

EU exit and the red meat trade – a view from Europe

Wednesday 25 November

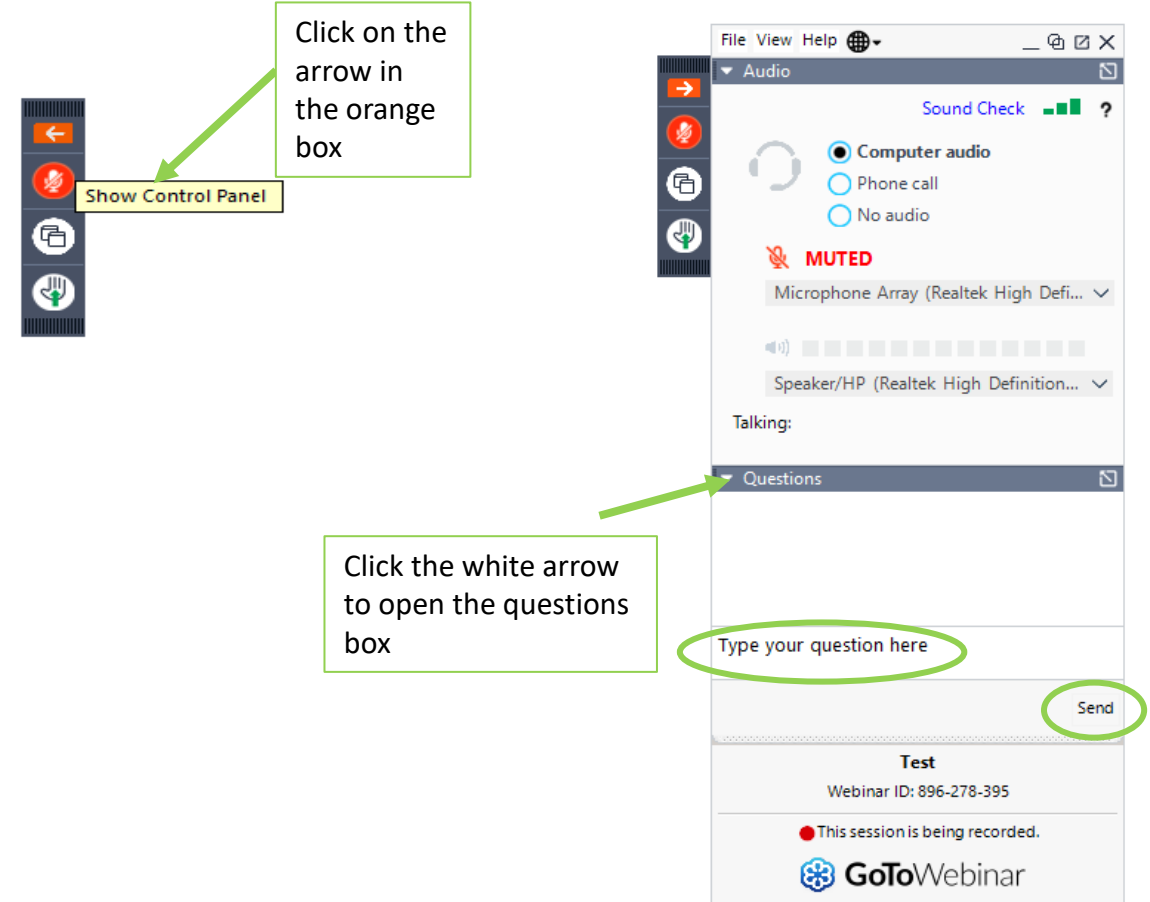
10.00 – 11.30am

Programme

- 10.00** **Welcome and Introduction**
Phil Hadley
- 10.10** **State of play of free trade negotiations & main changes ahead for UK meat exporters**
Tania Gesto-Casas
- 10.25** **The view from Europe – how is Brexit impacting the European meat industry?**
A view from Denmark, Knud Buhl
A view from Ireland, Cormac Healy
- 10.45** **Roundtable discussion**
- 11.05** **Q&A**
- 11.30** **Webinar Ends**

Housekeeping

- Timings
- All attendees are muted
- Q&A
- Webinar will be recorded



Further information



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State of play of EU-UK trade negotiations

Tania Gesto Casás
AHDB's Policy Manager



UK/EU Trade Negotiations

- Goal – **EU/UK Free Trade Agreement** to be in place by end of Transition period
- Negotiations started in March 2020
 - Additional challenges due to COVID-19
 - 9 formal rounds of negotiations:
 - Progress on core areas of trade in goods and services
 - But sticking points hampering progress (fisheries, level playing field, governance)
 - **Currently:** intensified negotiations taking place since 21 October 2020
 - Working on legal text but significant disagreement remain on main sticking points
- Increasing concerns as **ratification** timetable is getting too tight

