Impact of geopolitical issues and international trade on arable crop production and food security

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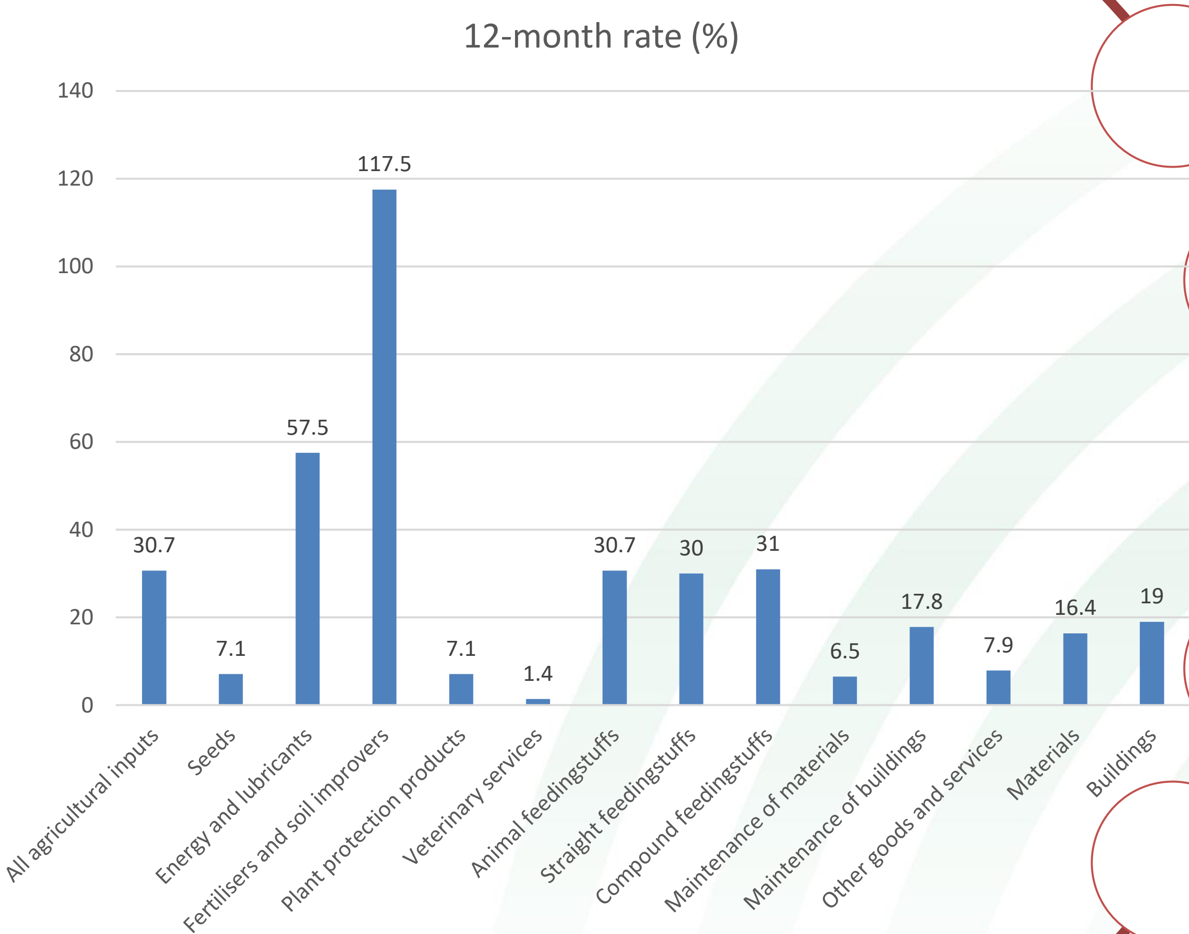
An uncertain outlook

- **Economic pressures** – input cost inflation
- **International Trade** - tension between trade policy and domestic policy
- **Regulation -** Post-Brexit Reform programme

Severe input cost inflation



UK inflation at 13.2% (CPIH) in September 2022, but ag-inflation higher for many key inputs

Physical availability of products, such as fertiliser a key challenge

Increase in requests for bank finance

June Intention Survey – a third of arable growers changed cropping plans

90% attributed this to fertiliser costs – many reported switching to higher proportion of feed wheat

