

# **BREXIT:**

## **An Unnecessary and Distracting Challenge**

**Dr Séan Rickard**  
**[www.seanrickard.co.uk](http://www.seanrickard.co.uk)**  
**[sean@seanrickardltd.co.uk](mailto:sean@seanrickardltd.co.uk)**

➔ Brexit has created a situation of unprecedented uncertainty and if it comes to pass it will lead to a radical change in policy and new trading relationships with the EU and third countries;

➔ Outside the EU the UK hopes to be able to put in place a new national agricultural policy that will balance: i) free trade agreements; ii) public goods; and iii) public expenditure savings;

➔ Brexit or no-exit the UK poultry industry cannot rest on its laurels, it must continue to relentlessly pursue higher productivity and international competitiveness.

# Bexit: the options ...

## Government fantasy

UK will negotiate a 'frictionless' trade agreement before March 2019 and then enter a two year transitional period as a non-voting member of the EU to implement the new agreement;

## More realistically

At best having agreed the 'divorce' framework the transitional period – which will last longer than two years – will be taken up with negotiating a UK-EU free trade agreement;

## In the event of 'no-deal'

The UK leaves the EU on 29<sup>th</sup> March 2019 and applies WTO tariff and non-tariff barriers to trade but before it can be certified it will need to resolve complex issues such as TRQs and RoO;

## Government not in control

Following the Supreme Court ruling Parliament must have the final say and there is a growing belief that it does not contain a majority for 'no-deal' raising the prospect of an election.

# Transitional period...

**UK demands are unnegotiable**

Governments wants a 'deep and special relationship' guaranteeing 'frictionless' access to the single market eg, it wants the benefits of EU membership without the costs;

**What will be negotiated?**

Mostly likely outcome will be something deeper than the EU-Canada Free Trade Agreement involving tariff free or tariff rate quota access for agriculture – poultry?

**More than two years?**

Will take four plus years to negotiate and if we do not accept ECJ jurisdiction (indirectly?) non-tariff barriers and customs checks will slow trade between the UK and EU.

**POULTRY  
NO CHANGE FOR  
SEVERAL YEARS**

A transitional period lasting four or more years means no change in UK-EU trading relationships until 2023 which is after the next election. The big problem is that this does nothing to alleviate the uncertainty which is doing long term damage to the industry.

# Implications of no-deal...

## WTO RULES

The UK would apply WTO tariffs and non-tariff barriers to trade with the EU. This would mean customs checks & administration for traders