Change is coming for GB exports

- **A trade deal is still preferable for everyone...**
 - Duty-and-quota free trade essential to remain competitive
 - Reduction of regulatory hurdles (e.g. lower rate of physical inspection at the border)
 - Key for the successful implementation of the Northern Ireland Protocol
- ... but it **won't change much of what needs to be done to prepare**
- Leaving the EU Single Market and the Customs Union will mean **changes to the process for exporting goods regardless of the agreement** we reach with the EU
- From 1 January 2021, there will be **new steps** to successfully export goods to the EU

Regaining access – third country listing

- ‘Third country’ = any country outside the EU and its economic structures
- The EU has a formal list of third countries that are approved for food imports
 - Sanitary and phytosanitary measures
 - Making sure they meet basic standards
- To continue selling meat to the EU after 31 December, **we will need a third country listing**
- Application submitted, vote expected in December

Things you can start checking now

✓ EORI

- It must start with “GB” followed by 12-digit number

✓ Approved Establishment/Premises list

- Establishments must be approved under food hygiene regulations & listed for export purposes

✓ Health & Identification marks

- For the GB market, the ISO code ‘GB’ or full country name ‘UNITED KINGDOM’

✓ Labelling

- New EU labelling requirements will apply to POAO in the EU market from January 2021

✓ Registering for EHC Online

The new elements of the process

✓ **Export Health Certificate (EHC)**

- A fully certified EHC is needed before goods leave your premises
- You need to locate & secure the services of a certifying officer before you apply for an EHC

✓ **Border Control Posts (BCPs)**

- Pre-notification of goods arriving required (done by EU-based importer)

✓ **EU Based importer / Import agent**

✓ **Transportation**

- Goods will not be able to move across EU borders without the correct documentation

✓ **Customs declarations**

- Customs processes are complicated, require specific training and software.

✓ **Tariffs**

- Depending on outcome of trade negotiations

What will this all mean?

- Increased volume of **documentation & formalities** required for export purposes
 - Speed of business transactions will decrease
 - Less flexibilities due to need to comply with different deadlines
 - Impact on costs and commercial viability
 - New risks – e.g. product rejections in border
- **Communication** will be key
 - With agents, hauliers, customers...
- A **trade deal** won't solve everything, but at least will avoid adding tariffs on top of all these changes!

Where can I get further Information?

- **AHDB Website**

- <https://ahdb.org.uk/eu-exit>
- <https://ahdb.org.uk/leaving-the-eu-information-for-meat-producers-exporters>

- **EU Exit Food Hub**

- <https://euexitfoodhub.co.uk/>

- **Defra Webinars**

- <https://www.gov.uk/guidance/webinars-for-exporters-of-animals-and-products-of-animal-origin-to-the-eu>


The view from Europe – how is Brexit impacting the European pigmeat sector

Director Danish Bacon & Meat Council Mr.
Knud Buhl

Brexit – scenarios

- 1) No deal with EU-27 – U.K. applies full EU MFN tariffs
 - 2) FTA with EU-27. Zero or low tariffs on pigmeat
 - 3) U.K. offers lower tariffs applying for EU-27 and all other third countries
 - 4) No deal with EU but FTAs between U.K and U.S and other pigmeat exporting countries
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Trade - pigmeat

- U.K. imports around 1,000,000 t (product weight) pigmeat from the EU
 - The bulk of the import is fresh/chilled products
 - This corresponds to around 55-60% of the domestic consumption in U.K.
 - Main suppliers to the U.K. market Germany, Netherlands, Ireland and Denmark
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Trade - pigmeat

- EU-27 export to third countries in 2019: 4.5 million t
- Meaning that around 20 % of the EU-27 export to third countries goes to the U.K. U.K. becomes the second largest export destination for EU-27 after China

EU exports of selected PIG products: Trade figures (COMEXT – tonnes carcass weight)