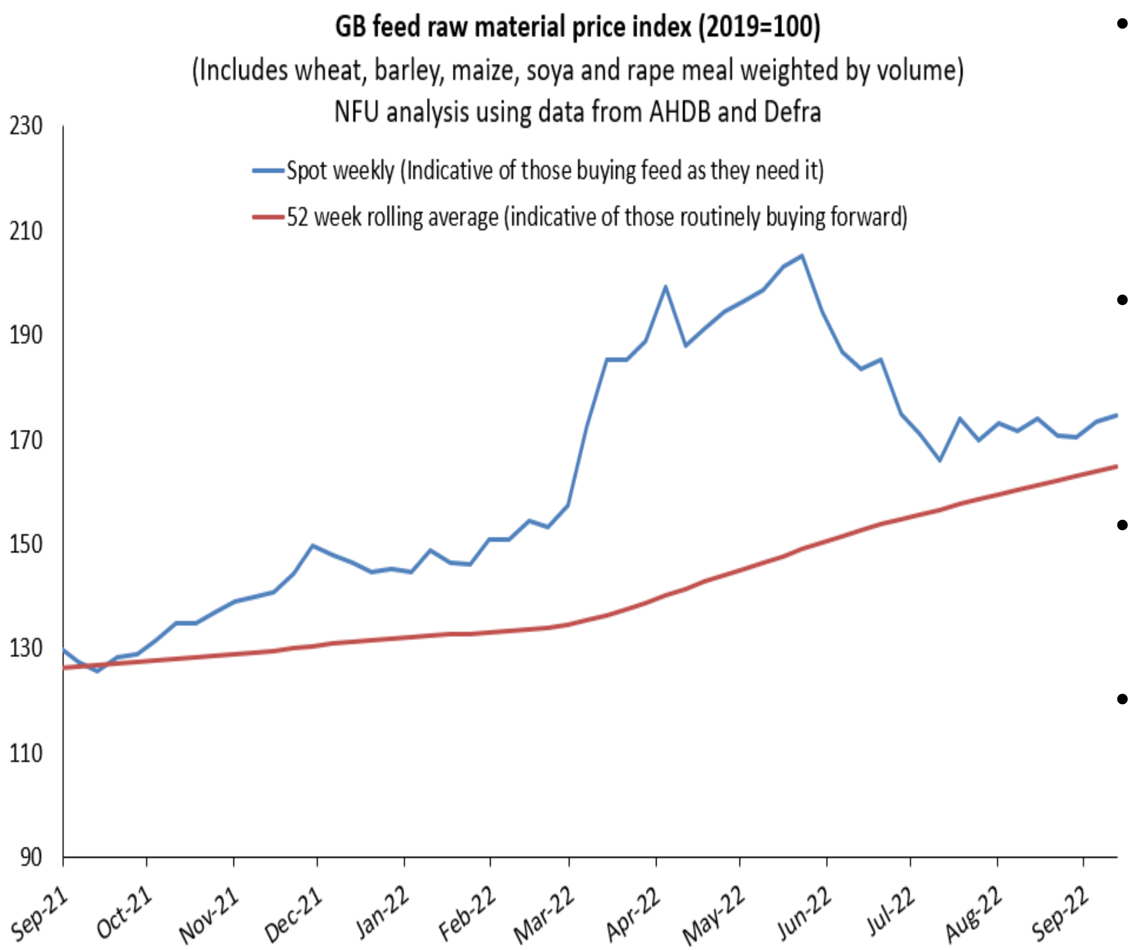
Energy price volatility continues

- **Natural gas** has decreased by 47% since August 2022
- **Electricity** prices see a 83% increase from this time last year
- **Volatility** likely to persist for some time
  - Issues with Nordstream 1 pipeline
  - European and UK storage
  - Mild Autumn and reduced demand due to price
  - Business price cap - less than half the wholesale prices anticipated this winter (fixed contracts).
  - Exchange rates

Oil and Diesel

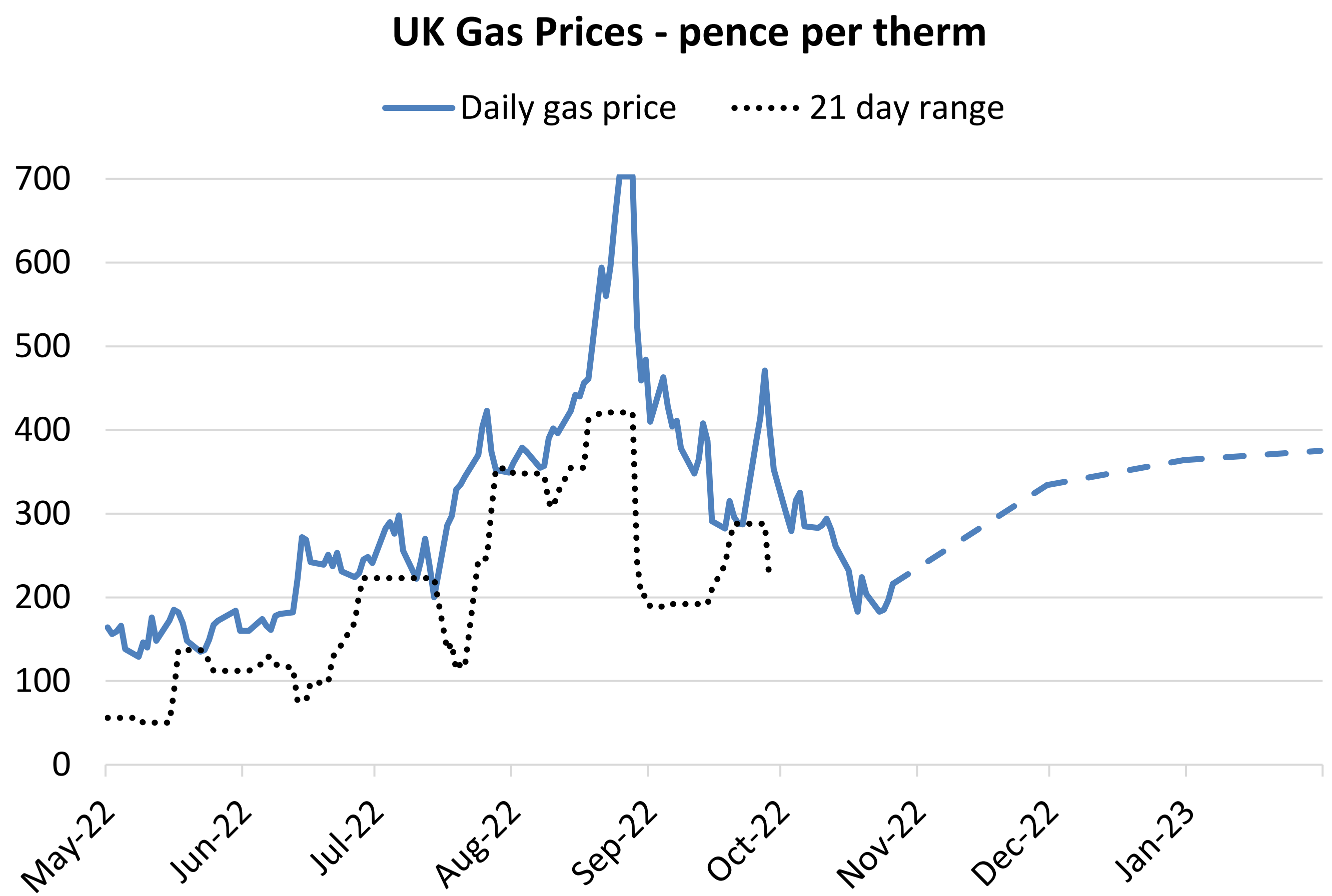
- Oil prices have decreased by 34% since the highs of March when oil was trading at around $129.0/bbl
- Diesel mirroring oil, has seen a similar fall in prices since March. With a recent increase in price
- Oil and thus diesel prices likely to become more volatile in coming months
- Diesel is still 33% more expensive than the same time last year
- Negative outlook a strain on farm production