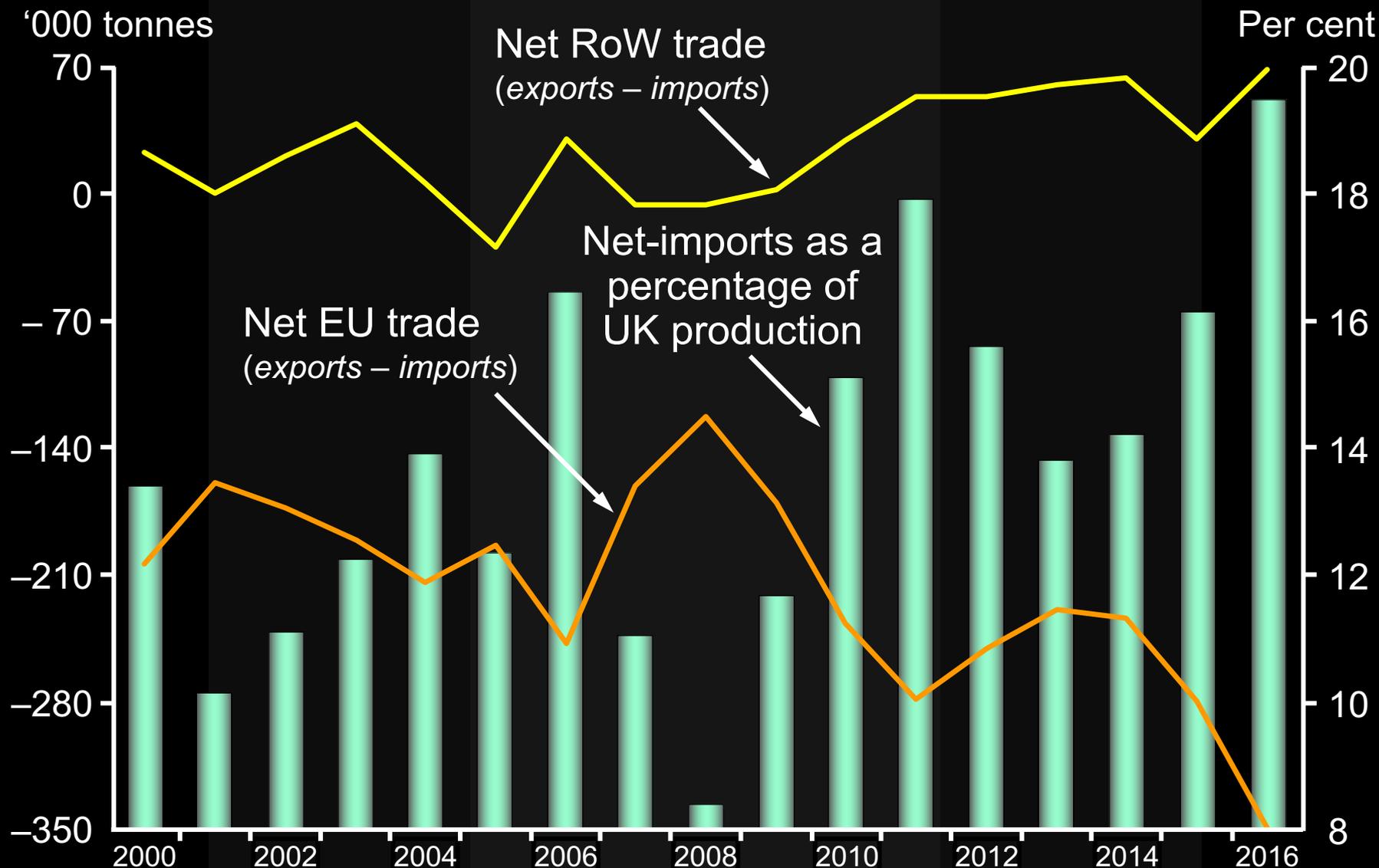
### THERE COULD BE A SHORT-TERM GAIN

UK has a trade deficit in poultry and eggs with EU: net trade (imports less exports) amounts to a net-deficit equal to 19.5% of domestic poultry output and 17.6% for eggs. Applying tariffs suggests prices would rise and as cereals have a trade surplus with the EU feed costs could actually fall

### A CAVEAT

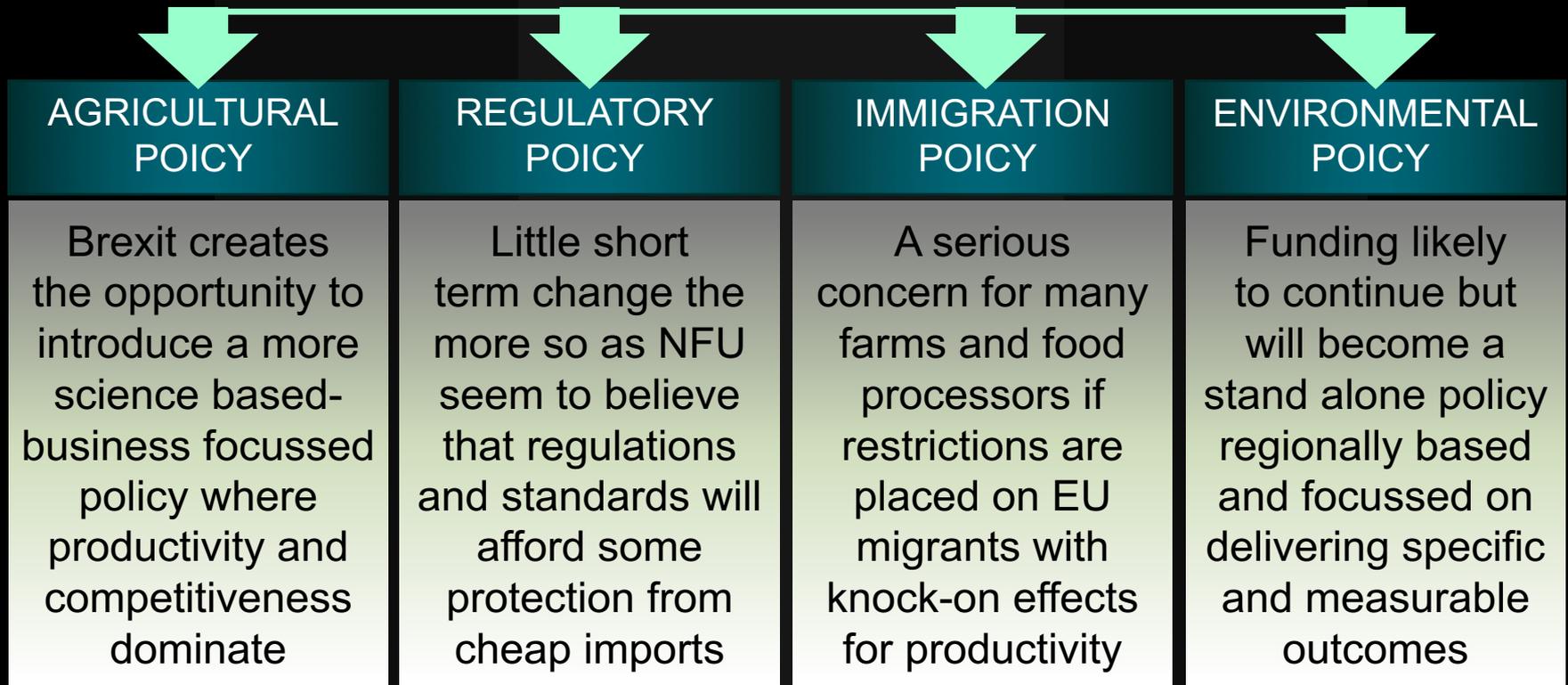
No-deal almost certainly means lower, real household incomes and there is a real risk that the government might remove or reduce tariffs on agricultural products to lower food prices

