deal' scenario, duties will be payable on exports to the rest of the European Union, potentially decimating parts of the industry that are heavily reliant on this export market.

As many readers will already know, differences in customer tastes, processing capabilities and various other factors mean that the UK will often simultaneously import and export different parts of the same animal.

Beef is a classic example: whilst prime cuts from an animal might be sold domestically, carcasses are typically exported to the EU. Even though prime cuts are of higher value, the extra gains from exporting carcasses can make the difference between profit and loss.

Similarly, mince is particularly popular in the UK and so the UK imports a significant proportion of its total consumption of this product. Since the UK market is highly integrated with the rest of the EU, at present this process is largely seamless and aids productive efficiency (as well as minimising transport costs).

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Sanitary and Phyto-Sanitary (SPS) Standards

Common SPS standards are one of the key elements that facilitate frictionless trade within the EU and European Economic Area (EEA). Indeed, about 80 per cent of the time spent checking UK imports from outside the EU can be attributed to SPS checks. Any delay due to these (particularly on the Dover-Calais crossing) could cause potentially long queues and thus enormous problems even for non-agricultural sectors who are reliant on 'just-in-time' deliveries.

As a result, future SPS standards are extremely sensitive on a number of levels, and there will thus be enormous pressure for the UK to mirror EU standards irrespective of the type of Brexit pursued.

That being said, SPS standards are certainly going to be a major sticking point in any trade deals that the UK seeks to strike. Relaxation of these standards is near the top of the list of US objectives in any future trade negotiations with the UK.

Whilst the subject of chlorinated chicken has received a great deal of – probably unjustified – media attention, a far greater issue is likely to be hormone-treated cattle.

Whilst currently a banned practice in the EU, hormone treatments are common in the US and opening the UK market to permit imports of these will almost certainly be a top objective of US trade negotiators. It is possible that relaxation of these standards will also be an issue in any UK-Australia trade deal, although this is far from certain and their use is not as common-spread as in the US. The scientific evidence on

hormone treatments in cattle remains mixed and, since the possibility of harmful effects cannot be ruled out, the EU's "precautionary principle" dictates that they are not permitted. The use of 17 β -oestradiol is of particular concern.

EU regulations concerning the use of antibiotics are also currently being strengthened on public health grounds (micro bacterial resistance) and if the UK wishes to maintain frictionless trade then it will need to continue to strengthen its own regulatory standards in line with these.

If the UK wants to align its food standards with the US then it will need to accept significant hold-ups in trade with the EU as the price of this. UK agriculture would face a potential real hurdle on three fronts. Firstly, it would face extremely strong competition from farmers in the US, Australia and elsewhere.

It would also need to deal with consumer confidence issues as concerns over the use of chemicals in foods (as well as genetic modifications) potentially become widespread. As witnessed over BSE, this can be damaging irrespective of the scientific evidence or provable risk.

Finally, it would also face restrictions on its ability to export into the rest of the EU market, where SPS standards would remain much tighter. Any exports would need to prove compliance with all EU regulations, which would entail additional inspections and might be costly. It is worth noting that animal welfare standards in the US and elsewhere are also different to the EU.

The Common Agricultural Policy

This is the most difficult area to speculate on, as the UK's choices will depend not just on the future relationship it wishes to negotiate with the EU, but also its domestic policy choices. These would be constrained by any future trade deals that the UK chooses to do (including with the EU).

The protocol on Northern Ireland in the Withdrawal Agreement negotiated between the UK and EU contained several stipulations limiting the level of support that could be given to British farmerse.

Future policy is likely to want to diverge from the structure of the existing CAP, which, in spite of improvements in recent years, still leaves a great deal to be desired. In particular, it has the effect of benefitting large landowners just as economist David Ricardo would have predicted in the 1800s.

In the coming years, it is probable that the UK will want its agricultural policy to evolve in a manner that promotes sustainable stewardship of the natural environment. However, there is likely to be a trade-off between this, changing consumer tastes and the amount that is grown domestically.

Doing so at a time when the CAP itself is likely to change further in ways that the UK no longer has much influence over will be challenging, particularly if barriers to competition from outside Europe (where agricultural subsidies are also far from atypical) are lowered at the same time.

The upshot is that the UK is likely to find its room for manoeuvre constrained at a time when the agricultural community finds itself buffeted by a series of outside pressures and the UK government finds much of its efforts concentrated elsewhere.

In summary, we would argue that the benefits to the UK from leaving the EU, particularly with a hard Brexit are likely to be few, whilst the costs are likely to be significant.

Farmageddon? Is now available on Amazon. [Find out more here.](#)

Farmageddon? Brexit and British Agriculture is being launched at The Clubhouse St James's, London, on Wednesday 24 July 2019 alongside many of the books contributors, as well as the book's editors, John Mair and Caroline Stocks. [Find out more and register for your FREE ticket here!](#)