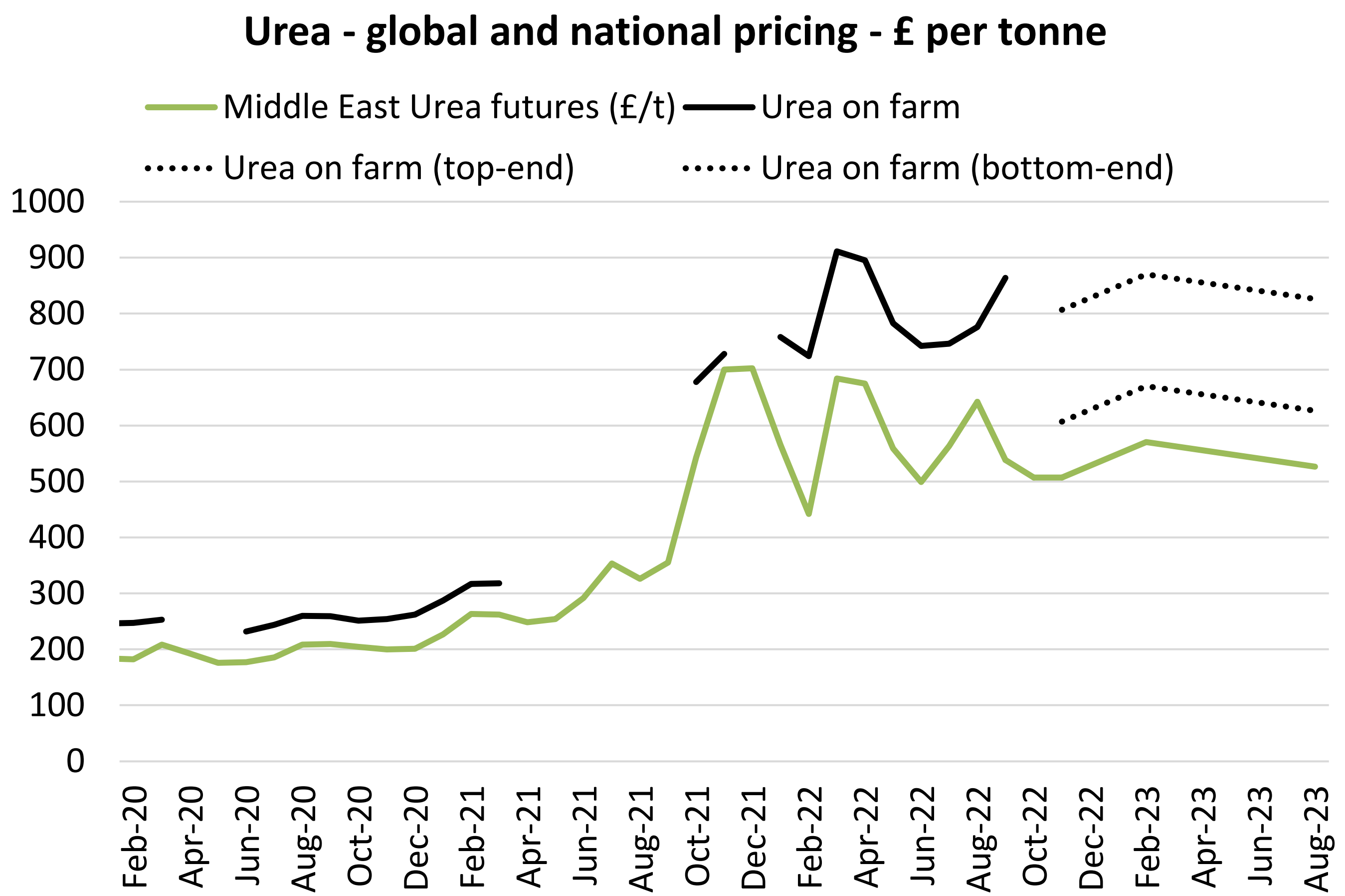
Feed



- Spot market inflation in feed raw materials index is currently 40% higher than last year and 60% than two years ago
- Opening of Ukrainian grain export corridors and the arrival of a new harvest in the Northern hemisphere
- Geopolitical tensions persist exacerbating uncertainty
- Demand impacts - evidence of declining livestock numbers an production including poultry

Fertiliser


UK Gas Prices - pence per therm
Daily gas price
21 day range
700
600
500
400
300
200
100
0
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23



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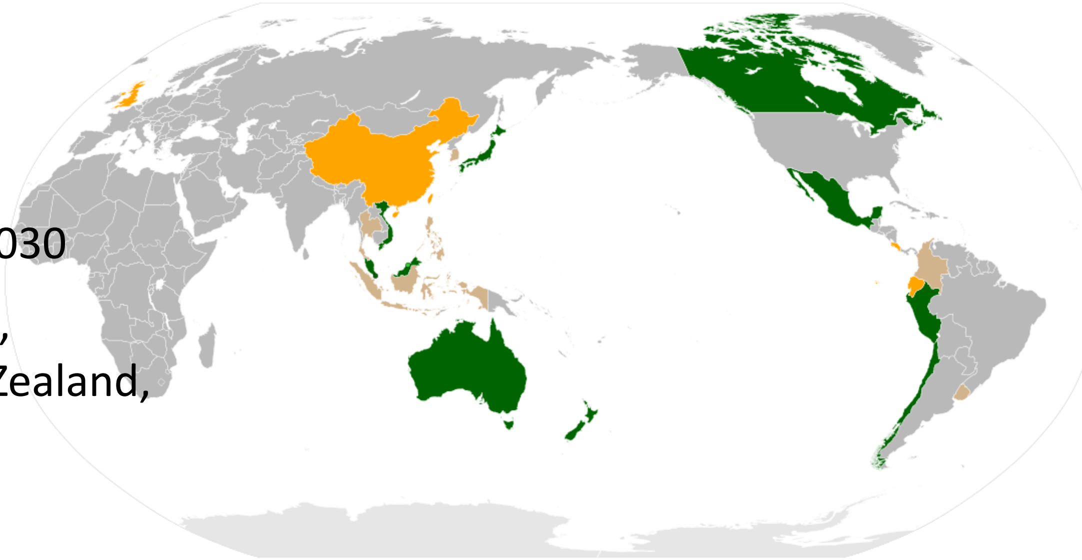
UK trade policy - trade liberalisation

- Bilateral/multi-lateral trade deals – significant reduction in trade barriers
  - Trade deal with **Australia** – signed December 2021
  - Trade deal with **New Zealand** - signed February 2022
  - Talks underway with **India, Canada, Mexico, Gulf Co-operation Council** and **CPTPP**
  - In the pipeline: **Switzerland** and **Israel,** plus renegotiation of **trade continuity agreements** (e.g. **Turkey** and **South Korea**)
  - Talks with **USA** "stalled"
  - Prospect of trade liberalisation with **South American** markets.
- Balance of **"defensive/offensive"** interests depends on specific partners.
- BUT – Aus/NZ and others carry risk of **significant additional competition** in UK marketplace.
