Brexit and the Scottish red meat trade

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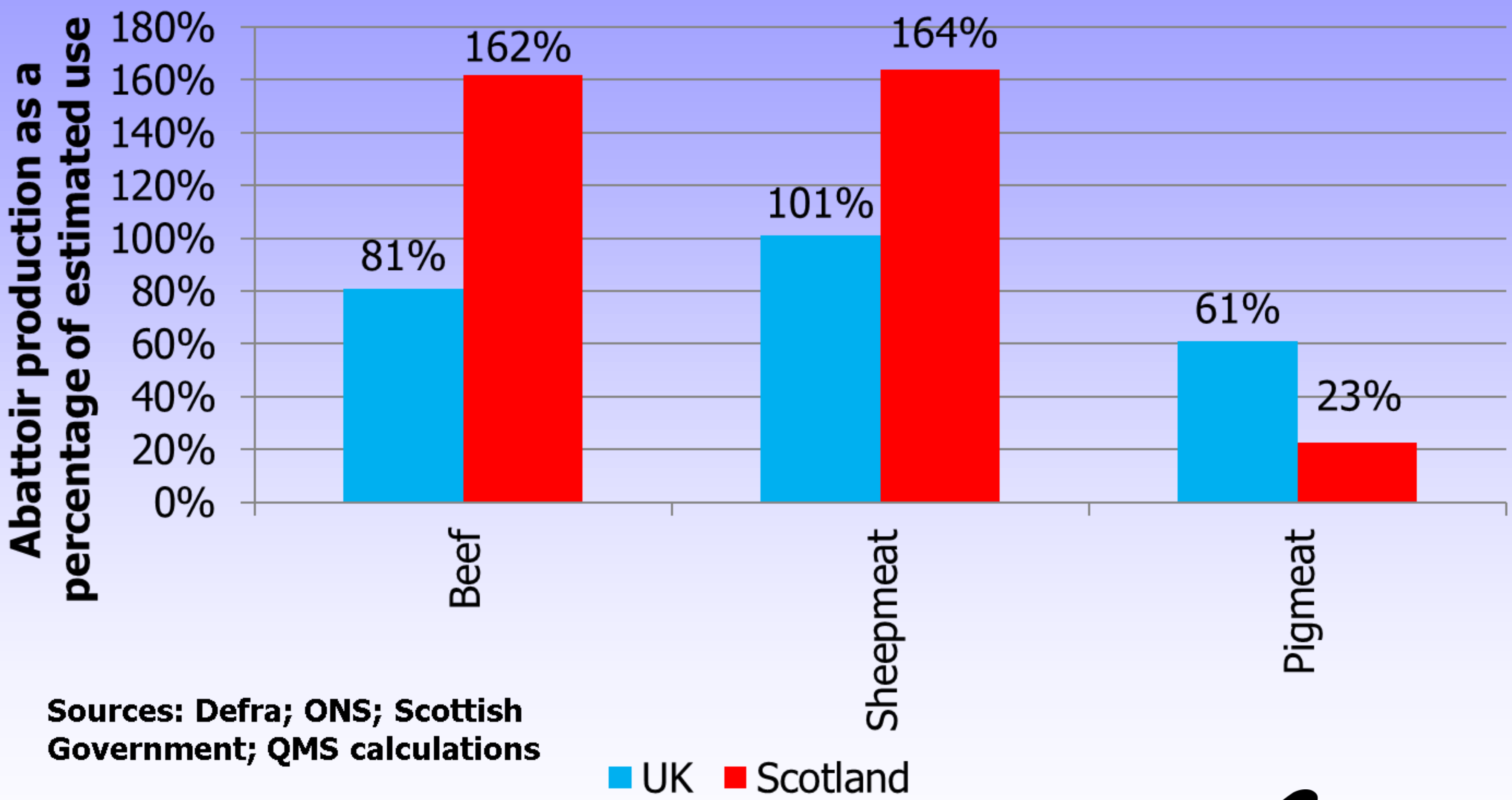
