

# **“Implications of BREXIT for UK Agriculture”**

**Ian Sheldon (The Ohio State University)**

**Presentation to Undergraduate Students  
University of Florida  
November 30, 2016**





# Background

- **June 23, 2016, UK voted in favor of leaving EU**
- **Since vote, political focus on when to signal intention to leave via Article 50 of Treaty on EU**
- **Recent UK High Court ruling - Parliament alone has power to trigger Brexit**
- **Considerable economic uncertainty about if and when Article 50 will be invoked, and outcome of any negotiations over future UK/EU trading relationship**
- **Prior to referendum, EU exit described as “leap in the dark” for UK farmers (DEFRA, February 23, 2016)**

# BREXIT and UK Agriculture



- **Brexit means change in trade relationship with EU, and also nature of UK farm policy**
- **Currently UK is net importer of agricultural products from EU: exports of €16b vs. imports of €40b**
- **Major exports to EU: meat, dairy, fats and oils, animal feed; major imports from EU: meat, fruits and beverages**
- **UK/EU trade relationship likely to be: (i) bilateral FTA or (ii) WTO default**

# Potential Trade Effects of BREXIT



- **Bilateral FTA not as advantageous as free access to EU Single Market – will increase transactions costs**
- **With WTO default, EU's higher MFN tariffs will be applied, plus UK will lose EU's TRQ import concession regime (sugar and dairy products)**
- **Average agricultural commodity prices expected to increase by 5% (bilateral) and 8% (WTO) (van Berkum *et al.*, 2016)**
- **Price changes hurt consumers, but could contribute to increases in UK farm income**

# BREXIT and UK Farm Policy



- CAP currently gives direct support to UK farmers through Pillar 1 (basic funding) and Pillar 2 (environment and rural development)
- UK government committed to maintaining Pillar 1 until 2020, but likely to cut payments in future, as it has always been critical of CAP policy
- Van Berkum *et al.* (2016) evaluate impact of 50% and 100% cut in direct payments on UK farm incomes
- Effects of higher UK farm prices will clearly be offset by reduction in direct payments to farmers