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Brexit means that the new Prime Minister, Theresa May, has inherited arguably one of the toughest post war landscapes than any other counterpart. She faces the challenge of negotiating a new relationship with the EU, navigating economic uncertainty and all this whilst maintaining a Union where some regions have fully endorsed remaining in the EU. Two months on, the big question remains when Brexit will start to happen but clearly market access will remain the fundamental point of future negotiations, expected to take 2 years.

EU countries are by far the most important trade partners with 62% of agri exports to the EU and 70% of its agricultural imports from the EU. Although, we are not expecting any dramas in UK grains and cereals markets with majority of pulses and cereals exports to third country destinations. UK exports in 2015 amounted to £18 bn and imports reached £35.8 bn. The UK is the leading exporter of domestically grown faba beans destined for the Egyptian, Sudanese and the Arabian Crescent markets, shipping 300,000mt annually.

This UK export volume on fababeans is about double the volume of imported Navy Beans that go in to ubiquitous "Baked Beans in tomato sauce". The UK is also a leading exporter of Marrowfat Peas to the Far East although in lower volumes. On imports, UK may no longer avail of advantages under specific cereal tariff rate quotas in EU but on a whole UK grains and pulses exports are more competitive due to changes in currency values. We expect the market to adjust quickly to the ongoing realities.

It is too early to predict how the EU-UK relationship will look post Brexit but there are only a limited number of options: an European Economic Area such as Norway, a European Free Trade Association along lines of a bilateral deal like Switzerland, access to the single market but having limitations on certain free movements, a customs union style like Turkey, a Free Trade Agreement or finally to trade under the WTO rules.

It is unlikely that the UK will go for Norway or Swiss style options as they would be obliged to take on some of all of *acquis communautaire*, its body of law with no power to influence it. EU leaders have already said that the UK will not have access to the single market without applying all four fundamental freedoms.

A move towards a UK-EU FTA is more likely with advantages for both blocs could include a significant liberation of tariffs and elimination of non tariff barriers but the UK could lose its

preferential access to the single market in the short term.

It is likely that the UK will aim to secure a quick round of FTA's with its key trading partners and to take a liberal approach, unlikely to impose restrictive tariffs on agri food imports.

One way or the other, trade costs will increase in terms of customs clearing, border controls, and administrative costs associated with complying with EU requirements such as rules of origin. As global markets are moving in the direction of regional blocs, it will remain to be seen how attractive the UK will be to larger trade partners and its ability to really leverage significant deals.



Despite the leave campaign's focus on EU rules and regulations, it may well be beneficial to maintain the majority of these stringent EU rules to maximise future trade deals and particularly in the agri food area on food and feed safety and phytosanitary measures. The gains in terms of agricultural innovation will have to be weighed against trade implications.

Brexit will change the regulatory landscape for all with the EU losing a strong pro trade voice around the EU table. The UK trade associations are now identifying risks and opportunities. Gafta has regrouped its committees and created a new UK regional trade committee to take on the challenges for the commodity trade and engage with the UK Departments to mitigate the impact this process. Or will we see the UK negotiate a new package and hold a second referendum to stay in the EU, time will tell.