EU REFERENDUM

UK FARMING'S RELATIONSHIP WITH THE EU

BACK BRITISH FARMING

NFU CYMRU

NFU

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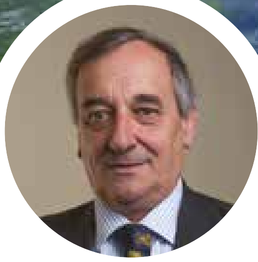


FOREWORD

Our country's relationship with the European Union (EU) is under intense scrutiny ahead of the referendum on whether the UK should remain a part of it or not. The EU and what goes on in places like Brussels may seem like a very long way from the farm gate, but the EU's relationship with the farming industry goes right back to the very beginnings of the EU and its influence on British farming is huge.

Seventy years ago Europe emerged from the most destructive war of recent times. Europeans were determined that such an event would never take place again and together a small group of countries set about creating a political and economic union that today has grown into the largest economy in the world.

In 1957 the Treaty of Rome was signed, which laid the foundation of Europe's Common Agricultural Policy (CAP). The CAP is one of the EU's oldest policies and remains today as one of its most important and often one of its most controversial. But being a part of the EU goes far beyond the reach of the CAP. This report aims to lay out the full extent of British farming's relationship with the EU.

The NFU has not taken a 'yes' or 'no' stance ahead of the conclusion of the renegotiation. At this stage we simply can't. What we can do is assess what we know. The pros and cons of our existing relationship with the EU. However, it is impossible to measure the impact of being outside of the EU since we do not know the relationship the UK would have, nor the conditions under which its farmers would be expected to operate if we did leave the EU. A number of trade models with Europe do exist and these are laid out in this document, but none covers the agriculture sector. Since the government is actively seeking to change our relationship with the EU it is unlikely to articulate its vision of 'out' whilst renegotiations continue, but nevertheless the NFU has identified a number of key questions that demand answers, both from those advocating remaining part of the EU and from those who are campaigning for our exit.

I hope that this document provides you with insights and answers to explain our industry's current relationship with the EU and that it will help inform discussions and debates. It won't answer all of your questions, at this stage no-one can, but as the debate evolves in the run up to the referendum, the NFU will continue the conversation with its members and together we will continue to promote the best interests of British farmers both at home and abroad.

Meurig Raymond

Meurig Raymond MBE FRAgs
President NFU England & Wales

THE EU SINGLE MARKET AND TRADE

The cornerstones of the EU single market are the 'four freedoms': The free movement of people, goods, services and capital. The single market allows people and businesses to move and trade freely across borders within the EU. These freedoms are laid down in the foundations of the European Union.[1]

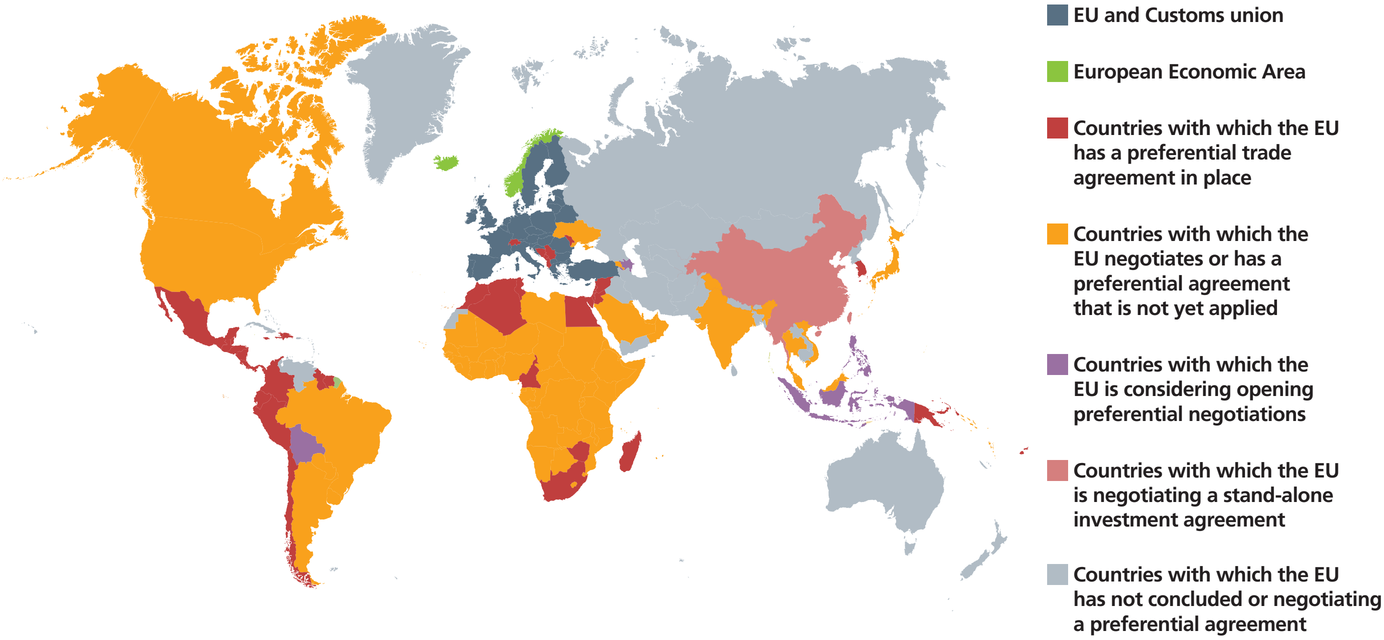
Today the single market gives UK businesses access to the world's largest economy with more than 500 million people with a GDP of €25 000 per head. The EU is the world's largest agricultural trader. Its agri-food exports totalled €122 billion in 2014 and it has a positive trade balance with the rest of the world of €18bn.[2]

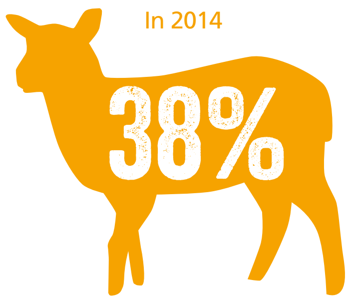
The UK is a net importer of agri-food products, totalling £39.6bn in 2014.[3] We import nearly twice as many agri-food products from the other EU countries than we export, however our exports are significant. In 2014 we exported £12.8bn worth of products. Approximately 73% of our total agri-food exports were destined for other European member states.[4] For some sectors the EU market is critical. Thirty-eight per cent of all lamb produced in the UK goes to Europe. France alone purchased more than £200m worth of UK lamb in 2014.

The free movement of goods across the EU's single market directly benefits businesses and consumers. The elimination of tariffs, border controls, the establishment of common rules and standards all reduce the administrative burden on trading businesses.