	2016		2017		2018		2019		Jan-Aug 20		Compared to Jan-Aug 19
	tonnes	%	tonnes	%	tonnes	%	tonnes	%	tonnes	%	
China	1 808 654	44.0%	1 343 719	35.6%	1 280 837	33.8%	2 304 670	50.5%	2 136 226	62.3%	+ 70.5%
Japan	427 684	10.4%	444 861	11.8%	452 549	11.9%	453 888	9.9%	246 737	7.2%	- 24.3%
South Korea	266 715	6.5%	281 984	7.5%	343 477	9.1%	265 545	5.8%	137 837	4.0%	- 27.5%
Hong Kong	339 296	8.3%	357 364	9.5%	211 518	5.6%	202 835	4.4%	132 776	3.9%	+ 7.9%
Philippines	213 131	5.2%	244 728	6.5%	276 025	7.3%	220 144	4.8%	89 491	2.6%	- 48.6%
Vietnam	53 126	1.3%	41 352	1.1%	84 336	2.2%	94 219	2.1%	76 872	2.2%	+ 18.5%
USA	110 340	2.7%	150 824	4.0%	159 005	4.2%	120 385	2.6%	64 523	1.9%	- 28.1%
Australia	107 089	2.6%	100 568	2.7%	102 015	2.7%	109 940	2.4%	54 851	1.6%	- 28.0%
Ukraine	75 822	1.8%	87 296	2.3%	108 359	2.9%	88 914	1.9%	49 149	1.4%	- 21.8%
Ivory Coast	33 934	0.8%	37 937	1.0%	46 590	1.2%	45 922	1.0%	39 029	1.1%	+ 29.2%
Serbia	43 223	1.1%	57 399	1.5%	68 090	1.8%	48 588	1.1%	35 877	1.0%	+ 8.1%
Taiwan	49 849	1.2%	67 267	1.8%	57 709	1.5%	47 468	1.0%	28 102	0.8%	- 28.8%
Singapore	38 514	0.9%	36 291	1.0%	40 608	1.1%	36 703	0.8%	24 278	0.7%	- 5.9%
Congo	21 167	0.5%	27 623	0.7%	27 477	0.7%	35 622	0.8%	21 092	0.6%	- 12.6%
New Zealand	36 088	0.9%	31 540	0.8%	31 237	0.8%	32 792	0.7%	20 208	0.6%	- 12.5%
Thailand	35 410	0.9%	31 107	0.8%	27 318	0.7%	32 964	0.7%	18 163	0.5%	- 24.5%
Other Destinations	446 054	10.9%	437 894	11.6%	475 008	12.5%	427 287	9.4%	252 065	7.4%	
Total (without UK)	4 106 095		3 779 753		3 792 161		4 567 885		3 427 275		
% change			- 8%		+ 0%		+ 20%		+ 20.3%		
United Kingdom	1 088 237		1 140 644		1 119 659		1 015 237		554 329 up to Jul 20		#N/A

Scenario 1 (U.K. applying EU-MFN tariffs)

- EU-MFN import tariffs, will lead to significant increased prices on the U.K. market
- An increase of 30-40% of export value (2019 figures from Denmark)
- Falling domestic consumption in the U.K
- Lower internal prices on the EU-27 market
- Possible increasing domestic production in the U.K. (takes time)

Scenario 1 (U.K. applying EU-MFN tariffs)

selected pigmeat products

Product	EU MFN duty Euro/kg	Value of duty compared to product export value in percentage (Danish figures 2019)
Hams (fresh/chilled/frozen)	0.778	+ 42
Loins (fresh/chilled/frozen)	0.869	+ 31
Bellies (fresh/chilled/frozen)	0.467	+ 13
De-boned products (fresh/chilled/frozen)	0.869	+ 32
Bacon	0.869	+ 35
Dried sausages	1.494	+ 37

Scenario 2 (FTA with EU-27. Zero or low tariffs on pigmeat)

- Basically no major change to existent trade between EU-27 and U.K.
- Assumption: Standards are the same or mutually recognized

Scenario 3 (U.K. offers lower tariffs to EU-27 and all third countries)

- Previous announced (proposed) U.K. tariffs in 2019 added between 4-7 percent to the export price (based on Danish export figures in 2019)
- This is within the range of “normal” currency fluctuations
- No changes to existent trade
- The Canada FTA with EU (TRQ: 75,000 t zero duty) shows that almost nothing (few hundred t.) has been imported to the EU under this quota since it became available in 2017.
- U.K. has preference for fresh/chilled meat – distance a problem
- EU is relatively competitive within pigmeat production and fresh/chilled meat
- Slight advantage for domestic U.K. production

Scenario 4 (No deal with EU but FTAs between U.K and U.S and other pigmeat exporting countries)

- This would lead to a disadvantage in the competition between EU-27 and U.S of 30-40 percent on tariffs.
- This would lead to less export from the EU-27 to U.K.
- Despite preferences for fresh/chilled meat the price difference will be very significant and change trade patterns will change
- EU-27 will continue to export to some extent – but mainly cheaper products with the lowest tariffs
- Domestic prices on the U.K. market will fall
- Huge pressure on U.K. domestic production

