



The EU referendum: should we stay or should we go?

How can we make the most of either outcome
for the future of food and farming?

A report of the Business Forum meeting on
Tuesday 22nd March 2016

Contents

Introduction	3
Key points	3
Post CAP	4
A better CAP?	4
Trade deals	4
Other perspectives	5
Regulatory reform	5
Food culture	5
Workers	5
Brexit from other perspectives	5
Research implications	5
Lessons from the Scottish referendum	6
Final thoughts	6
Speaker biographies	7

About the Business Forum

Ethical questions around climate change, obesity, food security, people and animal welfare, and new technologies are becoming core concerns for food businesses. The Business Forum is a seminar series intended to help senior executives learn about these issues. Membership is by invitation only and numbers are strictly limited.

The Business Forum meets six times a year for an in-depth discussion over an early dinner at a London restaurant.

To read reports of previous meetings, visit foodethicscouncil.org/businessforum.

For further information contact:

Dan Crossley, Food Ethics Council

Phone: +44 (0)333 012 4147

dan@foodethicscouncil.org

www.foodethicscouncil.org

Introduction

The result of the forthcoming EU referendum will have profound implications for the future of the UK (and other nations) – and of its food and farming. In 2014, the UK received €6.98 billion in EU funding. Of this, €3.95 billion (57%) went on farm spending, which is above the EU average of 42%¹. However, food and farming has hardly featured in debates so far, with the agenda dominated by migration and the economy.

The UK has a food and drink trade gap of almost £21 billion². Beyond trade, there are important social, cultural, geopolitical and ethical implications for food and farming - both of 'Brexit' and of remaining within the EU ('Bremain'). The referendum debate is not a discussion of what a UK food system should look like. However, there are important fundamental questions to ask, not least about whether the UK wants to return to an era where it imported the majority of its foodstuffs through a vast global supply chain with preferential links for historical regions? Or whether it puts climate change, food security, environmental degradation and resource depletion at the centre stage of food and farming?

The March 2016 meeting of the Business Forum considered how to make the most of either outcome of the EU referendum for the future of food and farming. Participants considered what alternative farm support mechanisms might be if the UK left the EU, and whether these might be fairer than the status quo. They asked how, if staying, can food and farming sectors optimise the benefits of being part of the EU. And what might happen to the Devolved Nations under either outcome?

We are very grateful to our speakers Alan Swinbank (Emeritus Professor of Agricultural Economics, University of Reading), Martin Nesbit (Senior Fellow and Head of Environment and Climate Governance Programme at IEEP – and former Director at Defra, with responsibility for negotiations on the CAP) and Pete Ritchie (Director of Nourish Scotland, organic farmer and member of the Food Ethics Council). The event was chaired by Dan Crossley, Executive Director of the Food Ethics Council.

The report was prepared by Liz Barling and outlines points raised during the meeting. The report does not necessarily represent the views of the Food Ethics Council, the Business Forum, or its members.

¹ <http://is.gd/eaTWH7>

² Food and drink exports were £18.8 billion and imports £39.5 billion in 2014 <http://is.gd/uXTAxw>

Key Points

- Whether the UK remains or leaves, now is a unique opportunity to discuss what kind of food and farming system the UK population wants. This needs to take centre stage in the referendum debate.
- If the UK left the EU, in the short term, UK food and farming would be subject to considerable chaos and uncertainty.
- If there is a vote to leave, there will be an opportunity to formulate agricultural policy with a 'clean slate' – there will need to be a debate about what it might look like, but that will be affected by the new political realities post referendum.
- Some see the EU standing up about fairness. If the UK left the EU, how would that affect the most vulnerable in the UK's food system – the people, animals and environment that need protecting most?
- It is debatable whether the current Common Agricultural Policy ('CAP') is fit for purpose, but would a future UK government be able to afford even the current level of CAP budget? And would policy makers want to make sweeping changes to agricultural policy? It is important too to consider what might replace the Common Fisheries Policy, complete with its respective successes and failures.
- Leaving the EU might lead to deregulation of many farming practices, but to trade with Europe, the UK would still need to meet EU regulatory requirements including relating to the environment, farm animal welfare and health and safety.
- Giving UK citizens a genuine opportunity to discuss what kind of food and farming systems they would like to see in place might make it feel real for the millions of people who remain unaffected by the narrowly defined arguments that are currently being made by the 'in' and 'out' camps. Whichever wins, most people in the UK will still be turning up at the shops to buy their evening meals, and sitting down together to eat them. That is why it is so important that food and farming are firmly at the heart of this deeply important debate about the future of the UK – and indeed of the EU.

Post- Common Agricultural Policy

The most obvious question for food and farming if the UK leaves the EU is what would replace the Common Agricultural Policy (CAP)? At best, leaving the EU presents an opportunity to wipe the slate clean and design a better alternative from scratch.

However, if there is a decision to leave the EU, there is likely to be much pressure to replicate the current system with the same sort of legislation in place. There may be a move towards a more liberal trade regime.

