

## Briefing Paper: Implications for British Farmers of a 'No Deal' Brexit

### Key Messages

- The EU and all third countries with which the EU has FTAs would immediately apply tariffs and Non-Tariff Barriers (NTBs) on food imports from the UK, instantly making UK exports uncompetitive.
- If the Government removes or significantly reduces import tariffs for EU imports, under the WTO's Most Favoured Nation rules, it must apply the same tariffs to all countries around the world.
- This creates the 'perfect storm' for British farms: increased competition from third countries importing to the UK and increased difficulty and cost when exporting to our biggest market, the EU.
- Almost 50% of British farmers would make a loss without EU support payments. The Government's proposed new system would not replace the current level of subsidy farmers receive.

### Current Situation

- While the UK is a member of the EU, UK farmers can export to EU countries without tariffs or NTBs.
- In addition, UK farmers benefit from Free Trade Agreements (FTAs) that the EU has agreed with third countries such as Canada, Japan, and South Korea.
- Over two thirds of UK agri-food exports go the EU.
- UK farmers receive subsidies under the EU's Common Agricultural Policy (CAP).

### Tariffs

- In the event of a 'No Deal' Brexit, the EU and all the third countries with EU FTAs would immediately apply tariffs and non-tariff barriers to UK exports.
- The Government's No Deal tariff schedule would allow many agricultural products to be imported to the UK tariff-free whilst UK agri-food exports to the EU would be subject to tariffs.
- Tariffs could be imposed on the 60% of UK food, feed and drink that go to the EU, increasing export tariffs to an average of 27% on chicken, 46% on lamb, 65% on beef, and to a range from €172 to €1,494 per tonne of pork<sup>1</sup>.
- Under WTO Most Favoured Nation rules, the UK would be required to offer the same tariff rates to third countries as offered to the EU. Imports would significantly increase and "farmers would face the full force of tariff-free cheap imports"<sup>2</sup>.

### Non-tariff barriers

- The introduction of NTBs on exports will increase administrative costs and border checks to ensure compliance with EU food safety and animal health regulations.
- Additional delays at the border will cause supply chain disruptions, with perishable goods such as dairy and meat produce and live animal exports particularly sensitive to delays.

### Removal of Common Agricultural Policy (CAP) Payments

- Last year farmers received £3.5bn in financial support through the EU's Common Agricultural Policy (CAP)<sup>3</sup>.
- The National Audit Office (NAO) estimated that 42% of UK farmers would have made a loss between 2014 and 2017 without direct payments from the EU<sup>4</sup>.

#### Michael Gove, when Secretary of State for Environment Food and Rural Affairs:

- "We didn't vote to leave without a deal. That wasn't the message of the campaign I helped lead."
- "The turbulence which would be generated by our departure without a deal would be considerable."

#### Brexit-supporting economist, Professor Patrick Minford:

- A No Deal Brexit would "decimate our farming and manufacturing industries".

#### The National Farmers Union

- "Everything must be done to avoid a no deal Brexit, and the catastrophic impact this could have on British farming."

- The UK government said that it would guarantee current funding levels for farmers up until 2022. After 2022 future payments to UK farmers remain uncertain but the proposed new system of enhanced environmental payments will not replace the current level of subsidy.

#### A 'Canada-plus' FTA

- An FTA with the EU would take several years to negotiate. The situation in the interim is unsustainable. By removing import tariffs from the EU – and under WTO rules from the rest of the world – the UK would become saturated with agriculture products. UK farmers could not compete domestically and would be unable to sell their products internationally as a result of punitive tariffs. Many farms would become economically unviable and go out of business.
- It makes no sense for Britain to have an essentially distant relationship with our nearest and richest markets.
- A Canada style FTA would create non-tariff barriers. All agri-food exports to the EU will require declarations, transport permits and insurance certificates, and possible testing at border inspection posts.

#### Other issues

- It is currently unclear what the UK's relationship with the European Food Safety Authority would be.
- The UK's ability to access the Rapid Alert System for Food and Feed, a network enabling any food issues across Europe to be quickly identified and managed, is in question.
- A No Deal Brexit risks limiting the availability of necessary farm requirements such as machinery parts, animal feed, veterinary medicines, and fertilisers.
- UK bodies that certify organic products would no longer be recognised by the EU. UK products with EU Geographical indication (GI) protection could lose their status.
- UK farmers rely on seasonal labour, especially from EU countries, to harvest and process UK produce. Ending freedom of movement will result in labour shortages.

#### Case Study: Sheep Farmers

- The National Sheep Association stated "we export 40 per cent of sheep meat, and 96 per cent of that 40 per cent goes to the EU. With a no-deal, that would become untenable"<sup>5</sup> as a result of tariffs nearing 50%.
- According to Nick von Westenholz, Director of EU Exit and International Trade for the NFU, this would lead to a potential downward price pressure of around 30% on sheep meat, making many sheep farms untenable<sup>6</sup>.
- The pressures of No Deal will cause unsold meat to flood the British market. If lamb meat cannot be sold and farmers are unable to cover the cost of feeding excess livestock, it will necessitate the slaughter or 'welfare cull' of millions of sheep, to avoid them dying of starvation.

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#### References

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<https://www.nfuonline.com/news/latest-news/a-no-deal-brex-it-must-be-avoided-at-all-costs-uk-farming-roundtable-warns/>
- <sup>2</sup>Farmers for a People's Vote, *No Deal: the Door to the Decimation of UK Farming*  
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- <sup>3</sup>BBC, *Brexit: EU subsidy loss 'could wipe out farms'*  
<https://www.bbc.co.uk/news/uk-england-48880939>
- <sup>4</sup>National Audit Office, *Early review of the new farming programme*  
<https://www.nao.org.uk/report/early-review-of-the-new-farming-programme/>
- <sup>5</sup>The Northern Farmer, *'Mass sheep cull part of no-deal Brexit contingency' – MP*,  
<https://www.northernfarmer.co.uk/news/17777158.39-mass-sheep-cull-part-no-deal-brex-it-contingency-39-mp/>
- <sup>6</sup>Exiting the European Union Select Committee, *The consequences of "No Deal" for UK business*  
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