Being the largest single market in the world has meant that the EU can negotiate from a position of strength in securing international trade agreements around the world. These agreements are negotiated on behalf of the UK at the European level. As a result of this increased market access, the value of UK agri-food exports has more than doubled in the past decade.[5]

As well as a facilitating the free movement of goods around the single market, the EU is also a Customs Union. This means that goods entering the EU from outside are subject to the 'Common Customs Tariff' (CCT). The tariff is common to all EU members, but the rates of duty differ from product to product depending on what they are and where they have come from. The rates are set either through preferential trade agreements or through the World Trade Organisation (WTO). On the other hand, EU exports face tariffs when they are exported abroad. For instance, Norway applies tariffs in the region of 267%-277% for EU cheeses, 344% for EU beef and 429% for EU sheepmeat.[6]

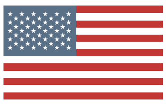




of lamb produced in the UK was exported to the EU

GROSS DOMESTIC PRODUCT 2014

$18,495.35
Billion (USD)



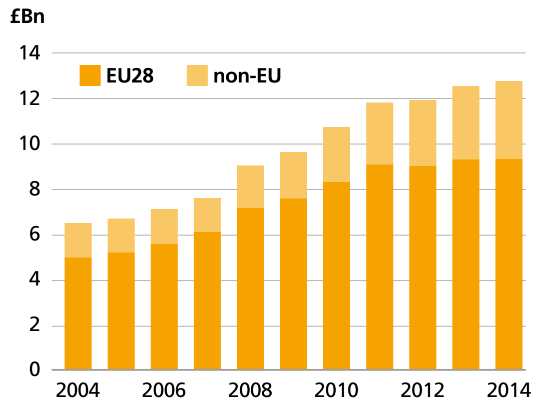
$17,418.93
Billion (USD)

$10,380.38
Billion (USD)

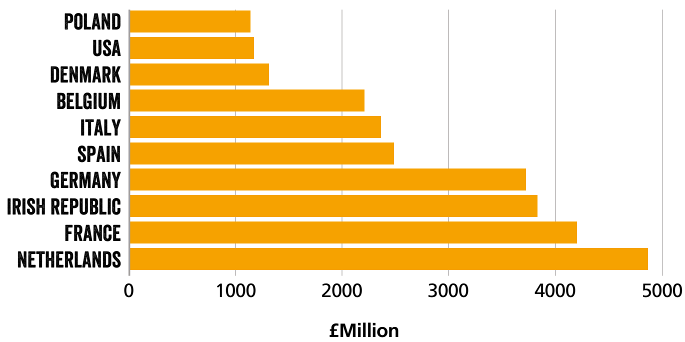
$4,616.34
Billion (USD)

$3,859.55
Billion (USD)

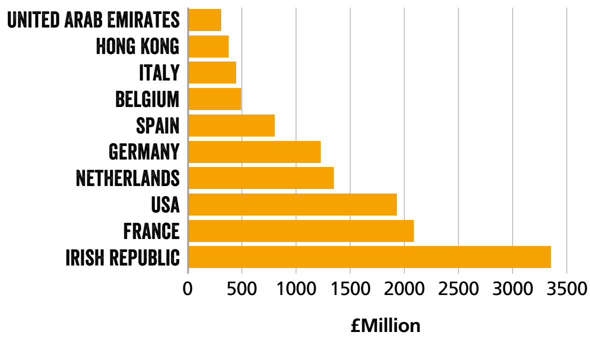
UK FOOD AND NON-ALCOHOLIC DRINK EXPORTS



9 OF TOP 10 COUNTRIES WE IMPORT FOOD, DRINK AND FEED FROM ARE IN THE EU



7 OF TOP 10 COUNTRIES WE EXPORT FOOD, DRINK AND FEED TO ARE IN THE EU



LABOUR AVAILABILITY

It's an absolute priority that British farmers and growers have access to non-UK born labour to carry out all their operations. The free movement of people is one of the four fundamental freedoms of the EU, entitling citizens of EU member states and their families to live and work anywhere in the EU. This right also applies to citizens of Norway, Lichtenstein, Iceland and Switzerland, who are not members of the EU, but have signed special agreements to have access to the EU's single market.

Many of the crops produced in the UK are seasonal, which creates a logistical problem to annually recruit sufficient workers at the time when they are needed. This is compounded by the fact that in developed countries like the UK, the resident workforce has a preference for permanent employment. We know that employers in the UK within the agriculture and horticulture sectors, along with those further down the supply chain (i.e. food processors), have hired seasonal migrant workers in response to the increasing difficulty of recruiting a domestic workforce in recent years.

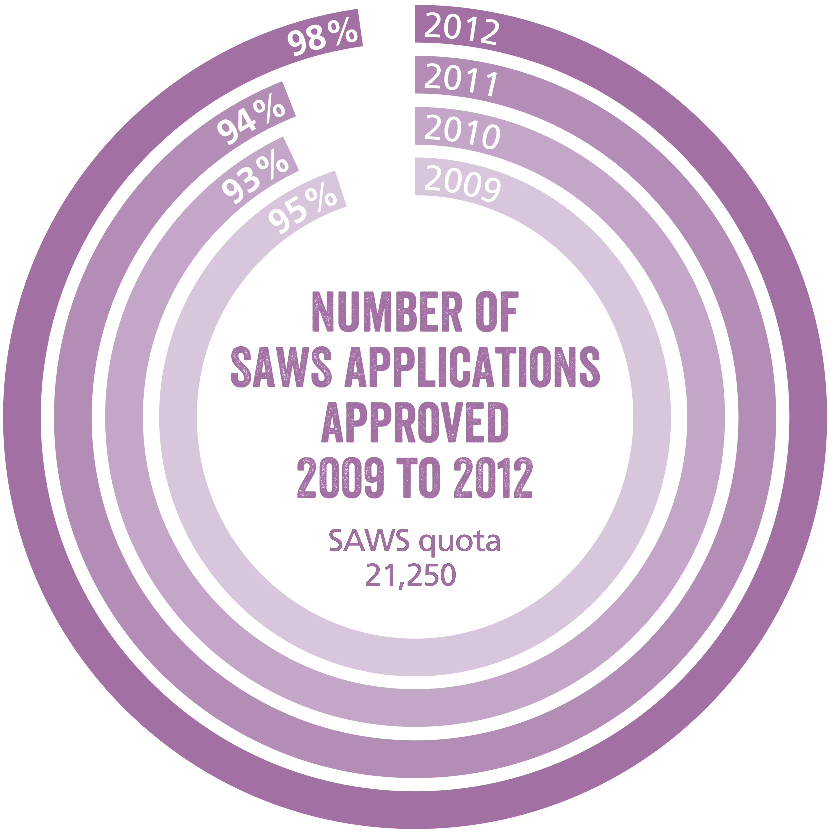
The Office for National Statistics (ONS) is able to provide data on the proportion of non UK born workers in the agriculture sector. It claims that in 2014 there were 34,513 non UK-born workers employed in the sector, of which 65% were born in the EU.[7] However, the ONS acknowledges that this isn't the entire picture. In fact, the ONS survey does not cover workers living in a communal establishment, nor temporary foreign workers who are only in the UK for a few months and return home. Therefore, most seasonal workers are unlikely to be counted under this survey.

The most recent picture of non UK-born seasonal workers available dates back to the end of the Seasonal Agricultural Workers Scheme (SAWS) in 2012. The SAWS allowed fruit and vegetable growers to employ workers from Bulgaria and Romania as seasonal workers for up to six months at a time within the limit of an annual quota. The quota was raised to 21,250 in 2009 and was kept at that level until the scheme ended in 2012. Take up of the quota remained very high between 2008 and 2012 and was at 98% in 2012.