Opponents of the CAP argue that it does not adequately meet environmental needs. They would look to rectify this in a redesigned agricultural policy, perhaps pushing for a more self sufficient food system with shorter supply chains and higher levels of environmental protection. Farm support might focus on high nature values areas of the UK, more agri-environment schemes, and a greater focus on sustainable productivity.

If the UK voted to leave, it was argued that Europe may return to a more protectionist agricultural policy, which would in turn influence the UK's agricultural trade relationship with the EU.

If the UK joined the Europe economic area (the 'Norway' option), it is likely it would have to make similar budget contributions to now, (without a say in how they are spent) which would have implications for how much UK Treasury has to spend on agriculture.

If the UK ended up outside the single market, there would be even tighter constraints on UK public expenditure. It is likely that in this case the UK government would limit the terms as fast as possible, which could be bad news for those who want to see more expenditure on environmental policies.

The big question is whether a UK agricultural policy would be a race to the top or the bottom. However, it is likely that, whatever shape a UK agricultural policy may take, in the short term the costs of disruption associated with leaving will be significant for farmers in the UK and for the food industry more generally.

A better CAP?

If the referendum result is 'stay', the UK will be able to help shape the CAP in 2020. Arguably, over the years, the UK has been influential in shaping the CAP - without the UK, it might have been more protectionist.

Currently about 40% of the EU budget is spent on CAP support. Around 5% of the budget is spent on rural development, including agri-environment schemes. Some say the CAP is complex, badly targeted and mired in its own history. They argue that it gets in the way of a transformation of agricultural systems across the EU towards a better balance between the environment and productivity.

What a reformed CAP might look like does not feature highly in current debate about our future in Europe, although organisations – including the NFU – have recently attempted to kick start a conversation. In the meantime, whatever the result of the referendum, the CAP may end up being less about delivery of public goods, and more about income support, with targeted extra support for higher levels of production in some sectors such as livestock.

There is also the issue of the Common Fisheries Policy. Arguably this is still in need of reform, and has been a source of anti-EU stories in the UK press for a number of years. Much of the UK's quota entitlement has been sold over the past 30 years (mostly to the Netherlands and Spain). Whether the UK remains in the EU or leaves, there is a big question to answer over UK fishing rights, and the future sustainability of Britain's fishing industry.

Trade deals

If the UK leaves the EU it will have to renegotiate trade deals around the world. This will be a very complex task and there are likely to be constraints on what the UK could do. For instance, if trade deals included the EU, the UK would have to be mindful of EU agricultural policy. The EU, for instance, is likely to be unhappy about the UK freely importing Brazilian sugar, which would displace British sugar, which would in turn be sold into EU markets.

If the UK left the EU, the UK would have to renegotiate its membership of the WTO. Questions here include whether the UK would

inherit the EU's existing trade tariffs or have to renegotiate a new one, which is a highly complex task.

Regional perspectives

A focus on agriculture during the referendum campaign may throw up regional differences around expectations of future farming policy. The devolved administrations will want different things – for instance, Scottish and Northern Irish farmers are likely to want a new farming focus on income support coupled to production. In Wales the emphasis might be on environmental measures and less favoured areas. Whatever an agricultural settlement might look like post Brexit, who is to say that the Treasury and Defra would be willing to spend as much money on agriculture as the current CAP budget?

Regulatory reform

Many agricultural and food standards originate in the EU. On issues like animal welfare and environmental protection there may be a gradual divergence of standards between the UK and EU. It would be up to the UK Government – post Brexit – to decide whether to drive standards up or down. Whatever the case, it was suggested that future animal health crises are likely to be dealt with much less sympathetically to UK production and consumption interests.

There may be fewer constraints on farmers if the UK was outside the EU, for instance on pesticides or GM crops. It is likely that there will be pressure from some for early action on liberalising the regulatory system. This may result in, for instance, constraints on nitrate pollution being reduced, a more liberal regime on pesticides and possibly GMOs. Counter to this pressure to deregulate, there may be a movement that demands greater regulation. It will be a highly charged political debate.

Deregulation could make it difficult to trade with the EU. If the UK were to have access to EU markets without being a member (like Norway), it would still have to apply a broad range of environmental legislation, on products and processes. That would lock the UK in to some of the environmental safeguards, but would also lead to questions about whether it should

shoulder a regulatory burden without being able to influence policy at an EU level.

Food culture

It could be said that the UK's food culture is a lot stronger now than it was in the 1970s when it first joined the (then) EEC. This improvement is arguably in large part influenced by European culture. It was argued that it is not just better food that many UK citizens enjoy, it is also better *food values*. Without EU rural, agricultural and environmental policies, would some of the values the UK has nurtured around local and specialist foods be eroded? If so, what effect would that have on rural and farming communities?

