

# Brexit and Consequences for European Pig Production

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# Motivation

- Shortly after the publication of the results of the referendum, the Thünen Institute presented first analyses of possible effects of a withdrawal of the United Kingdom
- Great uncertainties about the design of trade policies between the UK and the EU27 and the UK and the rest of the world
- Already now a decline in trade activities between the UK and the EU is noticeable
- Even with a soft Brexit, e.g. under the conditions of a free trade zone, there will be a restriction in domestic trade
- UK largest food importer within the EU
- Germany does not have a larger surplus in the agricultural trade balance with any EU partner

# Proposal of MFN-Tariffs by UK government on March 13 2019

- Important note: 87% of British import values would be duty free under a “no deal” as announced.
- Protection will continue:

**Cars**

**Beef meat**

**Fish**

**Pork**

**Sheep meat**

**Sugar**

**Butter & cheese**

**Cocoa**

**Bananas**

**Fertilizer**

**Rice**

**Textiles**

**Aluminum**

# Proposal of MFN-Tariffs by UK government on March 13, 2019

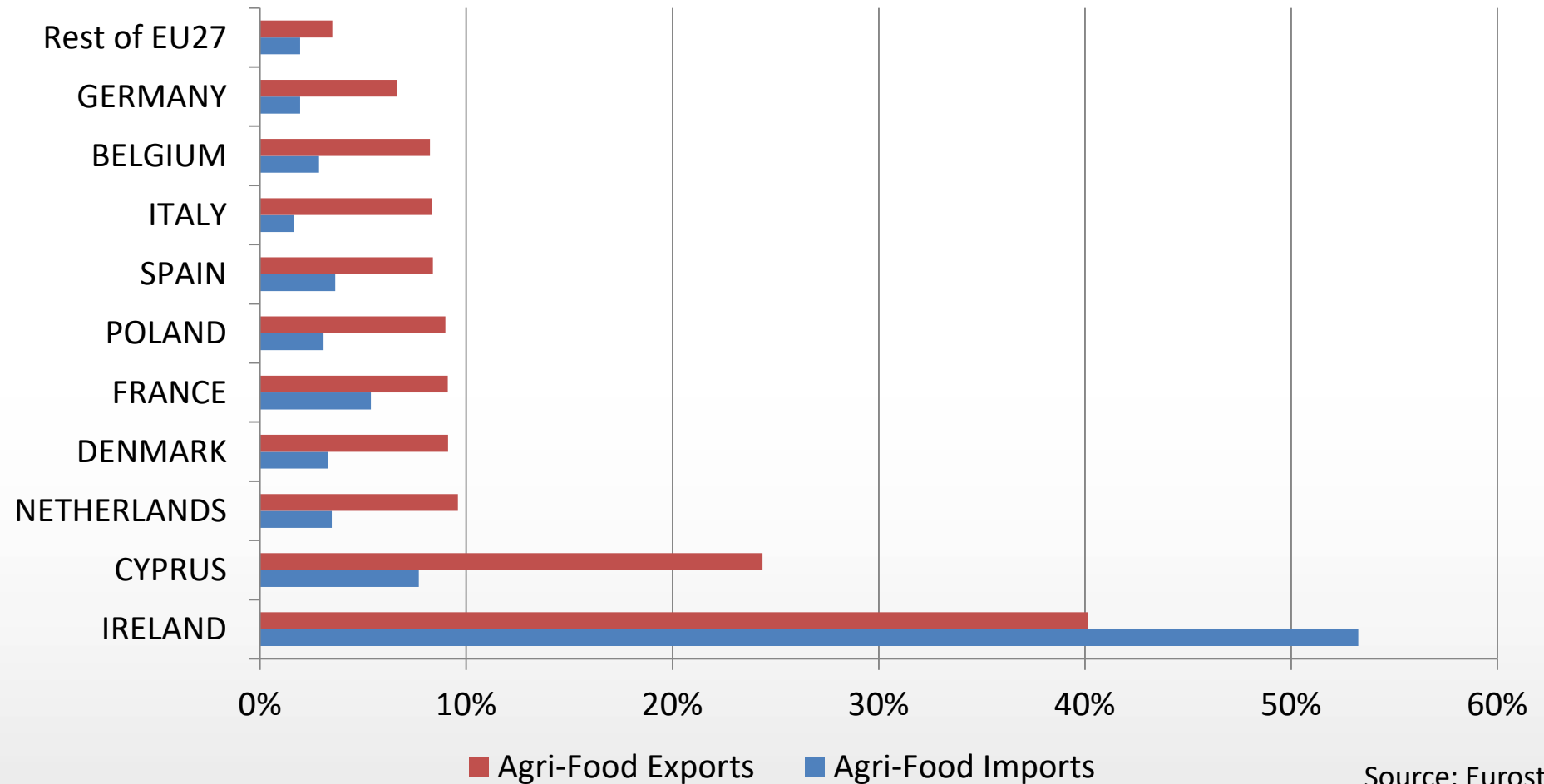
- Most EU trade agreements are not adopted
- At the moment there are agreements with only :
  - Chile
  - ESA (Eastern and Southern Africa)
  - Faroe Islands
  - Israel
  - Palestine
  - Switzerland
  - + GSP-Agreement

