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

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Director, Trade and Business Strategy
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

<table>
<thead>
<tr>
<th>Icon</th>
<th>Description</th>
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<tbody>
<tr>
<td>🏤</td>
<td>Oil prices have decreased by 34% since the highs of March when oil was trading at around $129.0/bbl</td>
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<td>🚗</td>
<td>Diesel mirroring oil, has seen a similar fall in prices since March. With a recent increase in price</td>
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<tr>
<td>💰</td>
<td>Oil and thus diesel prices likely to become more volatile in coming months</td>
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<tr>
<td>⚡</td>
<td>Diesel is still 33% more expensive than the same time last year</td>
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<td>🐮</td>
<td>Negative outlook a strain on farm production</td>
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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 and production including poultry
Fertiliser

UK Gas Prices - pence per therm

- Daily gas price
- 21 day range
Urea - global and national pricing - £ per tonne

- Middle East Urea futures (£/t)
- Urea on farm
- Urea on farm (top-end)
- Urea on farm (bottom-end)
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 Cooperation 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

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

• 11 nations
• Population +500 million
• 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, Malaysia, 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
**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%
Balance of trade

Total Agri Food Imports and Exports
1998-2022 (nominal terms)
The NFU export strategy

GROWING OUR AGRI-FOOD EXPORTS TO 2030 AND BEYOND

Horticulture

Top 12 Export products
1. Haas - £73 million
2. Apples - £46 million
3. Lettuce - 14,5 million
4. Red and Blackcurrants, Raspberries and Sherry - £1 million
5. Cut flowers - £96 million
6. Conifers and Tassels - £64 million
7. Cauliflower and Broccoli - £93 million
8. Cuttings, slips and other young plants - £93 million
9. Veg and Sweet cherry plants - 6.7 million
10. Mushrooms - 6.5 million
11. Bulb Narcissus dormant - £6.5 million
12. Strawberries - £6.5 million

The domestic market
Horticulture and horticulture is a relatively small sector in acreage but the largest for tonnage value, with 2% of farmed land and nearly 20% of tonnage value. British growers produce 12.2 million tonnes of fruit and vegetables every year - 104,000 hectares of land. In addition, British growers grow 10,000 hectares of plants and flowers and 60 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.

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

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

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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;
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.

<table>
<thead>
<tr>
<th>Department</th>
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<tr>
<td>Department for Environment, Food and Rural Affairs</td>
<td>570</td>
</tr>
<tr>
<td>Department for Transport</td>
<td>424</td>
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<td>HM Treasury</td>
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<td>Department for Business, Energy and Industrial Strategy</td>
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<td>Department for Work and Pensions</td>
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<td>Department of Health and Social Care</td>
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<td>Department for Digital, Culture, Media &amp; Sport</td>
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<td>Department for Levelling Up, Housing and Communities</td>
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<td>Home Office</td>
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<td>Department for Education</td>
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<td>Department for International Trade</td>
<td>11</td>
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[Image of a map of retained EU law with department names and corresponding numbers of retained EU law (REUL).]
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 ditch campaign pledges

PM likely to abandon promises of protection and charging patients

No 10’s admission follows series of gaffes

Rishi Sunak is set to ditch his final election pledges, as No 10 admitted the

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