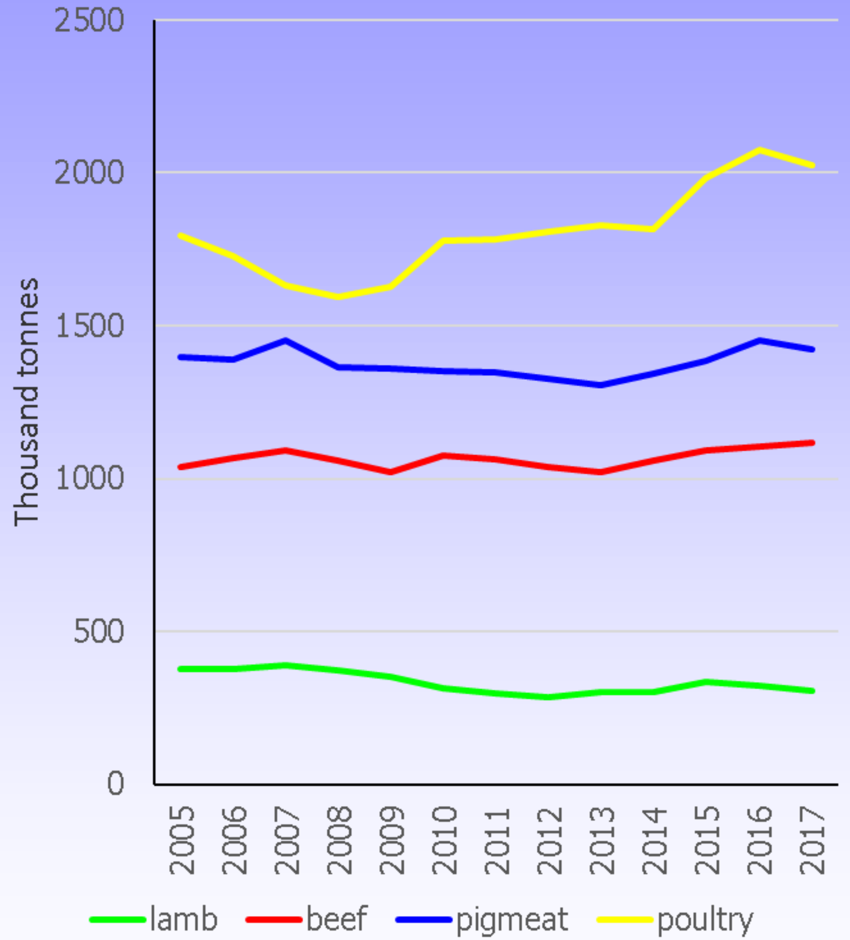
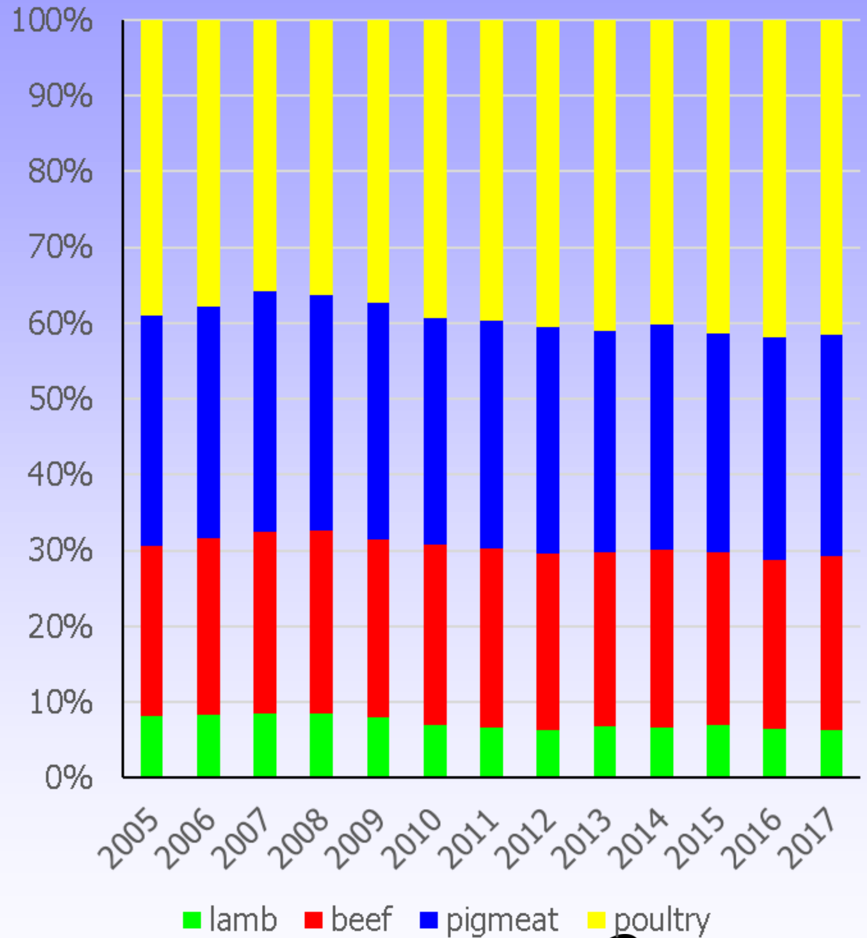
Estimated self-sufficiency of abattoir production



