

BREXIT FOOD & FARMING

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

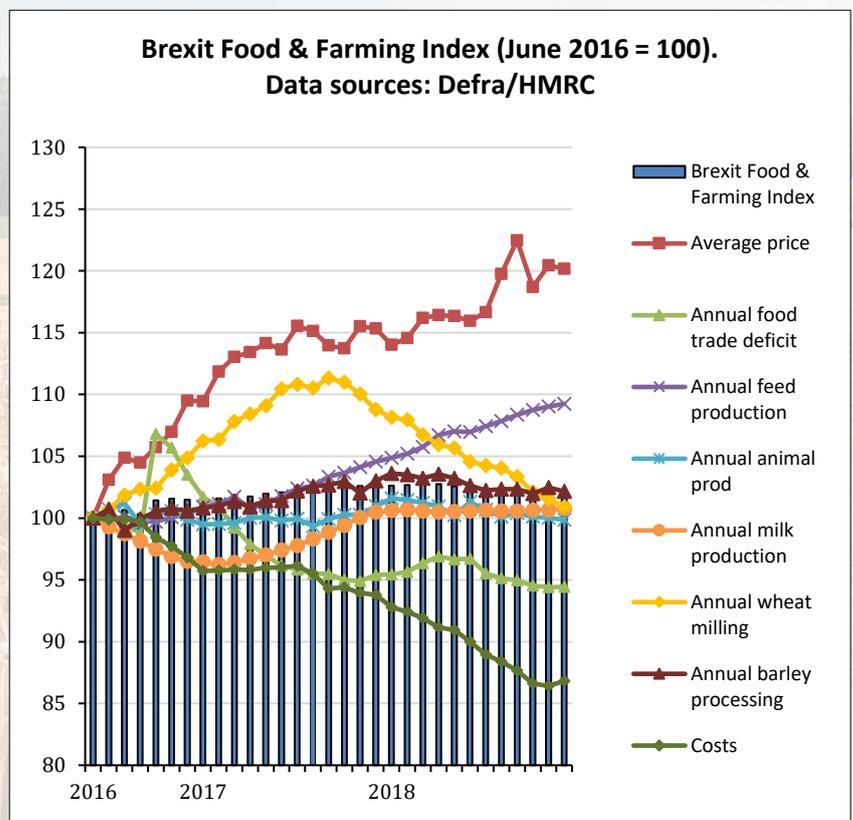
All Brexit options still remain on the table

This time next month we will know if the UK has left the EU as planned on 29 March or if departure has been delayed, but at the start of March, all scenarios are still possible – planned departure, a no-deal Brexit on 29 March, a delayed Brexit, a second referendum, another election and even no Brexit at all.

Up until now there have been plenty of false deadlines, but something will have to give this month. For a process which was meant to take back control, businesses and voters will be dismayed by the chaos that has ensued since June 2016. UK Importers have been forced to stockpile goods and whatever type of Brexit there is, there will be an impact on the economy, which hopefully will not fatally damage too many individual companies.

If there is a delay to Brexit, MPs from all parties and groups owe it to their constituents to come together to chart a positive way forward. If they do not, they are not fit to represent us.

The latest **Brexit Food & Farming Index** for December slipped a little on the November figure, driven by lower livestock prices and a record UK food trade deficit. Lower oil prices helped push costs down for the first time since mid-2017. 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

- UK parliamentary votes on 12, 13 and 14 March will finally determine whether the UK leaves the European Union at the end of March.
- Leaving the EU on schedule on 29 March and then having a referendum on the UK's long-term relationship with the EU in 2021, provides a practical way forward, argues *Brexit Food & Farming*.
- With a no-deal Brexit still and an option, the UK Government has stepped up its advice for businesses who deal with the EU.
- EU countries have also released more no-deal advice, with the Dutch deploying a big blue furry 'Brexit Monster' to highlight the measures businesses need to take.
- The Irish Government has published a Brexit Bill, which will rollover key arrangements with the UK in the event of a no-deal Brexit.
- A UK Government assessment of a no-deal Brexit warns that there could be a disproportionate impact on the food industry as well as Northern Ireland.
- Food and farming businesses continue to warn of the dangers of a no-deal Brexit and say that any delay should be accompanied by a clear path forward.
- There has been no progress in either the agriculture or fisheries bill in the last month, with virtually no prospect of them being passed by 29 March.
- The Government has confirmed that it will continue to devote the same amount of funding to farm support as is currently spent until the end of the Parliament even if there is a no-deal Brexit.
- Defra Secretary Michael Gove pledged not to maintain tariffs on meat and dairy imports in the event of a no-deal Brexit.
- A new food trade commission may could ensure UK foods are protected imports after Brexit.
- 43 trade remedies, which protect domestic products from unfair imports, will be rolled-over from EU into UK law after Brexit, with 66 which protected industries in other EU countries will be dropped.
- The UK has only signed agreements to rollover six non-EU trade deals out of 40 from EU to UK law after Brexit. Large deals with Japan and Canada are still to be done.
- The Department of International Trade says it wants to focus on multi-lateral trade deals with a number of countries rather than bilateral ones with individual partners after Brexit.
- Parliamentary committees have criticised the UK's progress on rollover trade deals with countries that currently have arrangements with the EU.
- The Scottish Government has called for no-deal compensation for its farmers.
- The Welsh Government is looking to build stronger links with non-EU countries after Brexit.
- Ireland is concerned about the impact of Brexit on its fishing industry.
- The European Commission has increased the amount of aid member states can give farmers from €15,000 to as much as €25,000.
- The AHDB has published a report highlighting risks and opportunities from increased agri-trade.
- The NFU Conference raised short-term concerns, but looked ahead to the future of farming.
- Farm gate prices have eased a little, while the UK's food trade deficit is at a record level.
- Farm incomes fell for most in 2018/19 because of an increase in costs.
- EU immigration has plunged, but non-EU immigration is at a decade-high.

