# Brexit – what's next for farming in the UK?

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Having access to the seasonal European labour force has been a concern for the agricultural industry, particularly in horticulture, leading up to and after the referendum vote

So what next for agriculture? Plenty of uncertainty, but is it all bad news?

**A weaker pound**

Yes, a weaker pound may be inevitable, but this is good for exports. The pay-off of course is that imports will become more expensive, such as oil, seed, fertiliser, manufactured equipment etc, however this could be seen as an opportunity for manufacturers in the UK whose products would become more appealing, financially, for domestic farmers. And when we do leave the EU (as it is now), there are of course differing views on how this will pan out. Some think that trading at world prices outside the EU common external tariff will lower the price of food and manufactured goods, at least for goods bought from outside the EU (where we currently have 60 per cent of our trade). This view is contradicted by NFU President Meurig Raymond's comment on June 27 that a weakened pound would "result in the price of food going up", presumably he means from the EU.

However this could be seen as an opportunity for farmers in the UK to start growing some of the crops and livestock that we currently import, such as fresh fruit (89 per cent imported), sugar (62 per cent), pork (53 per cent), fresh vegetables (48 per cent) and lamb (34 per cent).

Another short term benefit of a weaker pound is that it would result in higher subsidy payments for UK farmers until we leave the EU. Last year the exchange rate for the BPS payment (set as the average price over September 2015) was 0.73129 to the Euro. At the time of writing, 28th June, the pound is worth 0.83 to the Euro, a nearly 13.5 per cent increase.

**EU subsidies**

As most farmers are aware, food has been allowed to become cheap because of the price of subsidised imported food, and the reason UK farmers have to receive subsidies to survive is that the supermarkets in the UK have access to this huge market where they pay no import tariffs. One scenario is, if it becomes necessary for import tariffs to be imposed on EU imports (in response to any of their export tariffs on us) then British-produced food will be a more competitive option in its home market.

Some say the UK currently contributes £5-6 billion per year to the CAP, and only gets £2.5-3 billion back. Does this not mean the UK government could provide the same subsidies to farmers for half the price? It could be said that currently British farmers are effectively subsidising their competitors. For instance the French, by far the biggest beneficiary of the CAP, receive three times as much for a smaller contribution. However we know that there is the expectation that the UK economy overall is likely to suffer a downturn, at least in the short term following Brexit, and that public sector funds for the NHS and other areas will be under pressure. Some believe that UK subsidy support will not reduce substantially upon a formal Brexit, but there is an expectation that there could be a small drop – say 20 per cent on current levels, but they could end up in the long term at 30-40 per cent of current levels.

**The UK has always lobbied for subsidies to farmers to be reduced. But this all depends** on how the import and export tariffs and the value of the pound work out.

**Will the EU impose import tariffs at all?**

It could be considered that the EU needs us more than we need them. It appears we have a £100 billion trading deficit with the EU, and the biggest part of it, £32 billion, is with Germany. It is widely reported that the German manufacturing industry is desperate for the UK to keep on buying their cars and white goods with no tariffs.

In France the National Federation of Farmers' Unions have said that Britain should remain an "indispensable partner" in food trade, and wish to continue to trade with us as much as we wish to continue to trade with them.

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**EU seasonal workers**

There is concern that the European labour force (35,000 migrants on a permanent basis and many more on a seasonal basis) that works in UK agriculture may be affected.

However if we as a nation do decide we wish to continue to have Free Trade with the EU post-exit, then many believe part of the EU's conditions will be free movement of workers, payments into the EU budget (albeit less than previously) and acceptance of the EU rule book.

This would mean that the seasonal workers would still come, but would mean that farmers wishing to sell goods to Europe are still bound by the EU rules (without having a vote on the rules).

**Land prices**

There are differing schools of thought regarding land prices. On the one hand, in times of economic uncertainty, gold and land have always been the "safe havens" that investors have turned to, and certainly gold has seen this since the Brexit vote. However as investment in agriculture (indeed in anything) is likely to stall until trade and farming policies are clarified, there will remain uncertainty in the land market.

**Interest rates**

Could interest rates drop to 0.25 per cent?

**Conclusion**

The historic pattern of contradicting fortunes of the general UK economy versus the agricultural economy may once more be repeated. With such major changes affecting farming, as in the past there will be winners and losers and as one door closes, another opens.

There will be plenty of opportunities.

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