It is reasonable therefore to assume that the official ONS survey figures are an underestimation of the number of non UK-born workers in the sector. Whilst it wouldn't be correct to simply add the former SAWs quota and the ONS survey figures together, these figures do give us an indication of the vital importance of non UK-born labour to the agriculture sector. Any restrictions on our ability to recruit non UK-born workers would negatively impact the sector.

EMPLOYMENT BY NON-UK EU BORN INDIVIDUALS FOR AGRICULTURE, FORESTRY AND FISHING

Year	Number of EU born individuals employed	% of total employment in sector
2014	22371	6.0%
2013	18784	5.8%
2012	19138	5.6%
2011	15957	4.6%



COBREY FARMS CASE STUDY:

"Cobrey Farms is a family partnership in South Herefordshire which grows asparagus, blueberries, rhubarb, potatoes and arable crops.
In 2015 we grew asparagus requiring 960 people to harvest, grade and pack. Asparagus production is highly labour intensive requiring people to cut the asparagus in fields by hand with limited ability to mechanise. The harvest labour is employed on a temporary seasonal basis with employees being housed on site. In 2015 52% were Bulgarians, 40% Romanian, 7.5% from other EU countries and only three UK nationals. It is critical to be able to employ people from other countries as we have been unable to fill positions from the UK labour market. In 2015 we received 44 direct UK applications which we tried to recruit, however once a job was offered all but three UK born people rejected the offer of work. Without the opportunity to work with foreign nationals we would be unable to grow these crops and harvest them successfully."

Catherine Chinn, HR Manager, Cobrey Farms

EU LEGISLATION

Being part of the European Union means that each country has to follow a body of common obligations that is binding on all the EU member states. However, countries like Norway, Iceland and Lichtenstein, which are not members of the EU but are members of the European Economic Area (EEA), have to fully comply with all relevant EU environmental, food safety and veterinary legislation.

It is very difficult to define the exact size and reach of the EU's law, but it is estimated that there are now more than 40,000 legal acts in force in the EU.[8] There are also 15,000 court verdicts and 62,000 international standards, all of which must be followed.

The EU's rules are grouped into 35 policy areas[9] including: agriculture and rural development; food safety; veterinary and phyto-sanitary policy; consumer and health protection and environment. The agriculture chapter alone contains 2,715 legal acts[10] that cover the CAP and the implementation of the single market for agricultural products. When taken alongside the environment and food safety chapters (a further 1,918 acts), it is apparent the significant role that the EU plays in farmers' everyday lives.

The WTO's global rules on trade apply to the EU and the UK. As a rule, products imported into a country must be treated no less favourably than products domestically produced. In order to achieve that, the WTO asks its members to set their standards based on international standards, guidelines and recommendations. These global standards are set by the World Organisation for Animal Health (OIE), the International Plant Protection Convention (IPPC) and the Codex Alimentarius Commission for food products.

Only if there is a scientific justification, can a member of the WTO set rules that result in a higher level of protection than would be achieved by measures based on the relevant international standards. For example, the EU bans the use of hormones in domestic stock rearing and at the same time it imposes a ban on all imports of meat produced with hormones.

Conversely, there are also examples of where the EU has chosen to adopt higher standards to apply to EU producers, but these cannot be enforced on imported products because there is no scientific justification to do so. For example this is the case with environmental legislation, labour rights and a number of animal welfare requirements. This can lead to unfair competition and can reduce EU farmers' global competitiveness.

The EU does set a number of mandatory rules that must be followed if a product is to be sold on the EU market, these are laid down through the CAP and typically relate to product safety and marketing standards and are in accordance with international standards (i.e. quality, grading, weight, sizing, packaging, wrapping, storage, transport, presentation, origin and labelling of agricultural products). These marketing standards apply across the whole of the EU and apply to imports too.

The EU has negotiated a number of special bilateral agreements that allow countries to voluntary agree to go above and beyond the relevant international standards. Norway, Iceland and Lichtenstein, which are not members of the EU but are members of the European Economic Area (EEA), have to fully comply with all relevant EU environmental, food safety and veterinary legislation[11] in order to have the right to trade with the EU. Similarly Switzerland has negotiated a bilateral agreement with the EU for trade in agricultural products[12] that results in very similar standards applied to EU and Swiss farmers.

The EU has many examples of veterinary agreements[13] in place with trading partners around the world. For example, this is the case with New Zealand where negotiators have agreed that each other's respective rules on food safety are 'equivalent' for the purposes of trade.

WHERE DOES IT ALL COME FROM?

There are three main Institutions of the EU.

1

THE EUROPEAN COUNCIL

represents the governments of the 28 member states of the EU. The UK has the joint highest number of votes in Council with 29 votes, like Germany, France and Italy.

2

THE EUROPEAN PARLIAMENT

represents the EU's citizens and is directly elected by them every five years. The UK has 73 Members of the European Parliament (MEPs).

3

THE EUROPEAN COMMISSION,

is the executive arm. It is organised into departments known as Directorates General (DG). Each DG is responsible for a policy area (e.g. DG Agriculture, DG Trade).

The European Commission proposes draft legislation, but it's the Council and European Parliament that debate, amend and ultimately agree what goes onto the EU rule book. It can sometimes take many years for EU laws to pass through this process, during which time the UK can directly influence the outcome. Once the legislation enters into force it's the Commission's job to ensure that it is properly applied in all the member states.

It is estimated that there are now more than

40,000

legal acts in force in the EU

There are

15,000

court verdicts and

62,000

international standards, all of which must be followed

EXAMPLES OF EU LEGISLATION APPLYING TO FARMERS

EU legislation	UK	Norway
Sustainable use of Plant Protection Products (No 128/2009)	✓	✓
Placing on the market of Plant Protection Products (No 1107/2009)	✓	✓
Nitrates Directive (No 91/676)	✓	✓
Water Framework Directive (No 2000/60)	✓	✓
Habitat Directive (No 92/43)	✓	✗
Sheep Electronic Identification (No 21/2004)	✓	✓
Welfare of Laying Hens (No 1999/74)	✓	✓
Protection of pigs – tether and sow stall ban (No 2008/120)	✓	✓

THE EU BUDGET

Every seven years the EU agrees an estimate of how much money it will need annually to fund its activities. This process is called the Multi-annual Financial Framework (MFF) negotiation. The latest MFF covers the period 2014-2020 with a budget of almost €1 trillion.

The EU budget itself is a fraction of national government expenditure (less than 2.25%[14] of EU member state total public expenditure).

Contributions to the EU budget come from a number of sources but the most significant one is based on contributions from the member states as a proportion of their Gross National Income (GNI).

The UK is a net contributor to the EU budget. This means it pays in more money than it directly receives from the EU, for example in the form of CAP support payments, research and development (R&D) funding, the animal diseases fund[15] and regional development (structural) funds. This is because the EU allocates funds for these issues in different ways. For example the UK's GDP per capita is 9% higher than the EU average[16] and this means that it doesn't qualify for a high proportion of funds aimed at helping the least developed economic areas of the EU increase their economic performance.