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Days since referendum vote: 981. Days to Brexit Day: 29.

Days to end of proposed transition: 672 (To & from 1 March 2019)

Brexit update

In Theresa May's ideal Brexit world, this month would have been one of triumph. Her large Parliamentary majority gained after victory in the 2017 General Election would have passed a transitional Brexit deal months ago, which would see the UK gently ease away from the European Union, still keeping it as its closest partner, but setting it free to broker trade deals with the rest of the world.

Instead she is being forced to compromise on all sides, with the very real possibility that Brexit will be delayed without any clear path forward.

March Brexit timetable

1-12 March. Theresa May and her Brexit team will continue to have talks with the EU to get concessions on the deal brokered at the end of 2018. The focus will be on the backstop which is designed to keep trade and movement across the Irish border free and frictionless. The UK wants some indication when the backstop might cease and more say on how it is implemented and eventually disposed of.

12 March. UK MPs will have a binding (meaningful) vote on the revised deal Mrs May has managed to broker with the EU. If it is passed then the plan is for a transitional Brexit to begin on 29 March, with few discernible changes in the UK's relationship with the EU until the end of 2020, by which time a long-term relationship agreement is planned to come into force. If that has not been agreed by then the backstop will come into play, which keep the UK in a closer customs union with the EU.

13 March. If the Prime Minister loses the vote on her deal, then the next day the Government will put a vote on whether the UK should leave the EU without a deal to MPs.

It is likely that MPs would reject no-deal as an option. In a non-binding vote at the end of January 318 MPs voted for a plan to prevent no-deal and 310 voted against. Since then at least a dozen ministers (including cabinet members) have said they would resign from the Government rather than support a no-deal Brexit.

It is estimated that there are 60 hard-line Brexiteers in the Conservative Party who prefer no-deal to the Government's initial deal or a delay to Brexit. A Government-backed amendment designed to ensure that there would be a vote on a delay to Brexit was opposed by 20 Conservative MPs, with 88 abstaining. Mrs May also lost farming minister George Eustice., who resigned in complaint against the Government's support for a vote delaying Brexit

14 March MPs would be given a further vote on whether they wish to extend the Brexit leaving process by 'a short time'.

29 March. The planned 'Brexit Day' could still be a momentous one when the UK becomes the first to leave the European Union or it could be a damp squib where little is changed and the future path still unclear.

The departure of 11 MPs – eight Labour and three Conservative to form The Independent Group may have gathered a lot of attention, but it does nothing to change Parliamentary Arithmetic. All 11 will vote in exactly the same as they would have done in their original parties – against the Prime Minister's deal, against a no-deal Brexit and for an extension of the Brexit process.

Any extension of the Article 50 Brexit process is only likely to be until the end of June. That is when newly elected Members of the European Parliament will take their seats following elections in the last week of May.

If the UK's membership of the EU is to be extended beyond the end of June, then it will have to take part in those MEP elections.

The Brexit picture has been further complicated by Labour leader Jeremy Corbyn saying that the party would support a second referendum if its plans for a softer Brexit, which kept the UK in an EU customs union were not adopted by the Government. Although welcomed by many in the party, others condemned the move as undemocratic. Although the majority of Labour MPs voted to remain in the EU themselves, there was a majority to leave in 60% of Labour held constituencies in 2016.

It is still unclear what any extension of the Brexit process would be used for. Presumably the UK would want further negotiations with the EU to see if more concessions could be made, which would satisfy enough MPs to vote for a deal and allow the UK to leave the EU at the end of June. Alternatively, enough MPs in Parliament could decide that the only way forward would be to call a second Brexit referendum giving the British people the choice of accepting the deal, accepting a no-deal Brexit or remaining in the EU. That would take time to organise and would almost certainly not happen before the end of June.

Any extension to the Brexit process would have to be approved by the EU. President Emmanuel Macron of France said that he would only support a delay if the UK had a clear plan for Brexit. His comments were echoed by German Chancellor Angela Merkel.

A suggested way forward

One way forward devised by Brexit Food & Farming would be for:

1. The UK to leave as planned on 29 March 2019, with few material changes
2. Negotiate a permanent arrangement by end of 2020
3. Have a referendum in January 2021 asking public to vote for deal; no-deal or a return
4. The result of that vote to determine the terms on how the UK leaves or returns to the EU on 29 March 2021

This way forward would honour the result of the 2016 referendum, give more time and clarity to determine what a long-term relationship between the UK and EU could look like and give voters the final say. By the end of 2020 the public would have a clearer idea of what life outside the EU would look like and support or reject that. It would also allow the EU and UK to broker a free-trade agreement where they are the closest and strongest partners.

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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