Conservative Group for Europe

Factsheet 13: Farming, Food and the European Union

Summary

- **Britain's farmers have had no reliable assurances from the Leave Campaign about what type or level of agricultural support would be provided in the event of 'Brexit'. Indeed the Leave Campaign have implied that all the money associated with the EU Budget, including the rebate and the parts of the budget spent in the UK, such as on farm support, should be diverted to the NHS.**
- **60% of our food and drink exports go to the EU - worth £11 billion and equivalent to 10% of our agricultural output. 97% of British lamb exports go to the EU, along with 92% of our beef, 74% of dairy produce and two thirds of our cereal exports. If we left EU we would lose the ability to influence the rules governing the Single Market. If we excluded ourselves from the Single Market then our exports could face tariffs of up to 70% for beef, 40% for lamb and 30% for cheese.**
- **The National Farmers' Union Council - representing over 70% of farmers in England and Wales - voted overwhelmingly on 18th April 2016 to support continued British membership of the EU. The Tenant Farmers' Association and the NFU in Scotland also back 'Remain'.**
- **A report by the NFU found that if we left the EU food prices would rise and farm incomes would fall. On two out of three trade and agricultural support scenarios the report predicts a fall in average farm incomes of between €17,000 (c. £13,500) and €24,000 euros (c. £19,000).**

Context

Times are hard for British farmers. The global economic slowdown, good harvests across the world and the closure of the Russian market to key EU agricultural exports have severely depressed prices. But a British exit from the EU would make matters a lot worse. All farmers in England currently receive a flat-rate subsidy of 248 euros (c. £200) per hectare except for moorlands, where the rate is 65 euros (c. £50). For many famers this is the difference between profit and loss; for others between staying in, or going out of, business.

Reform of the Common Agricultural Policy

Significant reforms have been achieved in the Common Agricultural Policy (CAP) over the last 25 years. The CAP and rural development funds now account for less than 40% of the EU budget compared with over 80% when Britain joined.

Since 1992 there has been a shift away from product support and market intervention and towards supporting producer incomes. In 1992, for example, over 90% of CAP expenditure related to market management, driven by export refunds and intervention purchases. By 2013 this element had fallen to below 5% of farm spending. The butter mountain and wine lakes are a thing of the past. A significant proportion of the CAP budget is now devoted to environmental objectives and rural development. There is still further room for improvement in areas like reducing inspections and streamlining the audit process. In 2017 negotiations will start on the next phase of agricultural reform; Britain will press for a smaller and simpler CAP.

The impact of leaving the EU on British farmers

There are three major areas of risk for British farmers from a Leave vote: loss of financial support; loss of free access to EU markets; and the loss of preferential access to third country markets.

Printed and Promoted by Anthony Simpson on behalf of the Conservative Group for Europe, both of PO Box 46, Presteigne, Powys LD7 9AP

Loss of financial support

British farmers receive around 3 billion euros (c £2.4bn) in support from the EU. The Leave Campaign have pledged that in the event of a British withdrawal, £350 million per week extra would be spent on the NHS. This is a massive and misleading over-statement of Britain's net contribution. But, after allowing for the British 'rebate', the biggest element in the money coming back to Britain consists of support for farmers. On 14th June they stated that farmers would continue to receive support until 2020 but how this squares with the commitment to NHS spending is unclear. The Leave Campaign don't say what the plan for agriculture should be outside the EU. What we can deduce in the event of Brexit, is that, over the medium term, British farmers would no longer receive anything like current levels of support - resulting in significant job losses and reduced amenities in the countryside.

Access to the EU Single Market

Over 60% of our food and drink exports go to other EU countries; accounting for seven of our top ten markets. The UK has 73 products with protected status across the EU. These rules, which cover products from Melton Mowbray pies to Cornish pasties and from Worcestershire cider to Arbroath Smokies, help British producers to add value to their products and protect against inferior copies. Amongst our most successful food and drink exports are Scotch Whisky (32% of exports go to the EU) which employs 40,000 people and Scottish Farmed Salmon (45% of exports go to the EU) which employs 6,000.

If we sought to negotiate a version of the Norwegian model for continued access to the Single Market the economic impact of a Leave vote would be reduced but Britain would still have to make a budgetary contribution and accept freedom of movement. If we opted out of the Single Market the impact on trade access would be far more severe. The Leave Campaign claim that Britain would be able swiftly to negotiate a free trade deal with the EU. But it is fanciful to think that any such deal would come close to delivering the same access or influence as Britain enjoys as part of the EU. It is probable that EU Single Market rules would continue to apply as a condition of any trade agreement.

International Trade

The EU negotiates international trade deals on behalf of its member states and as the biggest economic entity in the world it has considerable muscle. Agreements are already in place with 53 countries with some additional major agreements approaching completion. These would all need to be replaced with Britain in a weak bargaining position as the party with the need to get something in place quickly. At best, British farmers and food exporters would face years of uncertainty.

In terms of new agreements, the EU and the USA are well advanced in seeking a deal but, as President Obama has made clear, the US likes to conclude multilateral pacts and Britain would be at the back of the queue. Moreover, such UK-only deals might come at a price such as opening the British market to products like US and Argentine beef, US pork and Australian sugar. How high would farmers' concerns rank in the UK's negotiating priorities?

Conclusions

Were Britain to leave the EU, it would be a reckless gamble for British farmers and for our food and drinks industry.

- Firstly, it is highly likely that there would be big cuts in the level of support provided for British farmers.
- Secondly, we would lose our ability to influence the rules of the Single Market and, depending on what sort of deal is concluded, potentially find our current unfettered access to EU markets constrained by tariffs and quotas. At best our access to EU markets would be clouded in uncertainty for a prolonged period.
- Thirdly, our access to many third country markets will depend on replacing EU deals already in place or negotiating new ones from scratch. Britain is likely to be negotiating from a position of relative weakness: under time pressure, short of experienced trade negotiators and without the heft that goes with speaking for a market of 500 million consumers. It may be that the concerns of farmers will weigh less decisively in the minds of British negotiators than is the case for the EU.

According to an independent study commissioned by the NFU, following a potential Leave vote, food prices would rise but agricultural incomes will fall. Under post-Brexit scenarios modelled by leading farming consultancy, LEI Wageningen UR, with financial support removed and either a Canadian-type free trade agreement with the EU or a relationship based on WTO rules, annual average farm incomes in Britain would fall by between €24,000 and €17,000 euros.