In 2014, the UK's net contribution to the EU was £9.8bn, which is around 1.5% of total UK public expenditure and equivalent to almost 0.7% of its GDP.[17] Since 1994, countries like Norway and Switzerland that have specific trading agreements with the EU have made financial contributions to its budget. The Treasury estimates that Norway contributed £539m[18] to the EU budget in 2014, the equivalent of £106 per capita. Presently the UK makes a net contribution of £153 per capita, but if the UK left the EU and instead contributed to the EU budget on the same way as Norway, HM Treasury estimates its contribution would fall by around 30%[19].

THE REBATE

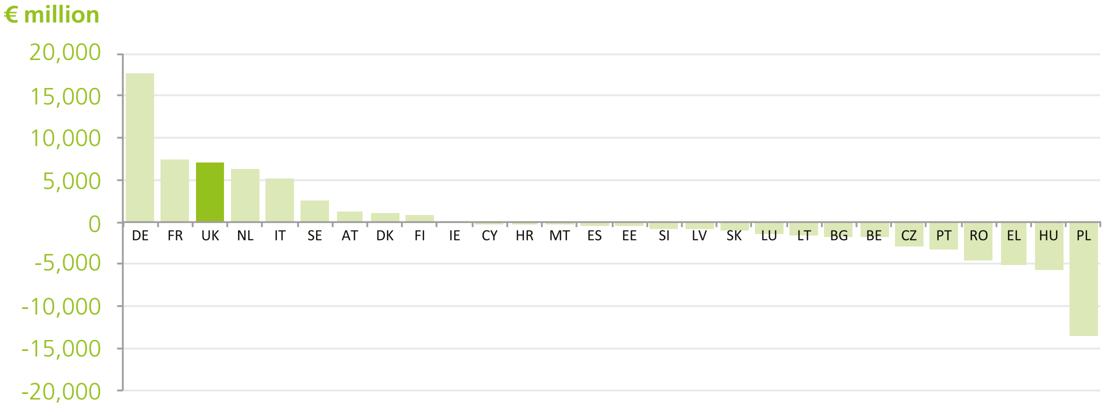
A number of member states have negotiated special terms (i.e. rebates) with respect to their contributions to the EU budget. The UK's rebate was originally negotiated and agreed in 1984 at the Fontainbleau summit by Margaret Thatcher.

It is calculated according to a complex formula that has changed over time[20]. In broad terms, the UK Government is reimbursed 66% of the difference between what it pays to the EU budget (excluding the cost of contributing to EU overseas aid and from 2009 non-agricultural expenditure in new member states) and what it receives from the EU budget. In 2005, some substantial changes were made to the rebate, principally excluding the cost of the 12 new member states from Eastern Europe, whose accession to the EU the UK had championed. This meant that the amount of money that the UK is entitled to through the rebate has declined dramatically over the last few years.

In terms of impact on the agricultural sector, the rebate acts as a disincentive for the UK Treasury to draw down any discretionary monies from the EU budget. For every additional pound the UK receives from the EU budget, the Treasury is giving up roughly 66p that it could otherwise allocate elsewhere across the economy.

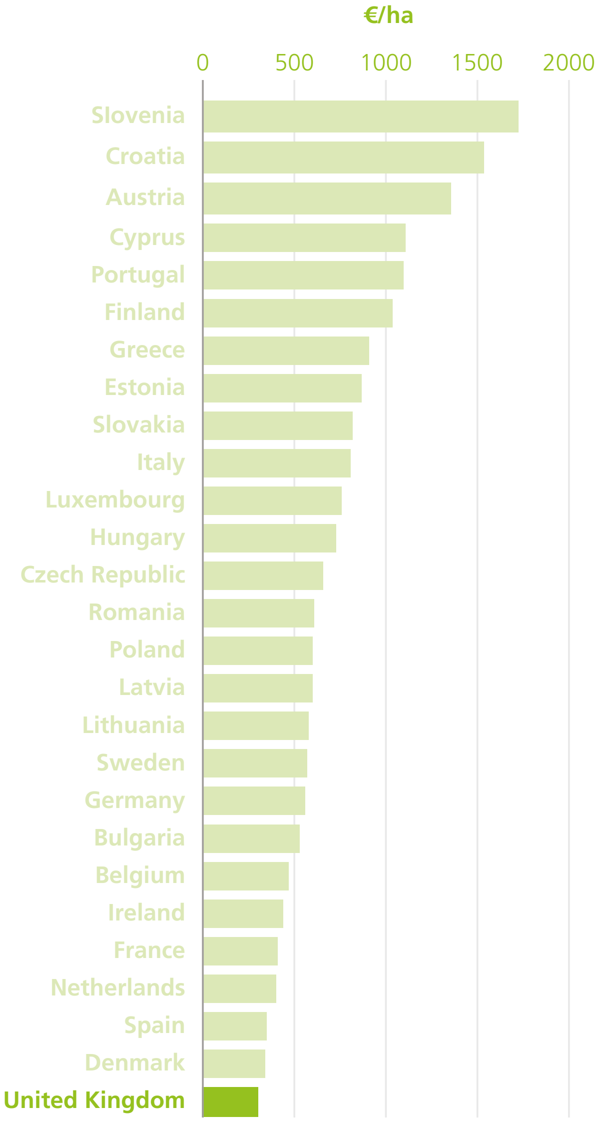
The government's reluctance to draw down discretionary EU funds over the years is one of the main reasons why the UK's share of rural development funds is the lowest of all member states on a per hectare basis. The EU's rural development funds are allocated in accordance with a formula that is based on historical allocation. Instead of arguing for a more objective allocation and therefore a higher allocation of funds from the EU's budget for rural development, the UK Government's strategy has been to bolster the amount of cash available for the UK rural development programs by cutting farmers' direct payments (in pillar 1) and transferring this cash to pillar 2. Today this process is called 'inter pillar transfer', but is widely recognized by farmers as 'modulation'.

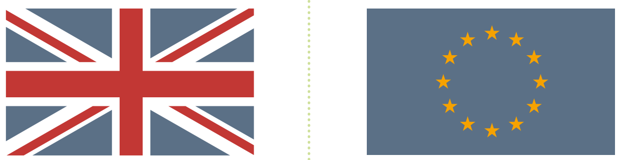
NET CONTRIBUTIONS TO EU BUDGET 2014



Source: NFU calculation based on EU Budget 2014 Financial report

EU RURAL DEVELOPMENT BUDGET 2014-2020





£19.23 BILLION
UK gross payment to the EU

£4.54 BILLION
UK public sector receipts

£4.89 BILLION
UK rebate

£9.81 BILLION
UK net contribution to EU in 2014

The UK receives **€34.25 MILLION** every year for animal disease controls from the EU budget

In 2014 the UK received **€3.084 BILLION** for CAP Basic Payment

THE CAP, ITS HISTORY AND EVOLUTION

The Common Agricultural Policy has been around for more than 50 years. It was established to increase agricultural productivity, thereby ensuring that farmers received a fair level of income and that consumers had access to safe and secure sources of food at reasonable prices.

