

BREXIT FOOD & FARMING

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

Soft Brexiteers set to defeat EU/UK

The easy bit has been done – a deal between 28 countries on how the UK leaves the EU and an idea of what a long-term agreement between the two might look like. But there is an expectation that the deal will be voted down by MPs on 11 December.

It is uncertain what might happen if that happens, but it will be important to analyse the motivation of those MPs voting against it. Ten DUP members are against the deal because of the effect it could have on the Irish border. There are expected to be around 80 to 90 Conservative MPs and a handful of Labour ones voting against the deal because it gives the EU too much control. However, on current estimates there could be more than 300 MPs who vote against the deal because they see it as too hard and damaging. If that is the result, then there would be pressure to soften the deal or even for another referendum. The fear amongst all but the hardest of Brexiteers is that the UK could tumble into a no-deal that causes chaos and shortages in just four months' time.

The latest **Brexit Food & Farming Index** for September was up a little, driven by higher farm produce prices, which are nearly 20% higher than at the time of the Brexit vote. The Index compares latest farm economic performance with June 2016 (the referendum date) and consists of key price, cost, production and trade components, posting 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

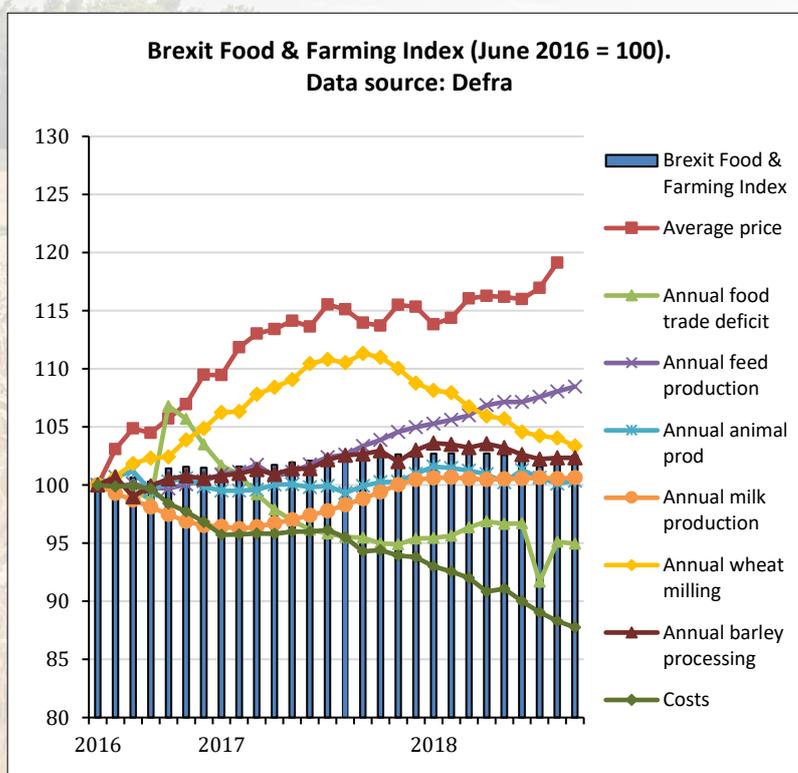
We welcome your views on Brexit and on **Brexit Food & Farming**.

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Brexit summary

A roundup of latest food and farming Brexit developments

- A Brexit deal is agreed between the UK and EU but looks set to be voted down by an extraordinary coalition of soft and hard Brexiteers.
- Food companies step up no-deal planning.
- Details of the Withdrawal Agreement.
- Muted enthusiasm among businesses for Theresa May's plan.
- The Treasury and Bank of England warn that all Brexits would be economically damaging, especially a no-deal Brexit.
- Brexit vote did not increase unemployment, but it did impact on the size of the economy.
- Agriculture Bill committee proposes 39 main amendments as bill moves towards House of Commons vote.
- Fisheries Bill passes second reading and moves on to committee scrutiny.
- Defra issues new Brexit advice, publishes an independent review of TB control which calls for more on-farm biosecurity and changes sheep age-check rules.
- The UK must negotiate new quota and subsidies through the World Trade Organisation with the US, New Zealand and others when it leaves the EU.
- UK received US\$64.5 billion in inward investment in the first half of 2018, with only China receiving more.
- Ensuring high import standards will be key to any future trade deals says EFRA committee.
- Department of Transport preparations for Brexit are inadequate finds a Parliamentary Committee.
- The Brexit deal could cost each Scot £1,600 year, claims Scottish Government.
- Welsh Government confirms no changes to farm support payments in 2019 and 2020.
- Northern Ireland business and farm groups welcome Mrs May's deal, despite DUP opposition.
- The European Commission announces agri-food promotion programme and explores improving plant protein production.
- New Zealand asks for views on a future UK/NZ trade deal.
- NFU calls for new Environmental Land Management schemes to consider the volatility of world agricultural markets.
- Dairy farmers are urged have their say in an upcoming Defra consultation.
- NFU Scotland calls for Scottish and UK to resolve their differences over the Agriculture Bill or Scottish farmers could lose out.
- Welsh farmers leaders express muted support for Mrs May's deal as she visits Welsh showground.
- The CLA says only 21% of rural businesses have begun Brexit contingency planning.
- Tenant Farmers Association welcomes Government plan to de-link transitional farm payments from a need to farm.
- AHDB paints an uncertain political and economic outlook picture.
- Farm produce prices reach a post-Brexit vote high, driven by stronger crop values. However, costs are also at a post-vote high too.
- UK animal feed and livestock production still strong.
- UK food trade deficit at a near record high as imports continue to increase.
- Unemployment up a little, despite dramatic drop in net EU migration since Brexit vote.