# Poultry: the trade position ...



# Post Brexit policy ...

**At the end of a transitional period it is almost certain that direct payments to farmers will start to be reduced**



**The major risk is that free trade agreements with third countries will reduce tariff protection, exposing UK agriculture to intense price pressure**

# An ideal policy focus...

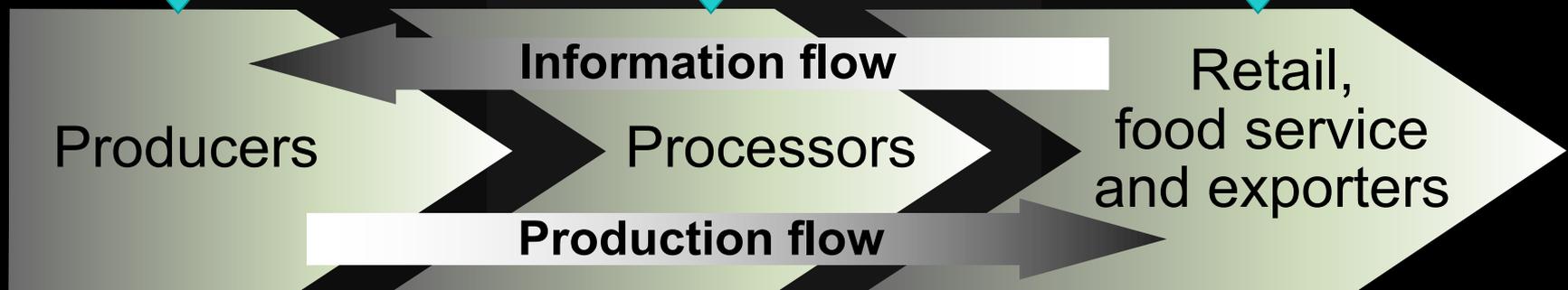
## CHAIN NOT SECTOR

Innovative supply chains to achieve not only high standards of animal welfare and health, product quality and safety – credence advantages – but also distinctive, value delivering products.

Primary role is to efficiently produce a high quality credence product via high productivity

Primary role is to efficiently produce a distinctive value product alongside high productivity

Primary role is to understand market trends and ensure product attributes are effectively communicated



**The greater the integration the more likely risk sharing, higher and more effective investment, faster responsiveness and competitiveness**

# Two pillars of progress...

Must aim for a dramatic increase in **natural resource productivity** generally known as sustainable intensification ... achieved by

**Technical efficiency** = depends critically on the **capabilities** – education, experience and attitude – of decision makers and **access to capital**

**Technological advance** = application of scientific discoveries involving both **incremental and drastic innovation**

*Agro-biotechnological progress bringing genetic improvements to crops and animals*

*Engineering advances involving the fusion of power and information technologies to deliver precision*

Scale neutral

Scale advantage

Critically dependent on investment

# Bringing it all together...

## BIOTECHNOLOGICAL REVOLUTION

Agriculture gets off the commodity 'treadmill' to an industry producing distinctive, value added plants and animals to meet the specific demands of food and non-food industries;

## FARM STRUCTURE

But sustainable intensification (SI) can only properly be delivered by farms of sufficient scale to utilize advances in both agro-biotechnology and precision farming;

## CREDENCE ADVANTAGE

Animal welfare and food safety depends more on the attitude of the farmer than the farming system while SI will reduce the industry's natural resource demands;

## INDUSTRIALISATION IS GOOD

Intensification should be welcomed as it is the only system that can jointly deliver affordable food while easing the world's environmental challenges;

## A HIGH-TECH INDUSTRY

In the future farming will demand a very different skill set from both farmers and their advisors; namely, the ability to analyse and act upon very large amounts of data.

# Concluding thoughts ...

→ The poultry and eggs sectors are the exemplar for high tech, sustainably intensive production and the priority – regardless of Brexit – must be to continue their long established trends in this respect;

→ Brexit offers nothing positive to the sectors, it is an unnecessary distraction but the small probability of no-deal is a real threat and the industry should make this clear to the government;

→ For what it is worth I think that Parliament will not allow a no-deal but a transitional deal will only prolong the uncertainty. The probability that we will abandon the nightmare of Brexit grows by the day.