Sources: Defra; ONS; Scottish Government; QMS calculations

UK meat consumption





Scotch Beef

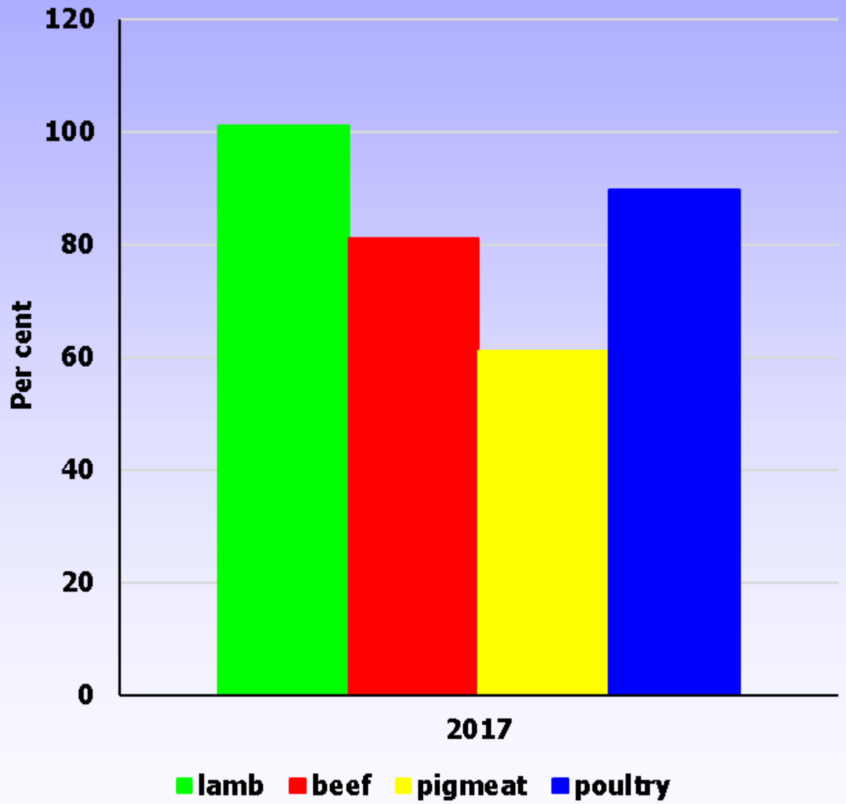
Scotch Lamb

Specially Selected Pork

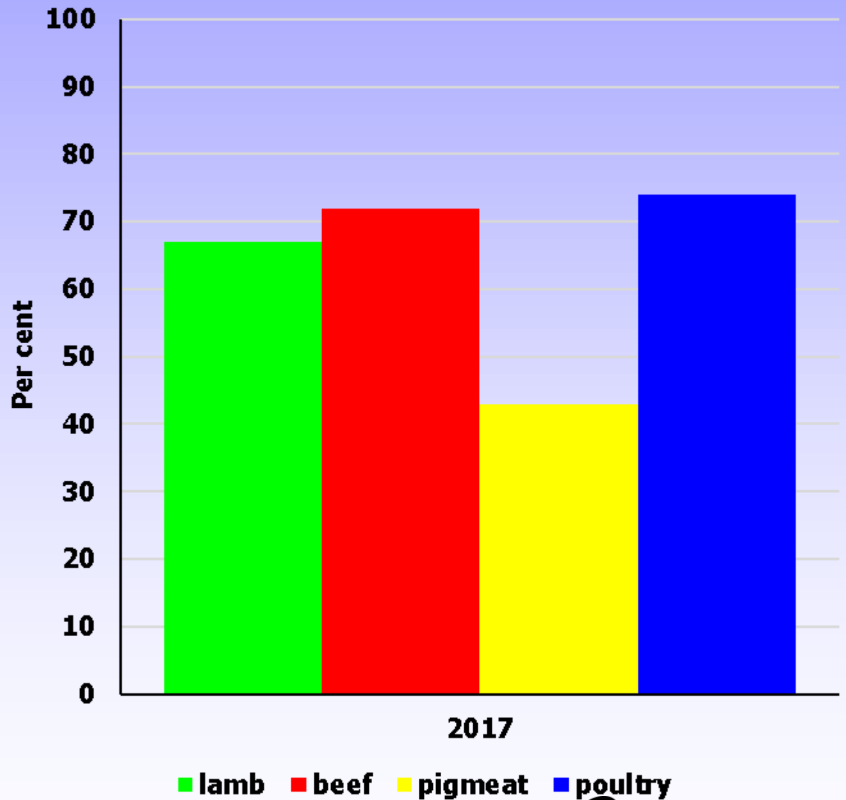
QMS

UK meat consumption

Self sufficiency if all production stayed in UK



Self sufficiency after trade



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

- VRA reduced import duty up to quota limit examples:
  - Hilton Beef 66,828 tonnes (allocated to countries e.g. Brazil 10,000 tonnes)
  - Grain fed beef 48,200 tonnes (first come first served)
- 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)
  - £1,800 per tonne + £230 + £1,426 = £3,456 (fresh carcase +92% on fob price)
  - £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, Jordon.

- Top ten sheep importers:
  - Saudi Arabia, Kuwait, Libya, Italy, Jordon, Spain, Qatar, Yemen, France, Senegal

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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