Prediction - markets

- British consumers and meat processors relies on affordable raw materials – preferably fresh/chilled products
- U.K. FTA with U.S? will have significant impact
- If UK adopts EU-MFN tariffs – more meat would most likely be exported from EU-27 to other third countries
- High domestic prices in the U.K.
- Increased domestic production in the U.K – takes time?
- Substitution into cheaper meat?
- Chinese demand?
- ASF?
- New trading/market balances? All meat produced must to be sold

Special focus in Denmark

- Handling of health certificates. More people already employed in DVFA
- Handling of goods in harbors – avoid waiting time and queuing of goods
- Corporation between authorities and commercial actors on all levels
- Mutual recognition of standard
- We support flexible solutions so trade can continue as easy as possible

Thank you very much for your attention



BREXIT

Impact on red meat trade in Europe

AHDB Virtual Webinar



Presenter: Cormac Healy
Date: November 2020

Presentation Overview

1. Potential impact on EU/Irish & UK meat sector
2. Challenges & Opportunities
3. Preparedness
4. Market diversification
5. Irish Food Sector asks of Government

Importance of UK in the EU Meat Market

	Market Size ('000t)			UK Imports ('000t)	Self Sufficiency		
	UK	EU	UK as % of EU		UK	EU28	EU27
Beef	1,204	7,883	15%	442	80%	103%	116%
Lamb	300	1,007	30%	95	109%	95%	85%
Pork	1,709	21,102	8%	992	56%	115%	121%

- UK is a highly important part of the overall EU meat market
- Trade with UK is critical to overall market balance
- No trade deal scenario, with tariffs & TRQs, has major implications for meat trade

Hard Brexit: a collapse for EU – UK meat trade



Trade between the EU and the UK would collapse...

Resulting in massive imbalance in EU meat markets.....

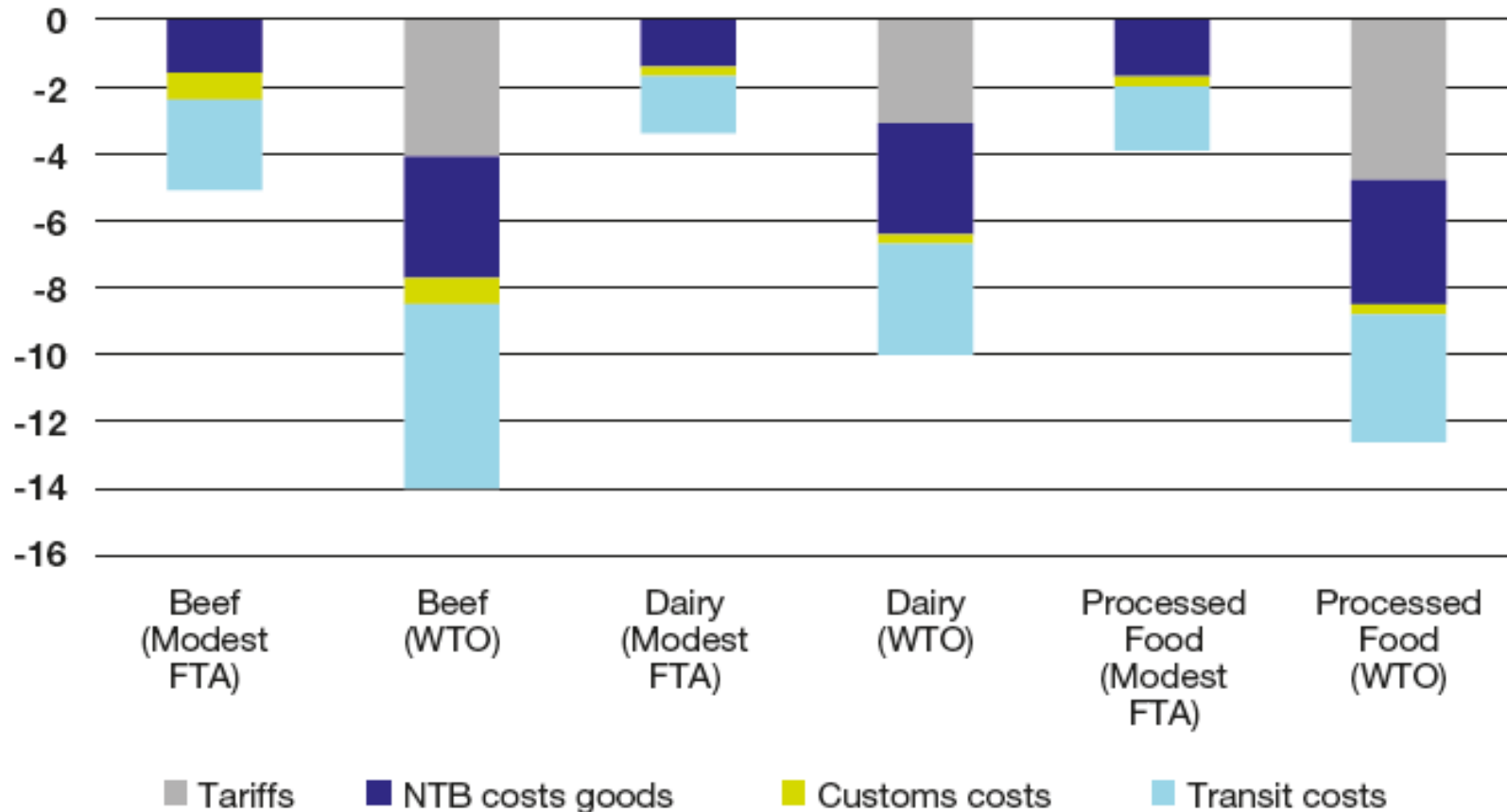
Tariff Wall – Impact on Irish Meat Exports

