Agriculture: Key EU Referendum Questions Answered

Submitted by: The UK200Group
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As part of its commitment to the small and medium-sized enterprise (SME) business community, the UK200Group (http://www.uk200group.co.uk/) has launched its Campaign for Clarity ahead of the EU Referendum on June 23.

With this in mind, the UK200Group asked its members and their clients to contribute their most important business questions to a document that was then submitted to Britain Stronger in Europe and Vote Leave. The answers were received between May 12 and 24 2016 and are documented in the report.

The UK200Group, established in 1986, represents a significant group of trusted, quality-assured business advisers – chartered accountants and lawyers – who have over 150,000 SME clients in total. As such, the UK200Group acts as the voice for 1,500 charities, over 10% of all registered academies, more than 3,700 farms, 800 healthcare businesses and over 500 property and construction professionals.

Below are the answers to the key agriculture questions. The Remain camp, as the nearest to status quo, has had its answers listed first, followed by those of the Leave camp.

The UK200Group is impartial in the EU referendum debate and seeks only to provide clarity to its members on issues that will affect them. As such, the following answers are provided verbatim from Britain Stronger in Europe and Vote Leave and are combined for the first time in this document.

1. What would happen with farming subsidies? Would we keep much the same model, and either pay the same and have our farmers receive more than they do now or pay less and have them receive the same, or would we move to a different model?

Remain:

The European Agriculture Fund for Rural Development, where Britain gets £1.4bn from 2014 to 2020, and CAP funding, where the EU has earmarked £20bn for UK farmers until 2020, are vital sources of income for our farmers, many of whom rely on it for income and may not be able to sustain themselves without this money. Outside of the EU, our access to this crucial funding would be lost.

The leave campaigns make all sorts of promises about spending fictional savings on the NHS, on agriculture, on schools, but the reality is that leaving the EU would wreck our economy, and Vote Leave have already been called out on having a £14bn black hole in their spending plans, so farmers cannot trust them on their fantasy plan for Britain outside the EU.

Leave:

It is not necessary to be a member of the scheme to guarantee funding or subsidies - the UK supported those who produce its food for years before joining the EU, and would continue to do so after we Vote Leave. British farmers would continue to be supported after we Vote Leave. Switzerland, Norway, and Iceland all support their farming sectors outside the EU and the CAP.

In fact, the payments made by these countries are actually more generous than those paid by the EU to member states. David Cameron has guaranteed that British farmers would continue to be supported, writing to the Country Land and Business Association (CLA) ‘As long as I am Prime Minister, I would make sure that an agricultural support system would be properly maintained’ and appears to commit that he would expect any future Conservative government to do likewise (10 Downing Street, 12 April 2016, link).

2. What changes would there be, if any, to import and export tariffs on agricultural or other commodity prices?

Remain:

If the UK left the EU and did not secure a free trade agreement with it, future UK-EU trade would take place on WTO terms. Some leave campaigners back this option. Under WTO terms, the EU could apply ‘Most Favoured Nation’ (MFN) tariffs on imports from the UK, including agricultural imports. This would make UK exports to the EU more expensive, hitting our trade.

The EU applies an average tariff of 14% on agricultural imports from non-EU countries (including countries with special arrangements with the EU like Norway and Switzerland). Tariffs could be higher on some products – for example, up to 42% for some dairy products.

Leave:

The independent House of Commons Library has concluded that EU membership actually increases the costs of consumer goods, stating that the EU’s Common Agricultural Policy ‘artificially inflates food prices’ and that ‘consumer prices across a range of other goods imported from outside the EU are raised as a result of the common external tariff and non-tariff barriers to trade imposed by the EU.

These include footwear (a 17% tariff), bicycles (15% tariff) and a range of clothing (12% tariff)’ (House of Commons Library, 18 September 2013, link). If we Vote Leave, the UK is certain to strike a free trade agreement with the EU which will allow British farmers to sell their produce to the EU without tariffs or quotas. The Foreign Secretary, Philip Hammond has admitted that a free trade agreement in agricultural goods 'would be relatively simple to negotiate' (HC Deb 26 February 2015, col. 501, link).

3. What would happen to agricultural commodity prices if there were any trade restrictions of any type?

Remain:

It would become more expensive to trade in goods if we leave the EU, through new trade barriers and potential tariffs. This would increase the cost of trade to businesses, which could be reflected in higher prices.

Leave:

On 5 May 1998, the European Court refused to strike down a worldwide ban on the export of British beef imposed by the European Commission in March 1996 during the bovine spongiform encephalopathy (BSE) epidemic (Decision 1996/239/EC, link; United Kingdom v Commission [1998] ECR I-2265, link). The ban was eventually lifted by the Commission on 1 August 1999 after a crisis which cost the farming industry an estimated £1.5 billion (BBC News, 14 July 1999, link). The Commission could do the same thing again if the UK votes to remain.

The full report can be found here (http://www.uk200group.co.uk/web/FILES/EU_Questions_answers_v5.pdf). A video of the media briefing that launched the report can be found here (https://www.youtube.com/watch?v=K-fHaWkALac).

Useful links:
The UK200Group: http://www.uk200group.co.uk/
Campaign for Clarity 30 Questions and Answers report:
http://www.uk200group.co.uk/web/FILES/EU_Questions_answers_v5.pdf
Media briefing video: https://www.youtube.com/watch?v=K-fHaWkALac
Britain Stronger in Europe: http://www.strongerin.co.uk/
Vote Leave: http://www.voteleavetakecontrol.org/

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On May 11, the UK200Group hosted a debate at which 30 questions from SME owners were given to leading politicians, who discussed the implications of a Remain or Leave vote. The questions were then given to the official Remain and Leave campaigns, and the report was put together between 12 and 24 May.

About the UK200Group:

The UK200Group was formed in 1986, and is the UK's leading association of independent chartered accountants and law firms, with connections around the world.

The association brings together around 150 member offices in the UK with more than 500 partners who serve roughly 150,000 business clients. Its international links in nearly 70 countries give its members access to expertise across the globe.