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European Meat Trade Association Publishes Brexit Impact Study

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Report Highlights:

The European Livestock and Meat Trade Association (UECBV) published a report assessing the impact on the EU meat sector in the event a hard Brexit leads to application of WTO MFN tariffs on EU-UK meat trade. Under this scenario, UECBV concludes that the impact on the EU meat sector would be significantly greater than the Russian import ban from 2014 leading to potential loss of 32,000 jobs in the EU meat industry. Ireland and Denmark would take the hardest blows as their respective meat exports to the UK amount to 56 and 25 percent of their total meat exports.

General Information:

The European Livestock and Meat Trade Association (UECBV) published a report titled “[CRISIS: The EU Meat Industry in a Hard Brexit Scenario](#) [1]” about the impact on the European Union (EU) of the United Kingdom (UK) decision to leave its single market (Brexit). The report, compiled by the Red Flag consultancy, investigates what it would mean to both UK and remaining EU meat sectors if the UK drops out of the Single Market and Customs Union with neither a trade deal nor a transition arrangement in place when Brexit kicks in on March 29, 2019. This so-called ‘no deal’ situation is viewed by UECBV as the worst case scenario of a hard Brexit in which the EU-UK trade relationship would fall back on WTO rules.

Under WTO rules meat trade between the EU and UK would face significantly higher tariffs. UECBV cites a study conducted by Lawless and Morgenroth (2016) which concluded that EU import duties on meat from trading partners subject to WTO most favored nation (MFN) were higher on average than EU MFN duties for any other product category, leaving the sector particularly vulnerable to a WTO-style tariff environment. According to UECBV’s analysis, increased tariffs combined with increased costs for customs and veterinary checks and transport would reduce EU exports of meat to the UK by up to 84 percent for beef, 48 percent for pork and 76 percent for sheep meat. UECBV estimates that the resulting surplus supply on the EU market would result in a structural reduction in EU beef prices of over 8 percent and pork prices by over 7 percent. This would reduce the value of EU production of beef by approximately €2.4 billion and of pork by over €2.3 billion. The relocation of this surplus meat would also impact international meat markets as it would increase export competition. UECBV concludes that the impact on the EU meat sector of such a hard Brexit would be significantly greater than the Russian import ban in 2014, leading to potential loss in the EU meat industry of 32,000 jobs. As noted in the report, in reality the trade and price effects would be offset by an increase in trade with third countries, a possibility which is not allowed for in UECBV’s model.

Impact on Individual Member States Varies Widely

Taking a look in more detail at member state (MS) level, Ireland and Denmark would take the hardest blows as their respective meat exports to the UK amount to 56 and 25 percent of their total meat exports, followed by The Netherlands (13 percent), Poland (12 percent) and Italy (10 percent). The impact on different MS not only depends on the volume of trade, but also on the type of meat. As an example, Denmark sends less than 20 percent of its total pork exports to the United Kingdom, but it is 82 percent of the bacon trade. Ireland, which uses the UK as a land bridge for 90 percent of its meat trade with the EU continent, would particularly suffer as it could no longer do so freely. As much of the Irish meat exports are chilled, the switch to sea transport would also lead to loss in shelf life, quality, and to higher levels of spoilage.

Impact on the United Kingdom

While the UK is the third largest EU beef producer, the second largest poultry producer and the largest sheep meat producer, it is a net importer of meat from the EU except for sheep meat, for which it is a net exporter. The UK is thus an important export destination for EU meat, especially as it is a premium market with UK prices on average 10 percent higher for beef and sheep meat than in the EU and even

20 percent for pork.

UECBV concludes that tariffs applied at WTO most-favored nation levels on meat trade between the UK and the EU would considerably increase meat prices for UK customers. For beef, prices could increase by between 36 percent for quality cuts up to 100 percent for manufacturing beef. UECBV estimates that meat exports from the UK to the EU would decrease by 90 percent for beef, 56 percent for pork and 53 percent for sheep meat.

Suggested Remedies

The UECBV report suggests 4 measures that could soften the blow of a hard Brexit.

1. The report suggests that MS not wait for the Brexit negotiation outcome, but proactively invest in developing new export markets to replace lost UK trade.
2. The loss of the free UK land bridge for Irish meat trade could be mitigated if UK import and export inspections could be avoided by agreeing on a simplified sealing of containers for transshipments.
3. Some of the additional administrative costs could be avoided if handlers in and outside the United Kingdom could obtain Approved Consignor/Consignee status.
4. New investments in port facilities in both the United Kingdom and the EU could increase capacity for the additional custom controls and inspection.

Conclusion

This UECBV report outlines the EU meat industry's concerns if the EU-UK trade relationship reverts to WTO terms after March 29, 2019. Other sectors face similar scenarios.

While the major impact of a hard Brexit would fall on the UK and EU MS, UECBV makes a case that global trade would be affected as the magnitude of a Brexit impact will be many times higher than from the 2014 Russian import ban. Though UECBV's model does not allow for it, UECBV recognizes trade and price effects would be offset by an increase in trade with third countries. Increased transaction costs between the UK and the EU could open new export opportunities for third country (including the U.S.) food exporters to both the UK and the EU.

The UECBV and COPA-COGECA, the European farmers union's umbrella organization, are lobbying hard to avoid jeopardizing duty free access to their most significant market for meat exports. Furthermore, other than pork, without preferential access EU will face stiff competition from third countries such as Australia and Brazil for beef and Brazil and Thailand for poultry. As a result, UECBV is clearly favoring a future free trade agreement (FTA) with the UK that preserves free access post-Brexit.

^[1] <http://www.uecbv.eu/UECBV/documents/BrexitMeatreport12373.pdf>