- Needs accompanying **domestic policies** to aid competitiveness (**R&D investment, productivity grants, adjustment assistance**)

UK/India FTA

- 1.4billion population
- High tariffs (35%+ meat dairy etc)
- Current exports £1.45m dairy, £1.2m milled cereals, plants £367k.
- 138million Muslims & Christians – consuming beef, but India has a beef ban.
- Lamb access possible, but currently low
- Pork, 2% of population is Christian = 24million people
- UK Defensive, eggs, horticulture products and sugar (India found in breach of WTO subsidy rules)

CPTPP Accession



- 11 nations
- Population +500million
- 66% of global middle class by 2030
- Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam
- Examples of opportunities:
  - Dairy to Canada, Malyasia, Singapore
  - Sheepmeat to Malaysia, Canada
  - Pork to Vietnam,
  - Poultry to Vietnam
  - Beef to Japan, Canada
  - Malt to Japan
- Defensive concerns: beef and eggs from Mexico, beef from Canada, poultry from Chile

Gulf Cooperation Council

- 6 Gulf Nations population 57 million
- UAE, Saudi Arabia, Kuwait, Bahrain, Oman, Qatar
- Imports 90% food consumed in region
- Barriers to trade (tariffs generally low). No defensive concerns.
- Sheepmeat (halal demonstration of life protocol)
- Dairy, butter, barley
- Beef <1% of UK beef slaughter is halal, not likely to be halal slaughtered poultry