The CAP accounts for a substantial proportion of the total annual EU budget: in excess of €58bn or just under 39%[21]. However, this has fallen from more than 73% of the budget in 1985.[22]

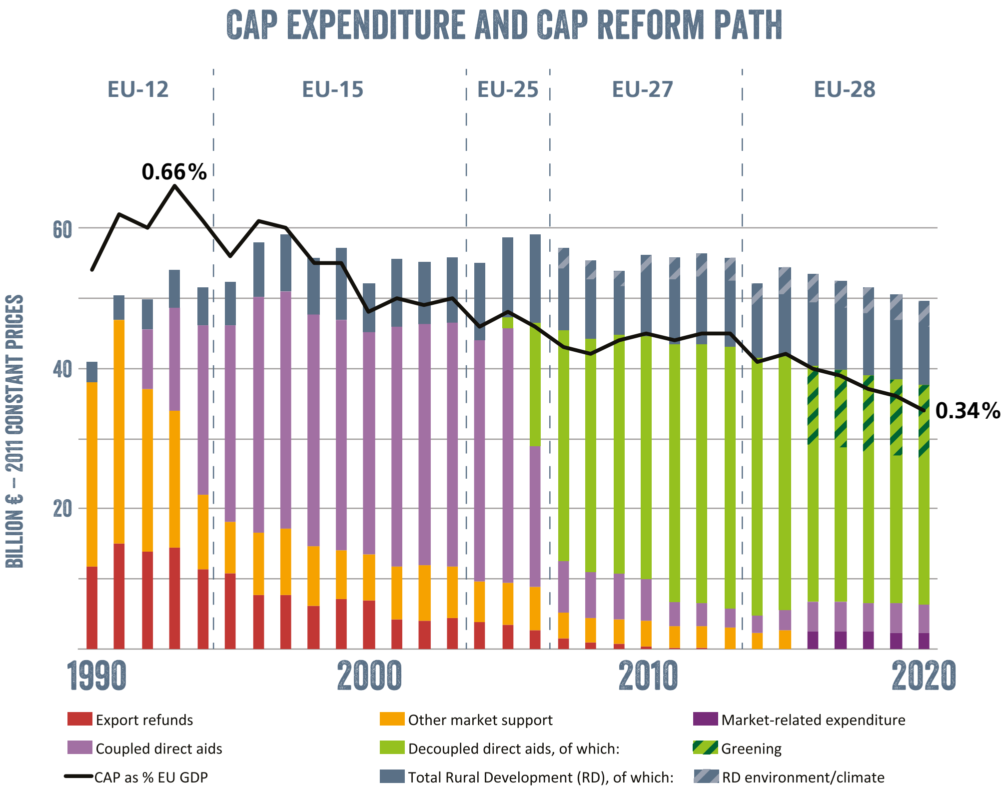
The reason the CAP represents such a large share of EU expenditure is because unlike many other public policies such as transport, education, health or defence that are still determined and financed at a local or national level, the CAP is agreed at EU level and almost entirely funded by the EU budget.

The CAP costs less than 0.9% of total public expenditure across the EU, or around 31 euro cents/ 23p per day, per European citizen[23]. The policy has changed significantly since it was first introduced. It began as a "market price" support policy that sought to control the markets for agricultural products, maintaining high prices for farmers and insulating EU farmers from world markets. High prices encouraged farmers to over-produce leading to the infamous butter mountains and wine lakes of the 1980s. In 1992 it was decided to move the policy away from market price support towards 'direct support' to farmers.

Initially this support was linked to production, but by 2005 the CAP had evolved to the system of "decoupled direct support" that exists today. Subsequent CAP reforms since 2005 have continued the process of decoupling and the CAP of today is not comparable to the CAP of the 1960s-'80s that is often criticised for increasing costs to consumers and leading to damaging over-production.

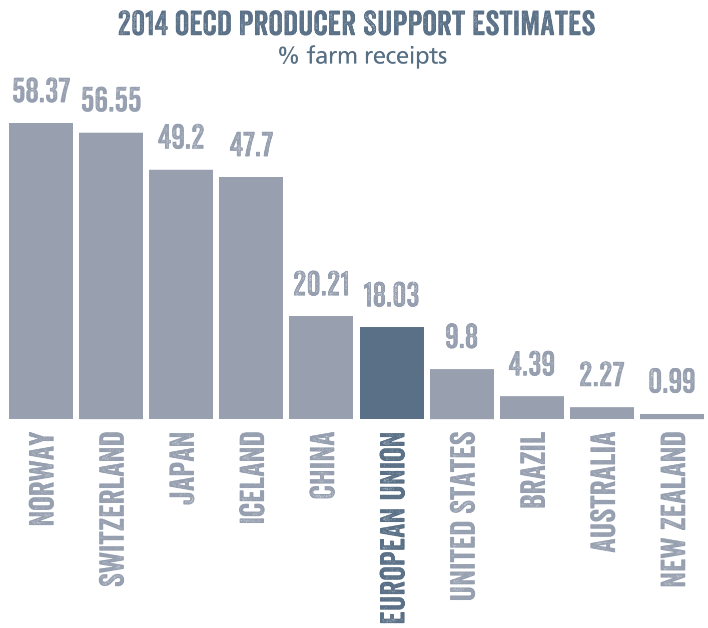
THE CAP IN THE INTERNATIONAL CONTEXT

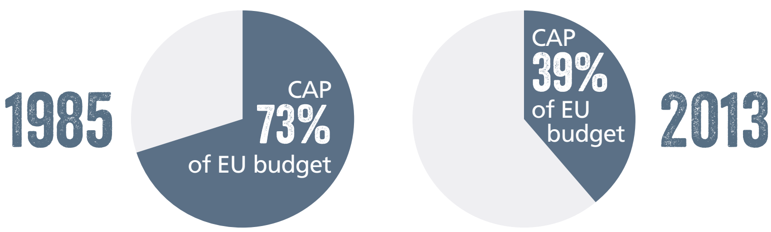
The EU is not alone in providing support for its farmers. The OECD monitors support levels around the world. Switzerland and Norway are often cited as examples the UK could follow if it were to leave the EU. These countries are not part of the EU's Common Agricultural Policy. They have their own versions that offer significantly higher levels of support than the EU, in fact they have the highest ratio of support to their farmers in the world (support received by farmers as a share of gross farm receipts).



CAP costs you

23p/DAY





CAP OBJECTIVES

Article 39 of the Treaty

1. The objectives of the common agricultural policy shall be:

(a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;

(b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

(c) to stabilise markets;

(d) to assure the availability of supplies;

(e) to ensure that supplies reach consumers at reasonable prices.

THE CAP IN THE UK

Many farmers would prefer to farm without financial support from the EU. However, the reality is that currently many farmers do not make fair returns from the market. As a result, the CAP helps address the failure of agricultural markets to deliver a fair level of income for farmers. It helps farmers deal with market volatility and ensures a degree of resilience to shocks.

