LMC
Livestock & Meat Commission

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Switch to WTO trading conditions could devastate Northern Irish farming

- *5-year Single Market & Customs Union transition period with mid-way review called for*
- *Fears 2-year transition period simply a “stay of execution” for NI farming*
- *Cyprus-type model considered possible contingency plan, but obstacles remain*

If the UK fails to agree a post-Brexit trade deal with the EU and has to instead revert to World Trade Organization trading conditions, Northern Ireland beef and sheep meat output could decline by 21%, with exports to the EU collapsing by over 90%. These are the findings of a new 123-page report commissioned by the Livestock and Meat Commission for Northern Ireland (the LMC).

The report, produced by farm business consultancy The Andersons Centre with support from Oxford Economics, gauged the impact on the Northern Irish beef and sheep meat industry of moving from EU to World Trade Organization (WTO) trading conditions under two scenarios: **1) “WTO Equivalence”** (where the UK and EU impose reciprocal tariffs on each other’s imports based on the current EU Common External Tariff, as well as an assumption that there would be mutual recognition of veterinary and other technical standards) and **2) a unilateral “Open-Door” trade policy** whereby the UK reduces its tariffs on imports from major agricultural producers but without any reciprocal agreements in place.

The report’s key findings were:

- If the UK adopted a unilateral Open-Door trade policy, Northern Irish beef and sheep meat output would decline by 21%, as exports to the EU collapsed by over 90%.
- However, even under WTO Equivalence, whilst output could rise marginally in the short-run (as domestic consumption displaced EU imports) gains would be eroded by declining consumption in the longer-term due to higher prices, and exports to the EU would still fall by over 90%.

The report also found that:

- **Tariffs** for meat sales are substantial, ranging from 40% to around 100%.
- **Non-Tariff Barriers (NTBs)** are estimated to amount to a 3% tariff equivalent under WTO Equivalence and 5.7% under an Open-Door trade policy. These estimates are based on a thorough examination of NTBs and their impact on the red meat sector rather than relying on generic estimates, which is a drawback with previous studies on this issue.
- **Farm profits** decline in both scenarios particularly when combined with reductions in farm subsidies.

The report concludes that if an Open-Door trade policy was adopted, the viability of beef and sheep farming across large swathes of Northern Ireland would be seriously threatened, with grave consequences for the wider Northern Irish rural economy.

The report makes six recommendations for policy-makers:

1. Agree interim Single Market (EEA) and Customs Union membership for at least 5 years post-Brexit to negotiate the finer details of the eventual deal and develop the required infrastructure, with a mid-way review to examine whether enough progress has been made (e.g. technology to facilitate frictionless cross-border trade) to affect timeframes.
2. Set up an Agri-food Workers' Scheme to permit continued access to labour for Northern Ireland processors, coupled with incentives for locally-based staff.
3. Bolster efforts to get Northern Irish products approved for sale in non-EU countries, including gaining mutual recognition of veterinary standards.
4. Formulate a long-term strategy for food and farming.
5. Ensure that food imports meet the same rigorous standards as domestic produce.
6. Adopt EU Official Controls of animals and meat products at slaughter houses, meat plants and collection centres for live cattle within the UK and Republic of Ireland to permit frictionless cross-border trade.

If WTO trading did come to pass, the report suggests several further recommendations, including as a last resort considering a "Cyprus-type model" for cross border trade if no other agreement is possible. This is because the island of Cyprus is within the EU, but only the southern half is recognised as within the Single Market. Consequently, there are special rules regarding the trade of goods between the southern half and the Turkish Republic of Northern Cyprus. However, the report also notes that whilst a Cyprus-type model could help to facilitate trade reasonably close to existing levels, potential obstacles remain.

The report's other recommendations in the event of WTO trading coming to pass include setting bilateral Tariff Rate Quotas to mirror historic trade flows between the UK, EU-27 and non-EU countries, as well as Northern Irish beef and sheep meat exporters capturing more of the domestic UK market and opening-up new markets.

Commenting on the report LMC Chief Executive Ian Stevenson said: *"The report clearly shows that WTO trading conditions would be complex, costly and disruptive and that the most viable solution for safeguarding the future of the industry is not only a UK-EU post-Brexit comprehensive free trade agreement, but until then to have a 5-year transition period with a mid-way review, to avoid an interim deal simply being a stay of execution for the industry."*

Michael Haverty, lead author of the study, said: *"An Open-Door trade policy would have a devastating impact on the industry both domestically and internationally. Whilst a Cyprus-type model highlights the need for contingency planning, the ideal outcome remains avoiding WTO trading conditions by agreeing interim Single Market and Customs Union membership for 5 years post-Brexit, incorporating a mid-way review, to negotiate and implement a more considered long-term agreement."*

Ends

Notes to Editors:

1. Northern Irish beef and sheep meat industry output is estimated in the report at £1.1 billion for 2016, directly employing more than 4,750 people. Whilst over 70% of sales were to the British mainland (with the local NI market being relatively small at 9%), annual sales to the rest of the EU were still estimated at £195 million. Non-EU annual sales – a critical outlet for

the parts of sheep and cow carcasses which UK and EU consumers do not utilise – were valued at £28 million.

2. The report makes clear that whilst a Cyprus-type model is not ideal, it would at least permit some semblance of low-friction trade across the island of Ireland. Under such a model, Northern Irish/UK beef and sheep meat could only be sold in the Irish Republic and not elsewhere in the EU. A reciprocal arrangement would work in the opposite direction, meaning that only beef and sheep meat originating in the Irish Republic could be sold in the UK (i.e., no goods from the EU-26 would be permitted tariff-free under this arrangement). However, such a model would require additional documentation demonstrating requisite Country of Origin and likely be subject to Trade Rate Quotas.

3. LMC is the Livestock and Meat Commission for Northern Ireland. LMC's mission is to support, examine & inform the marketing and development of the Northern Ireland beef and sheep meat industry.

4. The Andersons Centre is a leading UK agricultural consultancy which provides economic and market analysis covering all aspects of agriculture.

5. For more information contact Seamus McMenamin (Tel: +44 (0)28 9263 3000; email: smcmenamin@lmcni.com).

6. To download a copy of the full report please click here