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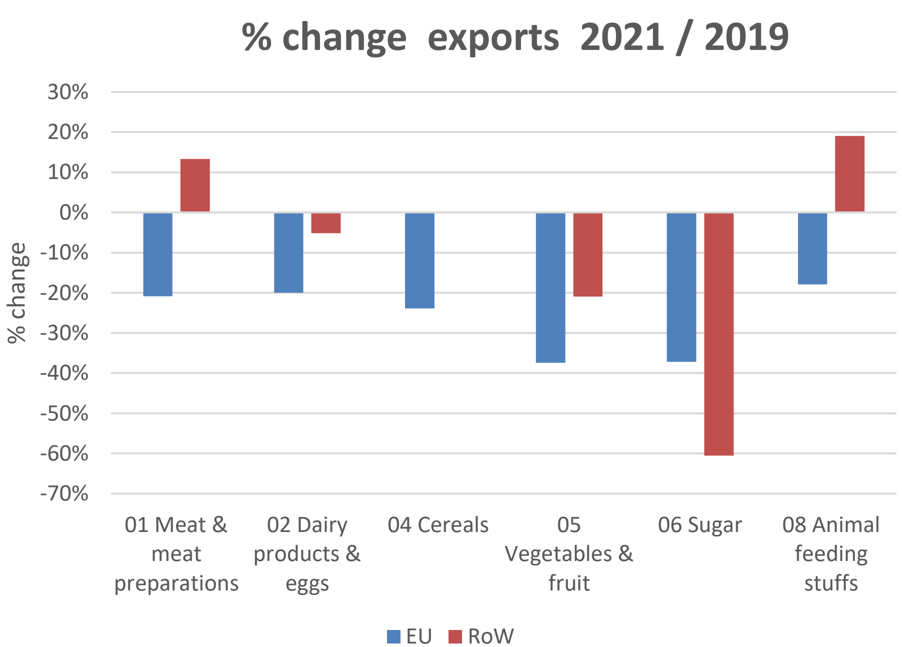
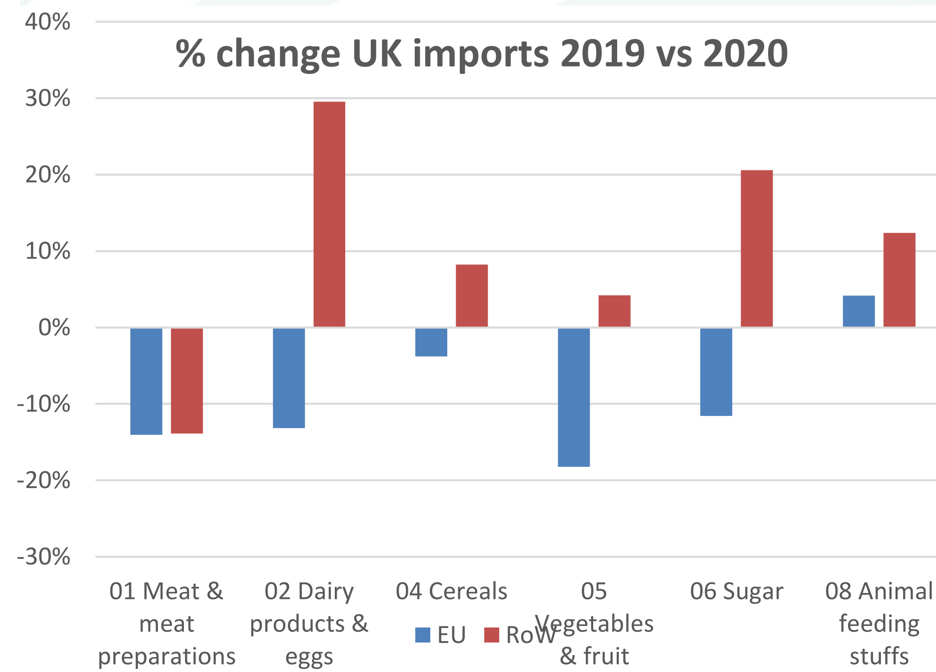
UK trade: 2021 vs 2019

- In 2021, we exported £13.9bn of food & live animals - 12% down on 2019 (EU 17% down, ROW marginally down)
- Imports are also down 8% to sit at £37.48bn. 66% of imports came from the EU (down 13% on 2019). Imports from RoW up by 4%





