Brexit and the Scottish red meat trade

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Estimated self-sufficiency of abattoir production

Sources: Defra; ONS; Scottish Government; QMS calculations

UK | Scotland
---|---
Beef | 81% | 162%
Sheep | 101% | 164%
Pig | 61% | 23%
UK meat consumption

Thousand tonnes


2500
2000
1500
1000
500
0

lamb  beef  pigmeat  poultry


100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

lamb  beef  pigmeat  poultry

Scotch Beef  Scotch Lamb  Specially Selected Pork

QMS
UK meat consumption

Self sufficiency if all production stayed in UK

- Lamb: 100%
- Beef: 80%
- Pigmeat: 60%
- Poultry: 50%

Self sufficiency after trade

- Lamb: 70%
- Beef: 75%
- Pigmeat: 65%
- Poultry: 60%
The Issues

- Trade within the UK
- Access to the European Union market
- Access to non-EU markets
- Management of Imports
- Abattoir and meat processing labour
- Future agricultural and rural development policy
- “Indy ref 2”
Scotland meat trade

23,411 Tonnes from 1,119,804 lambs
- 12.5% stays in Scotland
- 62% goes to rest of UK
- 25.5% goes outside of UK effectively all to Europe tiny bit to Hong Kong
  - 73% France
  - 20% Benelux
  - 5% Italy
- Excludes live “exports” which are almost all sold as “British.”

161,000 Tonnes Beef from 460,442 Cattle
- 23% stays in Scotland
- 71% goes to rest of UK
- 6% goes outside of UK effectively all to EU
  - 30% France
  - 34% Benelux
  - 17% Italy
  - 4% non-EU (Switzerland, Hong Kong, Africa)
- Excludes live “exports” (very little)
UK Meat supplies

- Sheepmeat exports:
  - 95% to EU tariff free
  - 5% is non-EU

- Beef exports:
  - 90% to EU tariff free
  - 10% is non-EU

- Pork exports
  - 60% to EU tariff free
  - 40% is non-EU
UK Meat supplies

- Sheepmeat imports:
  - All comes tariff free – 85-90% non-EU

- Beef imports:
  - 95% comes from the EU tariff free
  - 5% is non-EU and will have some level of tariff

- Pork imports
  - Almost 100% comes from EU tariff free
The threats

- Loss of market access to main trading partner with unrestricted imports from low cost producing countries:
  - Leads to decline in livestock farm profitability despite some input cost reduction
  - Leads to decline in livestock numbers
  - Leads to breakdown in rural infrastructure
The opportunities

Trade with UK and Europe
EU trade rules – sheepmeat imports

**VRA at 0% customs and import duty up to quota limit:**
(Voluntary Restraint Agreement)

- **New Zealand** 228,254 tonnes (not currently hitting limit, 50% comes to UK)
- **Australia** 19,186 tonnes (c.66% comes to UK)
- Australia would love to send us more!

**Outside VRA 12.8% customs duty plus specific import duty of between €0.90 and €3.10 per kg net weight**

- £5,065 per tonne + £648 + £2,650 = £8,363 (**fresh boneless** +65% on fob price)
- £4,225 per tonne + £540 + £1,375 = £6,140 (**fresh carcase** +45% on fob price)
EU trade rules – beef imports

香蕉VRA reduced import duty up to quota limit examples:

香蕉Hilton Beef 66,828 tonnes (allocated to countries e.g. Brazil 10,000 tonnes)

香蕉Grain fed beef 48,200 tonnes (first come first served)

香蕉Outside VRA 12.8% customs duty plus specific import duty of between €1.41 and €3.04 per kg net weight (say £1.20 and £2.58 per kg net weight)

香蕉£1,800 per tonne + £230 + £1,426 = £3,456 (fresh carcase +92% on fob price)

香蕉£4,400 per tonne + £563 + £2,580 = £7,543 (fresh boneless cut +70% on fob price)
Trade discussions

- Free export trade with Europe?
  - VRA’s for UK meat with Europe? (Voluntary restraint agreements)
  - Trade with Europe at out of quota (WTO) rates?
  - Existing abattoir standards and food safety standards to apply?
  - Will extra physical checks and paper work be needed?

- What about imports?
  - Europe, free trade or something different – Ireland will be concerned
  - New Zealand, almost certainly will want free access for at least some sheepmeat imports – share VRA out between Europe and UK (similarly Australia and Hilton beef suppliers)
  - Rest of the World – suggested WTO rules apply, what does that mean? UK adopts EU tariffs or applies its own at what rate?
The opportunities

- Trade with Europe
- Trade with the rest of the World
Who else will buy?

- Top ten sheepmeat importers:
  - China, France, UK, USA, Saudi Arabia, UAE, Germany, Netherlands, Malaysia, Jordan.

- Top ten sheep importers:
  - Saudi Arabia, Kuwait, Libya, Italy, Jordan, Spain, Qatar, Yemen, France, Senegal
Who else will buy?

Top ten sheepmeat importers:
- China, France, UK, USA, Saudi Arabia, UAE, Germany, Netherlands, Malaysia, Jordan.

Top ten sheep importers:
- Saudi Arabia, Kuwait, Libya, Italy, Jordan, Spain, Qatar, Yemen, France, Senegal
Who else will buy?

Top ten beef importers:

USA, China, Japan, Russia, South Korea, Hong Kong, EU, Egypt, Canada, Chile
Who else will buy?

Top ten beef importers:
- USA
- China
- Japan
- Russia
- South Korea
- Hong Kong
- EU
- Egypt
- Canada
- Chile
Rest of the World Trade

Stage 1 gain access agreements

No access to many markets with potential e.g.

- China – beef and lamb
- Japan
- USA

UKECP working to achieve this but takes time

To get agreement e.g. EU-Canada discussions on an agreement to reduce beef tariff from 26.5% to 0% started in 2009 and has still not been signed.

To apply that agreement.
Rest of the World Trade

Stage 2 overcome non-trade barriers
  e.g. food safety criteria
    BSE/TSE
    Abattoir hygiene

Stage 3 find a customer
  Trade fairs
  Credit guarantees
  Transport networks
  Overcome tariff rates
The opportunities

- Trade with Europe
- Trade with the rest of the World
- New relationships in the supply chain
- Industry restructuring, innovation and appliance of science
- A new agricultural, environmental and rural policy or policies
In conclusion

- Our industry is treading water – uncertainty brings morbidity
- We can become very depressed

But

- Opportunities will develop although change is likely to be painful for some and will require:
  - The appliance of science
  - Trust and communication throughout the supply chain
  - Supportive government (export development and benign policies)
  - Time