# Brexit-Scenarios analyzed

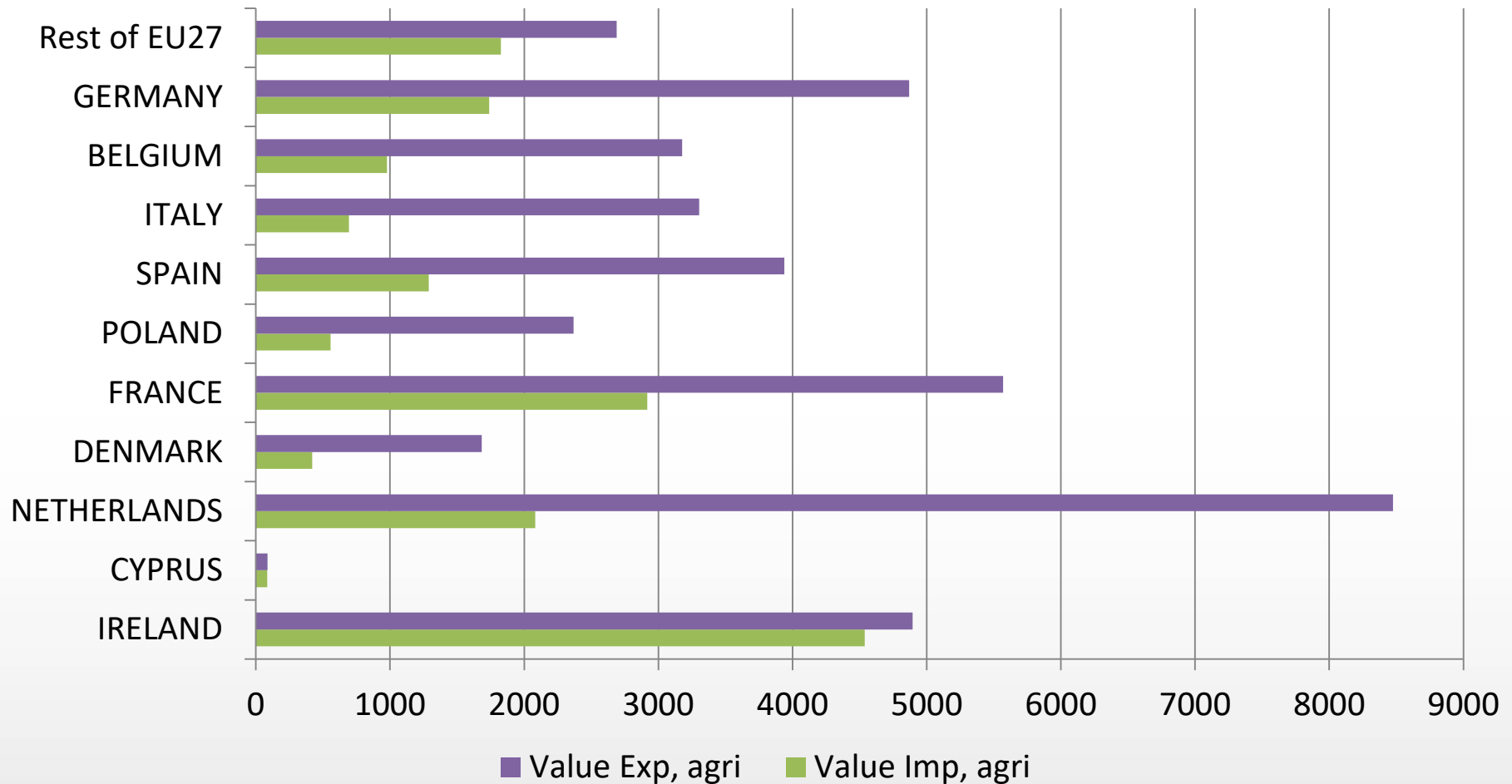
- **Reference Scenario: Baseline**
  - UK remains Member of the EU
  - Continuation of current agricultural and trade policies
- **MFN\_UK**
  - MFN duties will be implemented in the event of a “No deal Brexit” as announced by the UK on March 13, 2019.
  - Additional assumption: withdrawal from the Internal Market 'simulated' as 10% duty