Product	Export Value to UK	UK Tariff cost	UK Tariff Ave.
Beef	€ 1,009m	€ 725m	72%
Pigmeat	€ 463m	€ 91m	20%
Poultry	€ 216m	€ 74m	34%
Sheepmeat	€ 63m	€ 36m	57%
Total	€ 1,751m	€ 926m	53%

- Increased import price in UK
- Erosion of export value to Irish exporters / producer price impact

Potential impact on Irish food sector in Deal and No-Deal scenarios

Figure 6: Impact of Brexit transition end points on Irish food and drink



Source: Copenhagen Economics

Challenges & Opportunities

Challenges:

- Uncertainty continues, exacerbated by pandemic
- Major impact of tariffs in No-deal scenario
- Additional costs – admin, paperwork, certification, delays, logistics
- Certification issues still to be resolved
- Land-bridge issues
- Increase competition in UK market from non-EU suppliers

Opportunities:

- Deficit market / Surplus producer.....and fresh/chilled market
- Proximity, Quality, Tradition & strength of relationships
- UK consumer sentiment positive towards Irish food
- Ongoing market diversification

State of preparedness



Market diversification



Table 1: Export shares going to the UK by product

	Beef	Milk	Butter	Cheese
2014	50%	58%	39%	61%
2015	54%	52%	31%	58%
2016	56%	37%	32%	52%
2017	56%	42%	25%	50%
2018	57%	44%	22%	52%
2019	48%	30%	21%	46%
2020 (H1)	47%	28%	13%	44%
Growth in tonnes exported, 2014 to 2019	12%	52%	60%	61%

- Particularly challenging for beef & lamb
- Some progress made
- Long game



Adjusting to Brexit

Countering unforeseen
and adverse consequences
for the food and drink sector



MII Meat
Industry
Ireland
Ibec

Industry Asks

The most exposed sector in the most exposed country



€4.5 billion exports to UK



Majority of €4.5bn exports to EU-26 uses land-bridge



Seven of the ten most exposed country/food and drink product matches



54% of indigenous manufactured exports



Crucially important to farm incomes



Impact of tariffs and non-tariff barriers

What is needed...



Employer wage subsidy scheme



State backed export credit insurance



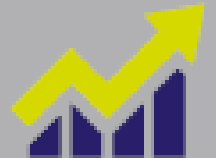
Investment aids to support competitiveness



Market diversification supports



State aid supports and funds from the €5bn Brexit Adjustment Reserve



Tariff support mechanism



MII Meat Industry Ireland
Ibec

Thank you for your attention



EU exit and the red meat trade: a view from Europe

Roundtable discussion

Phil Hadley, *International Market Development Director, AHDB*

Tania Gesto-Casas, *Policy Manager, AHDB Brussels*

Knud Buhl, *Director, Danish Bacon & Meat Council*

Cormac Healy, *Senior Director, Meat Industry Ireland*

Any Questions?

- Our next webinar “Market access measures due to Covid-19” will be held on Thursday 3 December, 11:00 – 12:15pm BST
 - To book please go to: **<https://ahdb.org.uk/events>**
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