

The background of the slide features two flags: the Union Jack (UK flag) on the left and the European Union flag (blue with yellow stars) on the right. A dark blue horizontal bar is overlaid on the bottom left, containing the main title in white text.

Weighing up Future Food Security in the UK

The Impact of Brexit on Food & Agribusiness in Europe and Beyond

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Rabobank

Large Net Food Importer Leaves the EU Internal Market



Country	GDP (USD billion) 2014	Population (million) 2015	Output agricultural 'industry' (EUR billion) 2016
Germany	3,868	81	50
United Kingdom	2,989	65	28
France	2,829	64	70
Italy	2,141	60	53
Spain	1,381	46	46
Netherlands	879	17	27

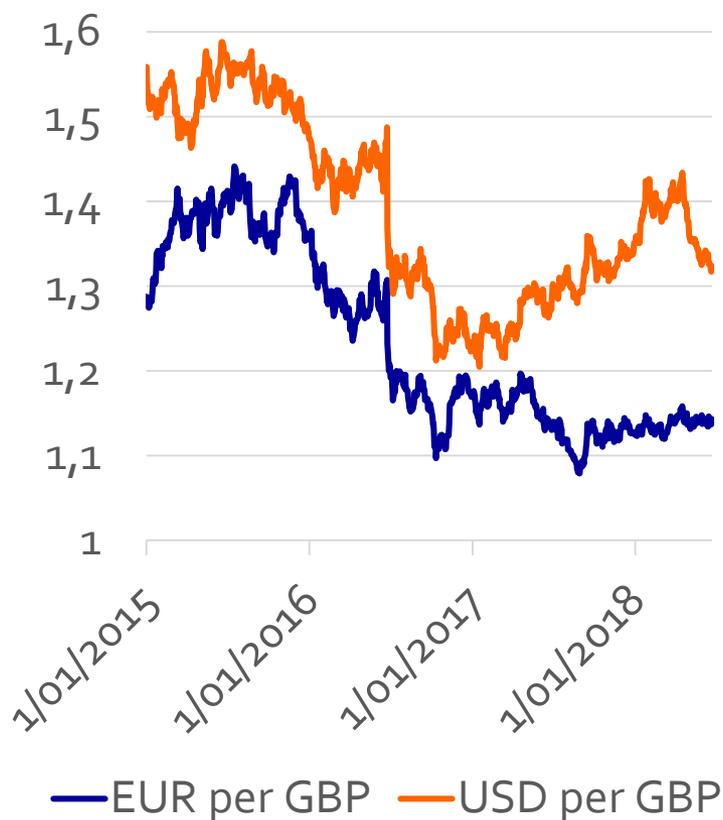
Net importing	Net exporting
Beef, poultry, pork, fruit & vegetables, flowers, consumer foods	Lamb, wheat, barley, oats, beverages

Exchange rate of the British pound has weakened



Exchange rate of GBP vs. EUR and USD

Exchange rate expectations Rabobank



	GBP/ EUR	GBP/ USD
June 21, 2018	1.14	1.31
+3m	1.12	1.30
+6m	1.12	1.28
+12m	1.19	1.33

Labour availability to decline, costs to increase



Workforce split by UK, EU and non-EU in 2015

Sector	UK	EU	non EU	total
Processing of meat products	37%	56%	7%	76,505
Processing & preserving of fruit & veg	52%	38%	10%	38,958
Manufacturing of other food products	60%	25%	15%	95,414
Processed fish, crustaceans, & molluscs	68%	28%	5%	12,080
Manufacturing of bakery & farinaceous prods	68%	19%	13%	63,798
Manufacturing of dairy products	69%	22%	7%	23,065
Manufacturing of prepared animal feed	75%	23%	3%	22,223
Manufacturing of grain mill & starch products	84%	9%	7%	12,484
Total	58%	32%	10%	345,353

Future trade: two possible extremes



How to prevent food price inflation in the UK?

Soft Brexit,
customs union
with EU

Hard Brexit,
unilateral trade
liberalisation

What they would mean in practice

Freeze today's trade flows



Soft Brexit

- EU dominates trade
- Trade declines and local production increases
- Some upwards pressure on domestic food prices

Hard Brexit

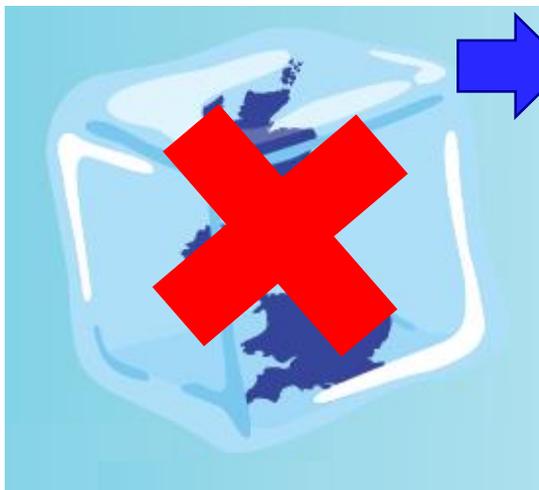
- Increased trade competition
- Local production maintained by consumers
- Downward pressure on food prices

Great Global Britain



May trying to find the 'middle ground'

Freeze today's trade flows



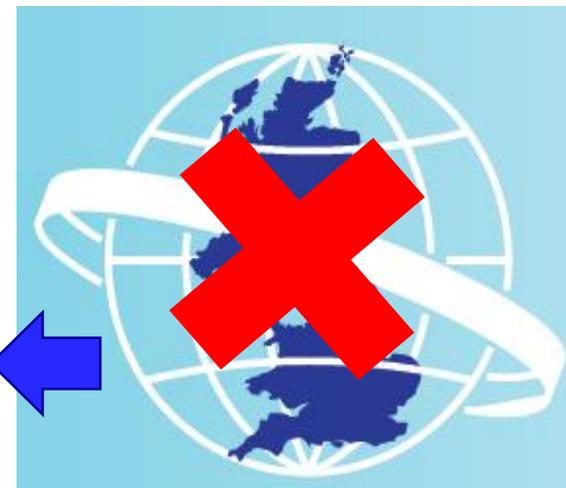
Jeremy Corbyn's future vision

- Custom's Union with the EU
- Lock in existing trade access and terms



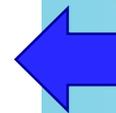
Theresa May's future vision
No Custom's Union, but a
'customs partnership'

Great Global Britain



Boris Johnson's future vision

- Special deal with the EU on trade, outside customs union
- Full freedom to pursue third party options, including new trade deals



Even the softest Brexit will have significant impact



- Costs of border inspections
- Border inspection capacity lacking
- Waiting time, unpredictable logistics
- Need for knowledge about customs procedures to third countries

- UK vs EU companies

Food lobby will prevent high import tariffs



Food lobby

- Food retailers
- Food manufacturers
- Consumer organisations

Agriculture lobby

- Farmers
- Land owners

Impact varies by product group



Product group	Impact of Brexit
Fresh produce	Additional costs at border
Dairy, meat, sugar	Risk of increased competition on UK market
Processed food & beverages	Risk of relocation to UK market
Third country imports	Risk of direct trade to UK instead of via EU

Options to benefit: increasing local production is not risk free



- Exports are also important for sectors that are not self sufficient
- Labour market may pose its challenges
- Risk of increased competition from low cost third countries

Conclusion



- Short term: Brexit increases prices of agricultural products in the UK
- Longer term: chance of price and/or margin pressure due to increased competition on UK market
- EU's worry should not be access to UK market but competitiveness on UK market



Thank you for your attention
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