# Relevance of EU27 foreign trade in agricultural products and foodstuffs with UK

# Importance of Trade with UK in Food, EU Member States, avg. 2015/18, in % of total trade



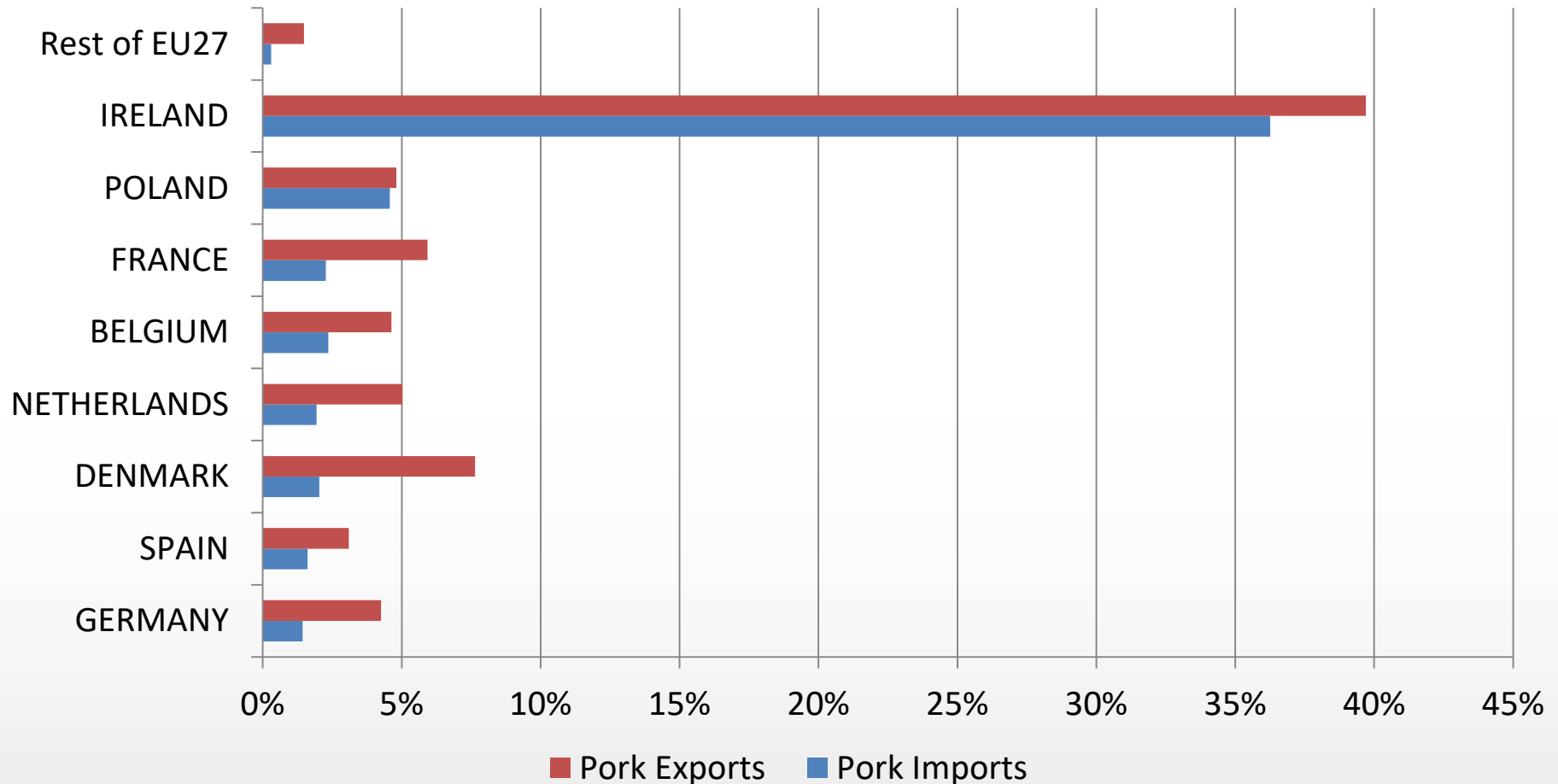
# Importance of Trade with UK in Food, EU Member States, avg. 2015/18, in Mill. €