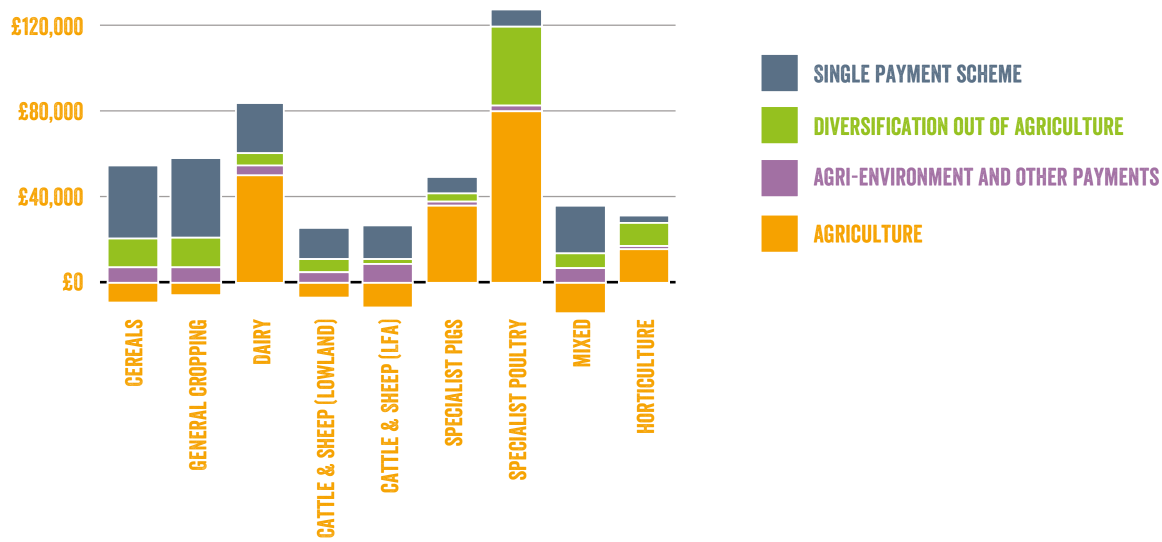
In 2015 UK farmers received €3,084bn[24] in pillar 1 direct support, also known as the Basic Payment Scheme (BPS). In England and Wales this equates to an average payment of €235 and €179 per hectare respectively.[27] Successive UK governments have sought to reduce the value of the direct payments received by farmers,[26] arguing that these payments should be phased out and money redirected towards the delivery of environmental public goods.[27] At the same time other EU governments have defended higher levels of support for their farmers.

In addition to the basic payment, UK farmers will also have access to €5.2bn that has been allocated to the UK for rural development projects over the period 2014-2020. This figure includes €2.3bn that has been transferred from the BPS to the UK rural development programmes. The countries of the UK each have their own rural development programmes. In England and Wales the focus continues to be on support to protect the environment, with 85%[28] and 56%[29] allocated to the environment respectively.

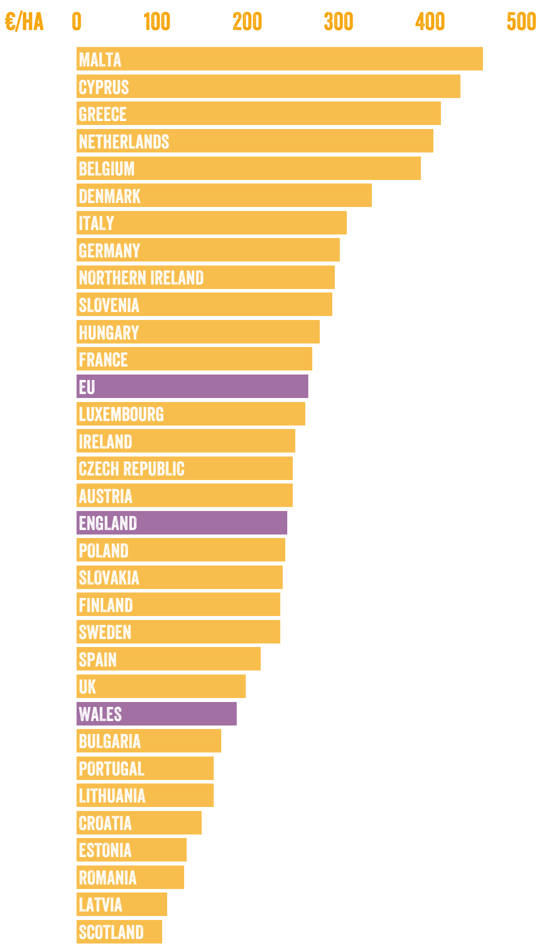
European farmers are required to meet the expectations of EU consumers for high quality, healthy and safe food that is produced to stringent environmental and welfare standards. These expectations manifest themselves in higher costs which do not always apply to imports produced in countries outside the EU. The CAP helps farmers meet these higher costs. It also ensures that agricultural production is environmentally sustainable, through a combination of underpinning regulatory compliance and providing incentives to further improve environmental performance. If support was removed overnight, many family farms in the UK would not be viable. Latest figures from Defra show that 55%[30] of UK Total Income from Farming comes from CAP support payments.

UK agriculture provides 62% of the food we eat. It is the bedrock of the UK's food industry, which is the UK's largest manufacturing sector.[31] If the viability of our farming sector is called into question, for example if our farmers were not able to compete fairly in the market place with our main competitors, this would have a significant impact on the UK economy as a whole.

FARM BUSINESS INCOME BY COST CENTRE 2014/2015



AVERAGE DIRECT PAYMENTS (AFTER TRANSFERS)



In 2014, UK consumers spent

£198 BILLION

on food, drink and catering

The UK food and farming sector is worth

£103 BILLION

or 6.8% of national GVA

In 2014, the agri-food sector employed

3.75 MILLION PEOPLE

The average UK family now spends

LESS

on food and non-alcoholic drinks – 14% of their disposable income in 2013 compared to 26% in 1970

THE EU SCIENCE AND RESEARCH LANDSCAPE

Between 2007 and 2014 the UK received €6.8bn[32] under the EU's research programme known as Framework Programme 7 (FP7). The UK ranked number two behind Germany, both in number of participants and budget share.

Horizon 2020 replaced FP7 in 2014 and is the biggest ever EU research and innovation programme. It aims to secure Europe's global competitiveness, strengthening its position in science and its industrial leadership in innovation by providing major investment in key technologies. For the period 2014 – 2020, its budget is nearly €80bn. Access to this fund is secured through competitive calls and managed by the European Commission. It covers seven major societal challenges including food security, sustainable agriculture and the bio economy, for which €4.1bn has been allocated. The Horizon 2020 programme is just beginning and limited funds have been allocated to date.

To strengthen the link between research and farmers, the EU has introduced a new approach known as European Innovation Partnerships (EIPs). There are five European EIPs covering subjects such as water and agricultural productivity that will help farmers address the challenges of the future. The aim is to ensure a faster transfer of research results from science to the ground and a better feedback to the scientific community on the needs of practical farming. EIPs represent a real chance to influence research funding for the benefit of the whole agri-food supply chain in the UK.

SCIENCE INSIDE THE COMMISSION

The European Commission has its own in-house science service, called the Joint Research Centre (JRC) with more than 3,000 members of staff. It directly employs scientists to carry out research in order to provide independent scientific advice and support to EU policy. Its budget is approximately €330mn per year.

The European Commission has also established a Scientific Advice Mechanism, which is composed of a group of high-level scientists. Its aim is to improve the interaction with the scientific community and to ensure independence and transparency and a close working relationship with scientific bodies in EU member states.

EUROPEAN FOOD SAFETY AUTHORITY (EFSA)

The EFSA provides the EU with independent scientific advice and communication on existing and emerging risks, carrying out risk assessments on a wide range of food and feed issues. The EFSA is an independent European agency funded by the EU budget that operates separately from the European Commission, European Parliament and EU member states. The EFSA produces scientific opinions and advice to inform European policies and legislation and to support the other EU institutions and member states in taking risk management decisions.