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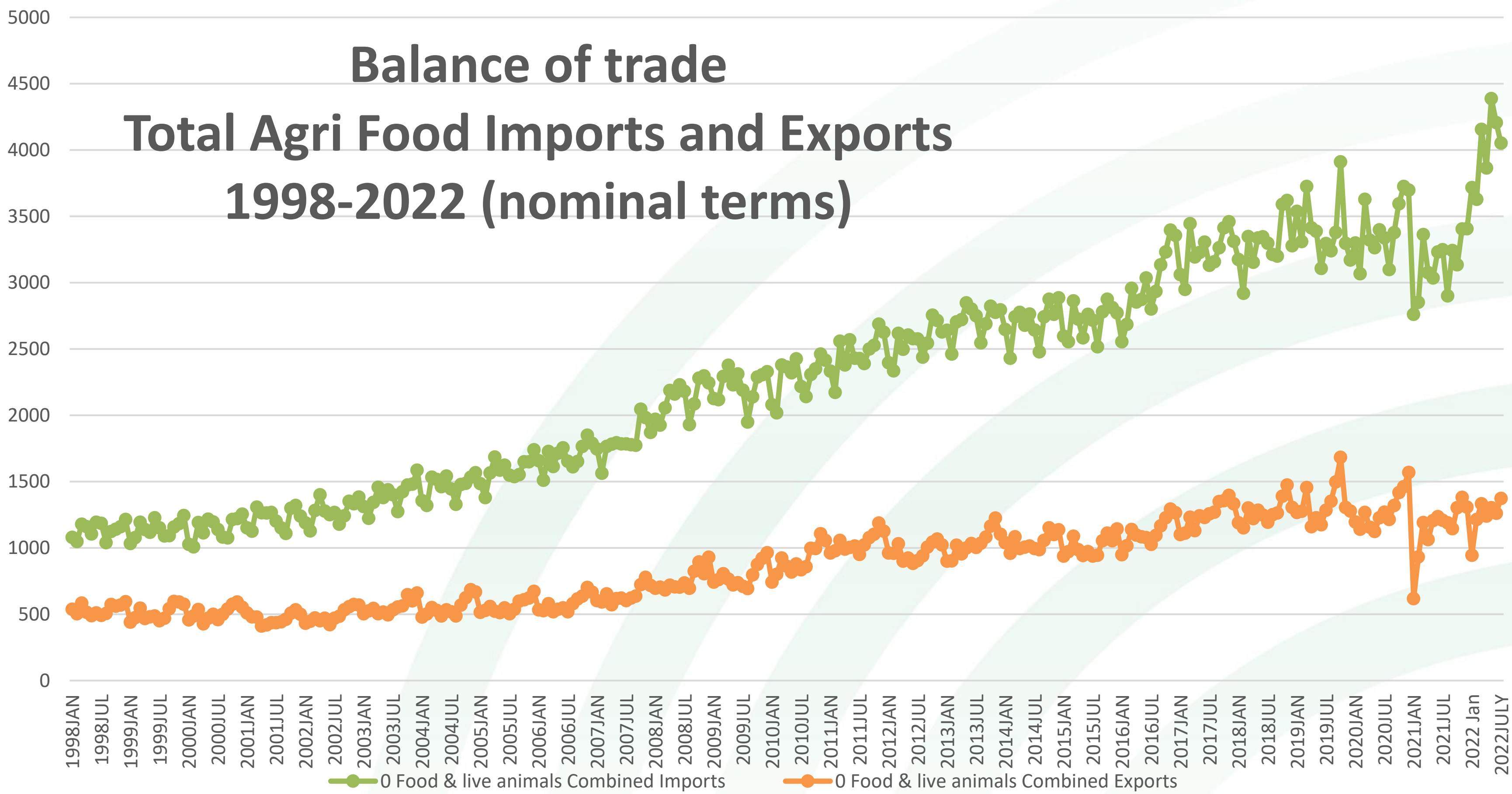
Balance of trade
Total Agri Food Imports and Exports 1998-2022 (nominal terms)



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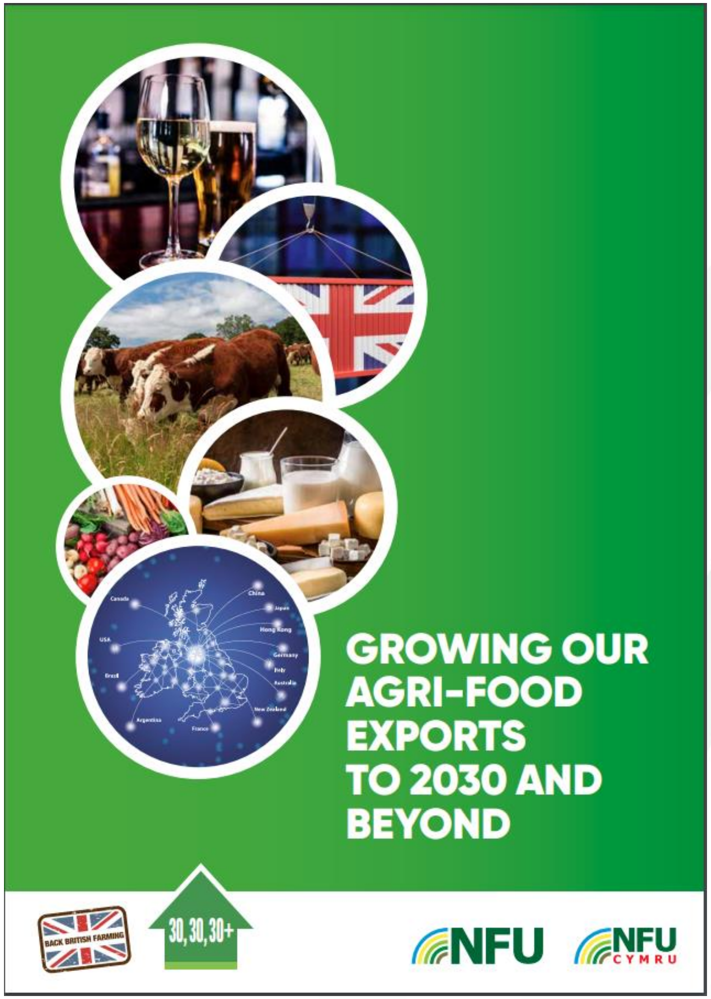
The NFU export strategy