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**Days since referendum vote: 892. Days to Brexit Day:119.
Days to end of proposed transition: 762 (To & from 1 December 2018)**

Brexit deal details

In international diplomacy terms, getting 28 countries to sign a 585-page deal of historical importance would normally be seen as an impressive achievement. But for UK Prime Minister Theresa May getting the 27 remaining countries to agree a deal on how the UK leaves the European Union and setting out the framework for a longer-term political and trade agreement was the easy part. Now comes the difficult bit – selling the deal to the 650 members of the UK’s House of Commons – with a vote by them looming on December 11.

The Brexit deal was agreed by the UK and heads of the 27 EU countries on Sunday November 25 in Brussels. The deal would effectively mean few changes to the UK and EU’s relationship from Brexit Day on March 29 2019 to the end of a transition period, which is due to be December 31 2020, although it could be extended by as much as two years if both sides agree to the extension by July 2020. During the transition the UK would stay in the single market which allows for the free movement of goods, money, people and services within the 28 countries and the customs union – it ensures the standardised levy and payment of customs duties and tariffs on goods entering and leaving the union.

Also in the deal was a declaration of intent on what a future long-term agreement between the UK and EU might look like. It said: “This declaration establishes the parameters of an ambitious, broad, deep and flexible partnership across trade and economic co-operation, law enforcement and criminal justice, foreign policy, security and defence and wider areas of co-operation.”

Fundamentally, the EU wants to allow goods to move as freely as possible between the UK and EU without tariffs or excessive checks but does not want the UK to find it easier to trade with the EU once it has left the union than when it was within it. Meanwhile, the UK also wants to trade freely, but does not want to commit to the freedom of movement of people that EU rules require and for the UK not to be subject to EU influence over its laws.

The declaration of intent will be used as the basis for negotiations over a future long-term deal during the transition period. If no long-term is agreed by the end of the transition, then the UK would enter what is being called a ‘backstop’ position where the UK remains in a single customs territory with the EU. Northern Ireland, which has a 500-kilometre land border with EU neighbour the Republic of Ireland, would remain in a deeper customs arrangement to prevent the need to stop and check goods travelling across the border. This arrangement has angered British ‘hard Brexiters’ who want as little EU control and influence as possible. Northern Ireland’s largest political party the DUP has also objected to the deal saying it would split Northern Ireland from the rest of the UK. Also objecting to the deal are the official opposition Labour Party, smaller parties and Welsh and Scottish nationalists because they believe it is too hard and severs ties with the EU, making the UK poorer and more isolated.

Current Parliamentary projections suggest that Prime Minister May would struggle to get many more than 250 of her 330 Conservative party members to vote for the deal, leaving a strange alliance of between 350 and 400 MPs voting against it for different reasons.

It is uncertain what would happen if the deal is defeated. It could go back to the EU to be changed, but EU leaders have been adamant there is little if no room for alteration, May could call a general election, which could see her putting the deal to parliament again if she gets a majority of seats or a new Prime Minister negotiating a new deal. There is still a possibility that MPs would agree to a new referendum, where voters could approve the deal, reject it or even vote to stay in the EU.

Cold stores already booked up

There is still the possibility of a no-deal where the UK falls out of the EU with no trade agreement resulting in the €485 billion of that trade that takes place between the UK and EU being conducted under World Trade Organisation rules from as early as the end of March 2019. That would see the imposition of tariffs and customs checks, which most

analysts say would result in chaos and a severe economic shock for the UK and EU. There are growing calls for a cliff-edge WTO no-deal Brexit to be ruled out by both sides, and for new negotiations on a looser arrangement to begin.

Many business groups in the UK have said that the proposed deal does give them more certainty than other options, but there are few ringing endorsements of it. May is currently touring the UK trying to drum up support for the deal, but she faces an uphill task.

Meanwhile, many food companies are hoping that a deal can be done, but preparing as if it will not, although this late in the day, some plans might be curtailed. The chief executive of the Food & Drink Federation Ian Wright told a committee of MPs that for all practical purposes all chilled and frozen food stores are all booked, either to store produce or in the anticipation they will be needed next March. At the same committee Nestle communications director Ian Rayson said that it is over-stocking in preparation for a no-del Brexit, but little available storage space and the short shelf-lives of many products limit the action it can take. Earlier, Premier Foods said it is stockpiling ingredients to help prevent interruptions in its UK processing operations next spring.

Brexit Food & Farming

Brexit Food & Farming is compiled by Cedric Porter, managing director of Supply Intelligence Ltd. It provides food chain information and support for a range of clients. Cedric is also co-editor of World Potato Markets – www.worldpotatomarkets.com, a Trustee of Linking Environment And Farming (LEAF) and a non-executive director of a Norfolk farming company.

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For more information Email cedric@supplyintelligence.co.uk, call 0044 1892 543444 or see www.brexitfoodandfarming.com