Workers

People working in the UK who are from other EU states will not be given a vote in the referendum (apart from those from Ireland). Yet they have a high stake in the result. Many foodservice and food manufacturing companies in the UK employ EU workers, so it is a massive issue for the food industry. Arguably the UK's cheap food system is heavily reliant on workers who come from outside the UK. What impact would Brexit have on the system as a whole, and on businesses in particular? This is something that is barely being discussed, either in public or within businesses themselves.

Food prices

In the 1970s the big worry about joining the European Community was that food prices might rise. Traditionally the UK had sourced much of its foodstuff from the Commonwealth and other global supply chains at very liberal tariffs, and when the UK joined the EU, food prices did go up significantly over a very short period of time. If the UK left the EU, it is unlikely food prices would suddenly fall. The trend over the past 30 years has been towards liberalisation of tariffs, including in the EU.

Research implications

The UK's agricultural research community would be affected by 'Brexit', but by how much is difficult to say. Because research is collaborative

and the UK has an excellent reputation, it is likely that global researchers will still want to work with UK institutions. The community of ideas will transcend political arrangements. Working in partnership with others on global problems like food security and climate change will still happen. The difficulty might be around funding because UK researchers would not be able to access EU funding pots.

The general trend is that public funding is going down and private funding is going up. This begs the question that if the UK does not have access to EU funding, will more of the UK's food and farming research become privately owned?

Lessons from the Scottish referendum

The most recent two referenda in the UK were a vote on electoral reform (AV) and the Scottish referendum. The fact that hardly anyone remembers the first referendum, and people are still talking about the second highlights the key differences between them – time and values.

The long run up to the Scottish referendum was an opportunity to engage deeply with issues that mattered. This is not the case with the EU referendum. Food does matter – it is a deeply emotional issue, but very little opportunity is being given to UK citizens to discuss the implications of staying in or leaving the EU for our food system.

Final thoughts

Whatever the result of the referendum, it is clear that there is a need to rethink food and agricultural policy in the UK. Times have changed considerably since the 1970s, and issues that were not even on the horizon are now extremely pressing. Climate change, resource depletion, food insecurity and public health concerns are all highly important global, regional and national problems that cannot be tackled in isolation.

Yet none of these issues are taking centre stage (or even playing a supporting part) in the debate about whether the UK should stay or go. Imagine if the citizens of the UK were offered a genuine opportunity to discuss what kind of food and farming system they would like to see in place; what level of animal welfare laws, environmental protections and workers' rights should be

enshrined in UK food policy? That might animate the debate, make it feel real to the millions of people who remain unaffected by the narrowly defined arguments that are currently being made by the 'in' and 'out' camps. Whichever wins, people in the UK will still be turning up at the shops to buy their evening meals, and sitting down together to eat them. That is why it is so important that food and farming are firmly at the heart of this deeply important debate about the future of the UK.

As has already been seen, whatever the UK does will also have implications for EU and other country/trading bloc agricultural policies. Clearly the UK is not the *only* or *most important* country in the world, but the future direction of its food and farming policies will be of interest to – and affect – other countries that the UK trades with.

Speaker biographies



Alan Swinbank is Emeritus Professor of Agricultural Economics at the University of Reading. After university studies at Reading, McMaster (in Canada), and the London School of Economics, he spent 4 years as a junior Eurocrat in Brussels before taking up a lectureship at Reading. He has written, lectured, and advised extensively on EU farm, food and biofuel policies, and the process of agri-food trade liberalization under the auspices of the World Trade Organization (WTO). Recent books include *Ideas, Institutions and Trade: The WTO and the Curious Role of EU Farm Policy in Trade Liberalization* (Oxford University Press, 2009, with Carsten Daugbjerg). He was a member of the Yorkshire Agricultural Society's research group that prepared a recent report on Brexit. See also: 'If the British left: Agricultural policy outside the CAP?' in the journal *EuroChoices*, 2014.



Martin Nesbit is Senior Fellow and Head of the Governance and Climate programme at IEEP since 2014. He used to be Director for EU and International affairs in the UK's Department for Environment, Food and Rural Affairs (Defra). He has a long record of experience in Government and in EU and international policy-making, including as the Director responsible for national and EU climate change policy when the UK's Department for Energy and Climate Change was established in 2008/2009. He combines a long experience of European negotiations, with a deep understanding of the implications of climate policy choices for emissions in the agriculture, transport and energy sectors. Since joining IEEP he has worked for a range of clients, including the European Commission (DG CLIMA, DG REGIO, DG ENV), the European Parliament's environment committee, environmental NGOs, and national governments, on subjects including energy efficiency and EU cohesion funds, carbon sequestration in forests, and implementation of the EU's 2030 targets.



Pete Ritchie runs a small organic upland farm at Whitmuir in the Scottish Borders and is also director of Nourish Scotland, a non-profit organisation working for a fairer and more sustainable food system in Scotland. Before entering the world of food, he was an advocate for equality and inclusion of disabled people for 25 years. He studied philosophy a long time ago. Pete is also a member of the Food Ethics Council.