GROWING OUR AGRI-FOOD EXPORTS TO 2030 AND BEYOND

Horticulture

Fruit | Vegetables | Potatoes | Ornamentals

Top 12 Export products

1. Hops - £19.3 million
2. Apples - £16 million
3. Lettuce – 14.5 million
4. Red and Blackcurrants, Berries and Sloes - £11 million
5. Cut flowers - £10.6 million
6. Carrots and Turnips - £10.4 million
7. Cauliflower and Broccoli - £9.3 million
8. Cuttings, slips and other young plants - £8.07 million
9. Veg and Strawberry plants - £ 6.9 million
10. Mushrooms - £6.6 million
11. Bulbs Narcissi dormant - £4.52 million
12. Strawberries - £4 million

(average value 2017-2019)

The domestic market
Horticulture and potatoes is a relatively small sector in acreage but the largest for farm gate value, with 2% of farmed land and nearly 20% of farmgate value. British growers produce 3.2million tonnes of fruit and vegetables every year – on 166,000 hectares of land. In addition, British growers grow 14,000 hectares of plants and flowers and 6 million tonnes of potatoes. Exports are limited but where they exist, trade is often high value and overseas demand helps to build resilience in the sector.

The farm gate value of UK fruit, vegetables, plants, and flowers is around £3.5bn.

Fruit & Vegetables
With a growing global middle class, we see overseas populations become increasingly focussed on healthy food and lifestyle choices. In addition, obesity issues around the globe are being combated by domestic government fruit and vegetable campaigns. This push for healthy foods present various opportunities for UK producers to capitalise upon, particularly within arid parts of the world where water shortages are increasingly problematic. Export opportunities are strongest in destinations where consumer demands have shifted to healthier food choices, largely a result of growing young populations and disposable incomes.

Our fruit and vegetables are grown to incredibly high food safety and environmental standards to produce safe food and take care of our environment. The UK's approach to food safety and hygiene significantly contributes to the global reputation of UK produced horticulture, underpinned by whole chain assurance schemes such as Red Tractor. Moreover, UK growers are required to use plant protection products in a responsible and sustainable manner, with growers adopting methods of Integrated Pest Management (IPM) to manage the risks to the wider environment whilst also ensuring quality crops are grown successfully.

The US is a dominant player in the global horticulture market. Despite this the UK is already making inroads with UK exports of fruit and vegetables to the USA worth almost £5million in 2019.

Value added products
Jams, juices and ciders are just a few examples of the value-added products we export, which will in at least part, utilise the UK's fruit and vegetable produce. Across 2017-2019, average jam exports to the EU and non-EU countries totalled around £24 million with growing demand for British taste. The greatest growth in jam demand is projected for Belgium, France, Norway and Spain. Similarly,

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Regulatory Reform since Brexit

- **"Great Repeal Bill",** the **EUWA 2018** and **EUWAA 2020** – creation of Retained EU Law, **or "REUL",** covering a number of different categories (Regulations, Directives, Decisions)
- Taskforce on Innovation, Growth and Regulatory Reform **(TIGRR)** – May 2021
- **Brexit Opportunities Unit** under Lord Frost – June 2021.
  - Review of REUL announced – Sept 2021
- BEIS consultation on **Reforming the Framework for Better Regulation** – July 2021
- Jacob Rees-Mogg, **Minister for Brexit Opportunities** – Feb 2022
  - **REUL dashboard**, June 2022 – shows over 570 piece of REUL for Defra alone
- Queen's Speech, May 2022 - **Brexit Freedoms Bill**
- Summer 2022 – HoC EU Scrutiny Committee inquiry into **Regulating After Brexit**

Retained EU Law (Revocation and Reform) Bill

- **Repeals "REUL"** and creates "assimilated law";
- REUL can be restated, amended or repealed, using **secondary legislation;**
- Reduces the weight given to REUL by domestic courts

It does this by introducing the following key changes:

- **Sunsetting** (i.e. ending) the majority of retained REUL at the **end of 2023;**
- Ministers can **extend the sunset** to a later time, up to **23 June 2026**;
- Reversing supremacy and abolishing any retained principles of EU law;
- Making it easier for the courts to depart from retained EU caselaw
- Creating **new powers for Ministers** to revoke (with or without replacement), modify or restate REUL by Regulation;