Between 2007 and 2014 the UK received

€6.8 BILLION

under the previous EU research programme known as Framework Programme 7 (FP7)

NEW

EIPs linking farmers to scientists

THE PIRBRIGHT INSTITUTE CASE STUDY:

Funding received from initiatives led by the European Union represent an important income stream for the Pirbright Institute. This funding plays an important role in sustaining our world-leading science, and its collaborative focus enables relationships to be built with key research, disease surveillance and industry partners across (and in some cases, beyond) Europe.

Since 2011, the Institute has won grants worth £2.7m* from the EU. This has funded a range of important research into high-consequence viral diseases of livestock, carried out in collaboration with a range of academic and industrial partners, including:

RAPIDIA-FIELD, which aims to develop rapid, ready-to-use veterinary field tests to improve the diagnosis of important veterinary pathogens, such as foot-and-mouth disease virus.

ASFORCE, which aims to implement and develop research efforts targeting prevention and control of the threat posed to the EU by African Swine Fever, a devastating disease of domestic pigs.

SAPHIR, which aims to develop vaccine strategies effective against endemic pathogens responsible for high economic losses in livestock in order to strengthen the profitability of food animal systems, improve animal welfare and reduce xenobiotic usage in farming.

Vmerge, which aims to address the risk of introduction, emergence and spread of viruses causing disease in livestock and humans associated with mosquitoes and biting midges, improve our currently limited understanding of these viruses and their potential for spread throughout northern Africa and Europe, and enhance epidemiological surveillance strategies and tools for better disease detection.

EVAg, which aims to generate a carefully authenticated animal virus collection that is larger than any existing repository, and readily available to all laboratories that meet approved ethical, safety and security standards, in order to facilitate development of new diagnostic tests and prophylactic or therapeutic control measures.

Dr. Mike Rogers, Head of Science Adminstration

*£1.2m from FP7 and £1.5M from Horizon 2020.

THE UK OUTSIDE OF THE EU?

The Treaty of Lisbon sets out the process for how a member state leaves the EU. If the UK decided to leave the EU after more than forty years of being a member, it would have to negotiate an agreement with the EU defining the arrangements for its withdrawal and its future relationship with the EU. It is impossible at this stage to foresee what the future relationship between the UK and the EU would look like given the high degree of uncertainty surrounding the negotiation process.

There are a number of existing agreements in place as alternatives to EU membership, including the European Free Trade Association (EFTA) and the European Economic Area (EEA). However, neither of these agreements cover the agricultural sector and indeed the UK Government and the House of Commons Foreign Affairs Committee[33] have both already concluded that neither EFTA nor EEA approaches would be appropriate for the UK if it were to leave the EU, since both require non EU members to adopt some or all of the EU laws with no effective power to shape it.

EUROPEAN FREE TRADE ASSOCIATION

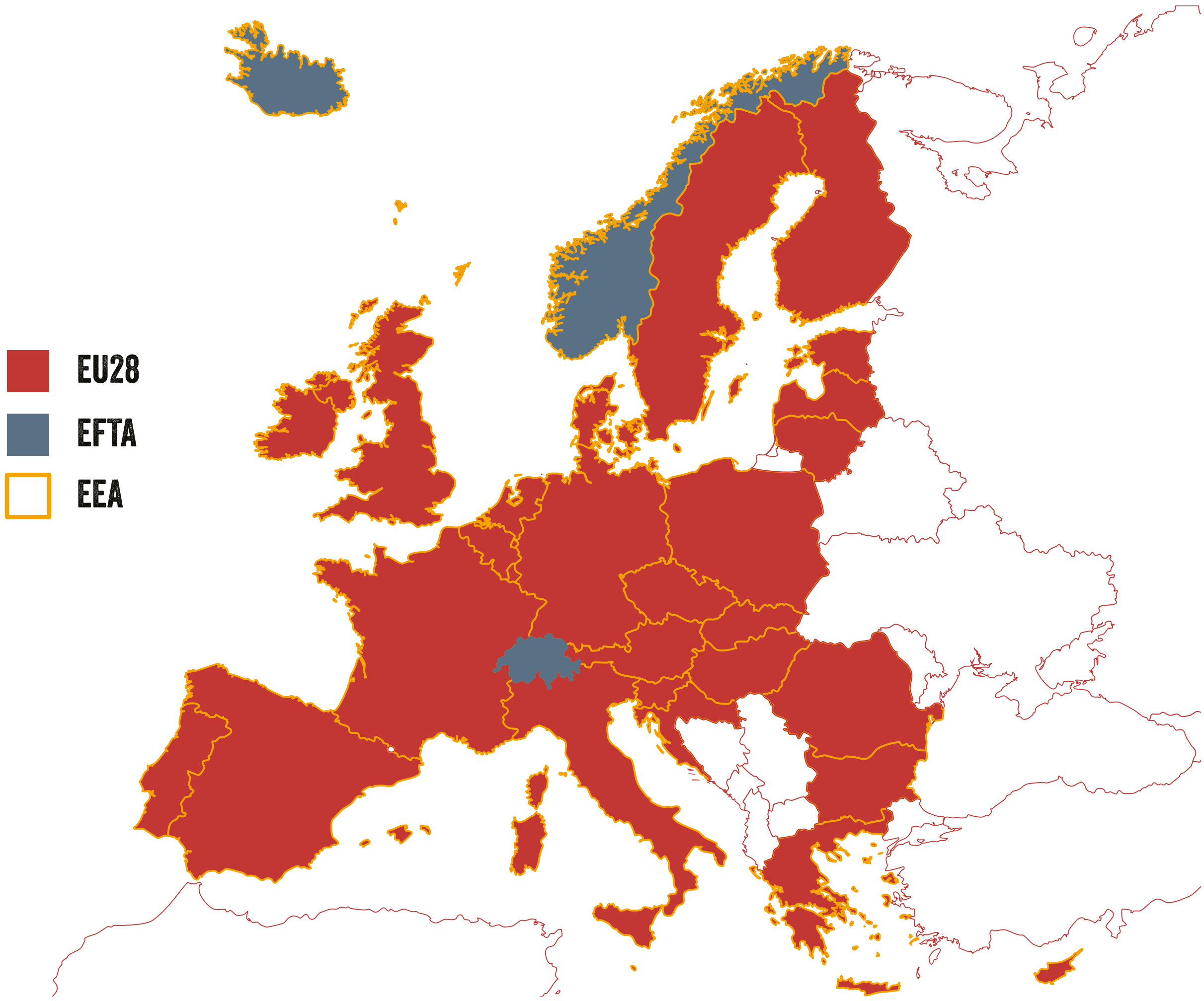
The European Free Trade Association (EFTA) is a free trade agreement set up to benefit its four members; Iceland, Norway, Switzerland and Lichtenstein. The UK was a member of EFTA before it left to become a member of the EU. EFTA currently has a number of free trade agreements in place, including with the EU, but also with many countries outside the EU[34]. The EFTA agreement with the EU allows the free movement of goods, services, people and capital. In return the EFTA countries have to make financial contributions towards EU enlargement costs and the EU programmes in which they participate. Given the size of its economy, Norway makes the biggest contribution to the EU. In fact, in 2014 it provided £539m[35] or £106 per capita. This compares to £153 per capita for the UK.