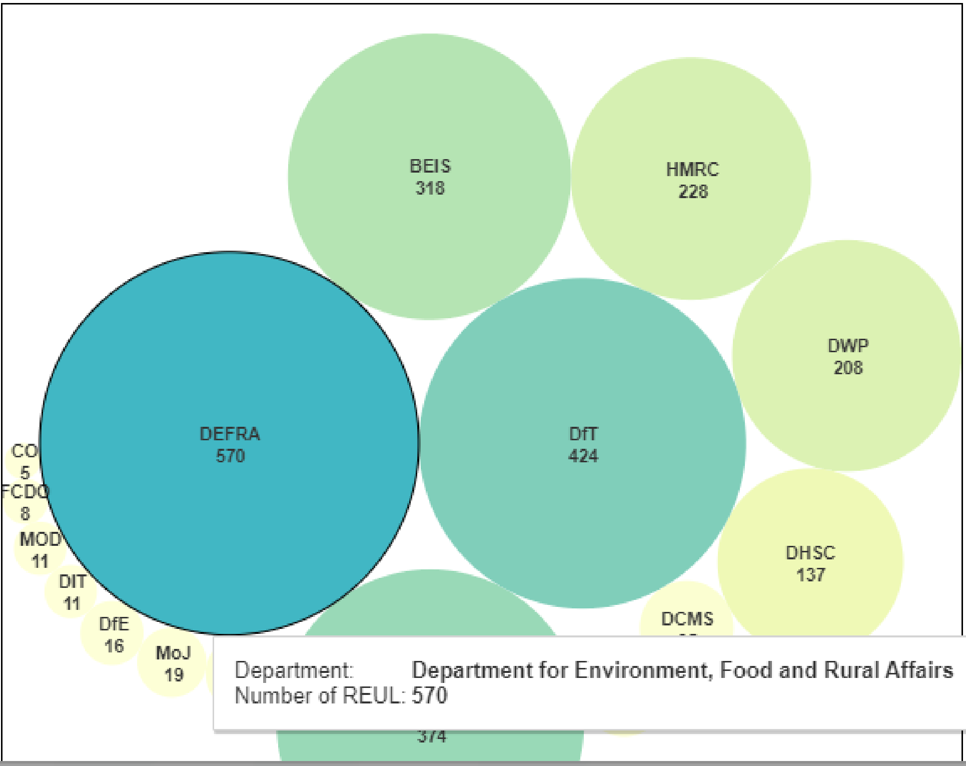
Cabinet Office

RETAINED EU LAW - PUBLIC DASHBOARD

This page contains a map of retained EU law. You can hover over the department name to view details.

Interactivity: Click on an area of a visualisation to highlight that selection in both charts. CTRL/CMD + click to select multiple objects. To clear your selection(s) either click the selection again or click in the white space of the selected chart.

Department	Number of REUL
Department for Environment, Food and Rural Affairs	570
Department for Transport	424
HM Treasury	374
Department for Business, Energy and Industrial Strategy	318
HM Revenue and Customs	228
Department for Work and Pensions	208
Department of Health and Social Care	137
Department for Digital, Culture, Media & Sport	35
Department for Levelling Up, Housing and Communities	29
Home Office	24
Ministry of Justice	19
Department for Education	16
Department for International Trade	11



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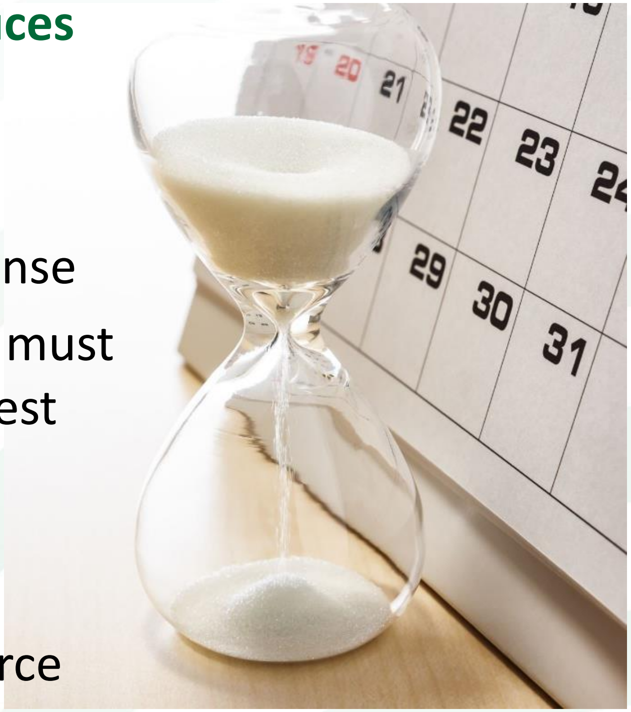
Opportunities…outweighed by risks

The Bill creates **uncertainty for businesses** and **reduces Parliamentary oversight** of important agricultural, environmental and business regulations



- **A review of regulation** in light of Brexit makes sense
- **Better Regulation not Deregulation** – regulation must be proportionate in its impact and designed to best achieve intended outcomes.

BUT, the REUL Bill :

- Imposes **very tight deadline** for doing so – resource issue for Whitehall and industry
- **Gives sweeping powers to Ministers** to legislate in areas covered by REUL
- Is a potential missed opportunity to do a **"proper job"**

The uncertainty continues….

Rishi Sunak to d
campaign pledg

PM likely to abandon promises
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Rishi Sunak is set to ditch his f
pledges, as No 10 admitted the

MATT

'I'm studying politics. The course covers the period from 8am on Thursday to lunchtime on Friday'

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omises made

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