EUROPEAN ECONOMIC AREA

The European Economic Area (EEA) is defined by an agreement which grants three EFTA states (Iceland, Norway and Lichtenstein) access to the EU single market. Members of the EEA have to comply with EU competition law, consumer protection and environmental policy. However, as previously stated, this agreement does not cover the Common Agriculture and Fisheries Policy, the EU Custom Union and EU trade policy.

THE SWISS MODEL

Switzerland is a member of EFTA, but not part of the EEA, although it has negotiated a large number of bilateral agreements with the EU, including one on the trade of agricultural products with the EU[36]. Switzerland's approach means that it doesn't have to adopt the EU's relevant legislation, but it does have to apply equivalent forms of regulation when trading with the EU.

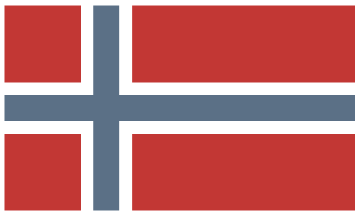


NO MEMBER STATE HAS EVER LEFT THE EUROPEAN UNION

The UK contributed the equivalent of

£153 PER PERSON

in 2014



In 2014 Norway contributed the equivalent of

£106 PER PERSON

to the EU budget with no influence

RENEGOTIATION ASKS

Ahead of the referendum the UK Government is seeking to renegotiate its relationship and the terms of membership with the EU. As yet the government has not formally published a position on what it is seeking to change with regards the UK relationship with the EU.

The NFU views the UK's renegotiation with the EU as an opportunity to highlight a number of elements, that if addressed, we believe will enhance the operating environment of UK farmers. Our position is based on the guiding principles of commonality, simplification, greater competitiveness and increased market orientation.

At every stage of the EU's decision making we want to see strategic leadership that keeps the agriculture sector moving forward towards greater productivity and global competitiveness. In order to achieve this, we believe that the EU must continue to seek better approaches to regulation and should only regulate as a measure of last resort. It is our view that new legislation should only be proposed following a robust assessment of what legislation is already in place and where there is evidence to demonstrate that other approaches have failed.

Existing legislation should be kept under regular review to ensure continued cost effectiveness and relevance. Significant efforts should be also focused on ensuring that distortions do not arise as a result of the differences in interpretation and implementation of EU legislation at a national level.

It is apparent that EU decision making in certain areas is already compromising UK and EU farmers' competitiveness in part due to the EU's disproportionate use of the precautionary approach in areas such as plant protection products and biotechnology. This has meant that UK farmers have failed to keep pace with their global competitors and have been denied access to products that others can readily use. We believe that regulation must be evidence based, using sound science and avoiding emotion and national politics.

The NFU supports efforts to open up new markets around the world and to address barriers to existing markets where they arise. Ahead of the conclusion of all trade negotiations, we call on the European Commission to publish offers and ensure that the impact of trade agreements is clearly understood and communicated to those affected. The EU should continue to seek balanced outcomes to trade negotiations and ensure that EU standards are not compromised, nor our farmers undercut by imports produced to lower standards.

The NFU holds some reservations with respect to the potential impacts of some elements of the government's renegotiation 'asks'. For example, the NFU would be deeply concerned if the agriculture sector's ability to recruit non-UK born workers was compromised as a result of any changes to the free movement of labour in place across the EU.

CASE STUDY 1: IMPLEMENTATION AND ENFORCEMENT OF EU ANIMAL WELFARE LEGISLATION

EU enlargement has resulted in a more diverse EU. Animal health and welfare do not carry the same priority weighting across the European membership. This is reflected in the reluctance of some countries to comply with European legislation relating to animal health and welfare. One such example is the sow stall ban, implemented across Europe from 2013 and in the UK since 1999. We believe the Commission should ensure robust sanctions against non-complying member states and that there should be a moratorium on all new EU and domestic welfare legislation until there is adequate enforcement of the existing regulations throughout the EU.

CASE STUDY 2: PLANT PROTECTION PRODUCT LEGISLATION:

There are a number of specific issues relating to pesticides and biological pest controls that have a significant impact on the availability and innovation of crop protection technologies. The resultant effect of the barriers to innovative technologies is to reduce the overall competitiveness of UK and European agriculture on the global market. The EU Plant Protection Product legislation, which lays down rules for the placing of plant protection products on the market introduced hazard cut-off criteria that lowers the threshold of tolerance for active toxicity, rather than adopting a risk-based approach. The implications for agriculture are that this leads to further restrictions on vital crop protection products, important for securing crop yields and quality.

The impact of the EU's disproportionately precautionary approach has been seen with recent restriction of three neonicotinoids based on a theoretical risk not evidenced in field trials, which will have wide ranging impacts on EU farming competitiveness. This is even more acute given the continued use of these actives in other non-EU countries. This reduces the attractiveness for developing new crop protection technologies within Europe, as European agriculture is seen as a secondary target for new innovative technologies.

CASE STUDY 3: NITRATES DIRECTIVE:

The Nitrates Directive requires member states to designate Nitrate Vulnerable Zones (NVZs) where the drinking water standard of 50 mg/l nitrate is, or is likely to be, exceeded, or where eutrophication is occurring. It requires an action programme comprising a prescribed minimum set of measures to be implemented in these areas. The Nitrates Directive is very prescriptive and inflexible, imposing high costs to agriculture, and particularly the livestock sector. Administrative costs alone borne by agriculture in England were estimated to be some £19.1m (+/- 25%) in the first year (2008) of the revised programme and £7.1m per year (+/- 25%) in subsequent years. However, the long-term trends in reducing fertiliser inputs pre-dates NVZ implementation, most NVZ action programme measures only limit nitrate pollution by small percentages and the impact depends wholly on the local situation so a one-size-fits-all approach cannot deliver benefits equivalently across all areas.

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NOTES

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KEY QUESTIONS THAT DEMAND ANSWERS

At the moment a full evaluation of the benefits and disadvantages of EU membership for British farmers is impossible because we have no clarity on what arrangements would be available outside the EU or what kind of agricultural policy a British Government would pursue. These are vital questions that demand answers. The NFU will continue to promote the interests of British farmers throughout the debate. You can help press for clarity by asking questions of those on both sides of the debate such as:

IF WE WERE TO LEAVE THE EU:

- Would we have access to the European market, and under what conditions?
- What would a future British agricultural policy look like, particularly for direct support?
- If we continue to have access to the EU's single market, but take a different approach on support to farmers, how will fair competition for our farmers be ensured?
- Would Britain be more or less open to imports?
- What immigration policy would the government pursue and how would it affect our access to labour?

IF WE STAY IN THE EU:

- What will you do to ensure the European Commission has a strategy to make European agriculture more productive and globally competitive?
- How would you ensure the CAP remains a common policy and that British farmers have a level playing field to compete upon?
- In or out of EU, how are we going to achieve better regulation?
- How are we going to ensure that all decisions are based on science?

BACK BRITISH FARMING

NFU CYMRU

NFU