Source: Eurostat

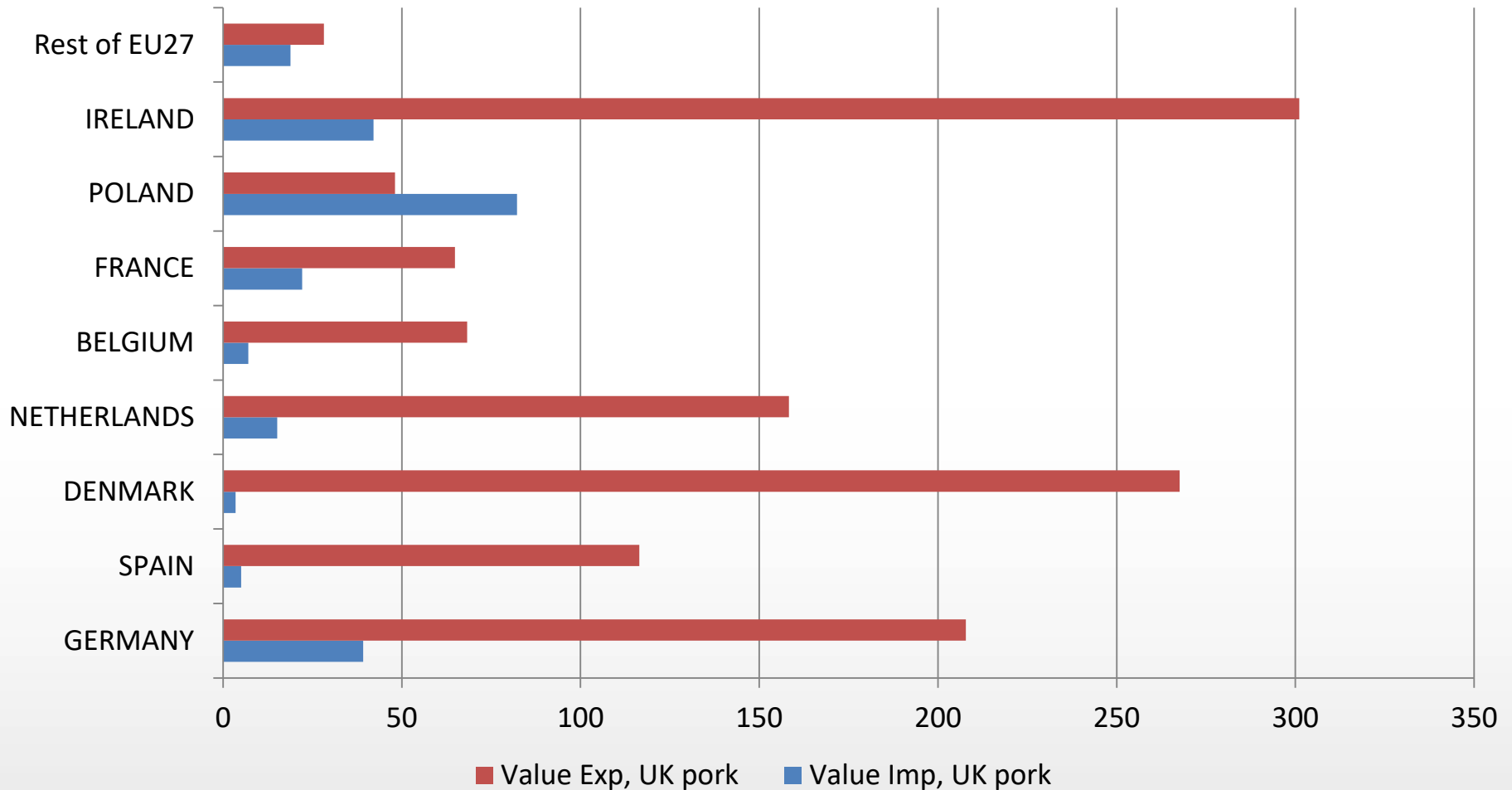


# Importance of Trade with UK in Pork, EU, avg. 2015/18, in % of total pork trade



Source: Eurostat

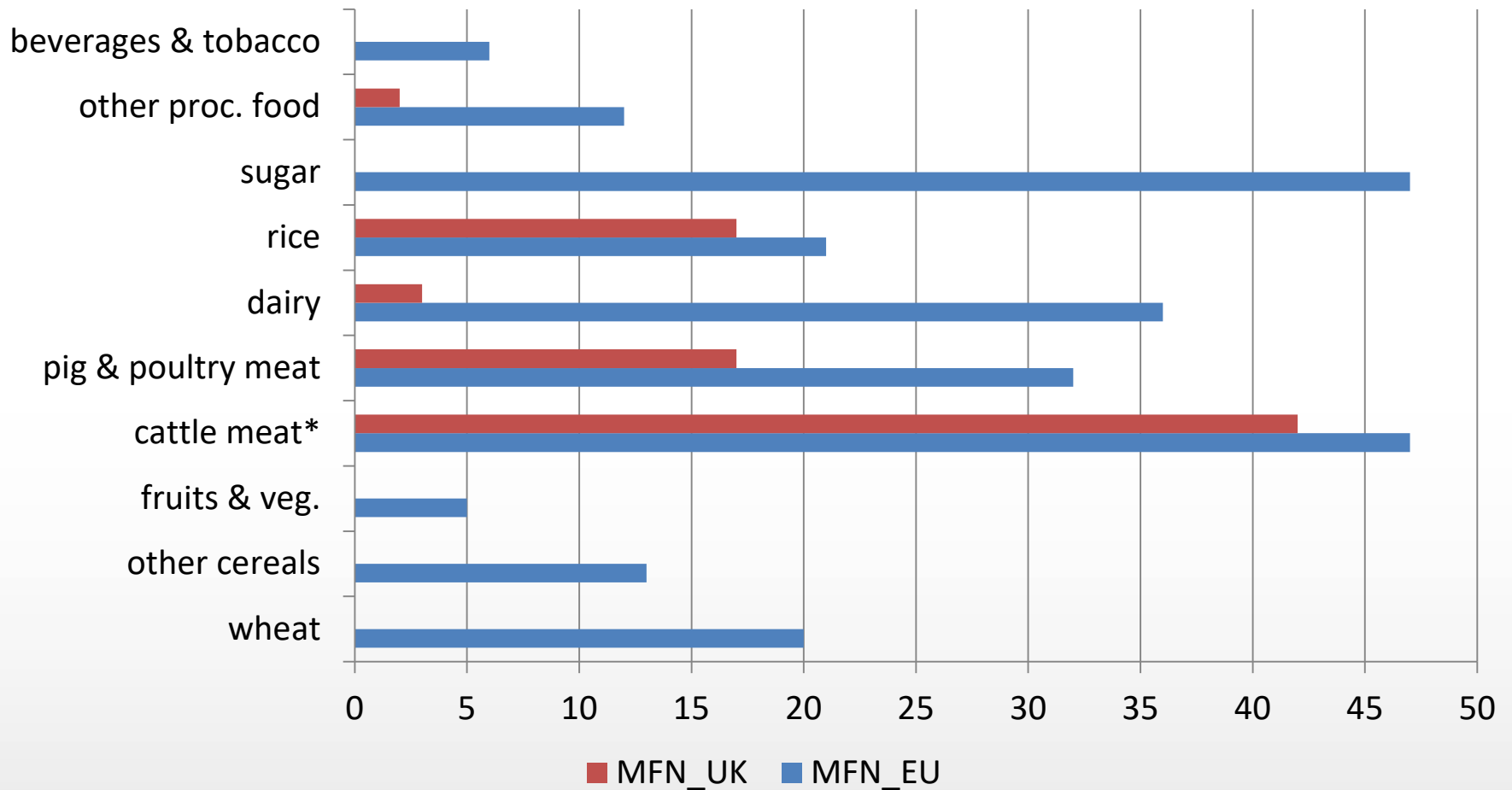
# Importance of Trade with UK in Pork, EU Member States, avg. 2015/18, in Mill. €



Source: Eurostat

# Possible Consequences of a Brexit on agricultural and food markets in selected EU Member States

# Applied MFN-Tariffs of UK, trade-weighted, in %



\* incl. sheep meat

# Change in UK-Imports with selected trade partners, agri-food products, rel. to Baseline, in Mio. € (2027)

	<b>EU27</b>	<b>USA</b>	<b>Canada</b>	<b>Central America</b>	<b>Rest</b>
<b>MFN_UK</b>	-16 877	513	-34	-23	5 761

Strong decline in EU27 imports due to trade protection

Increase in US imports due to lower MFN tariffs

Decline in imports from Central America and Canada

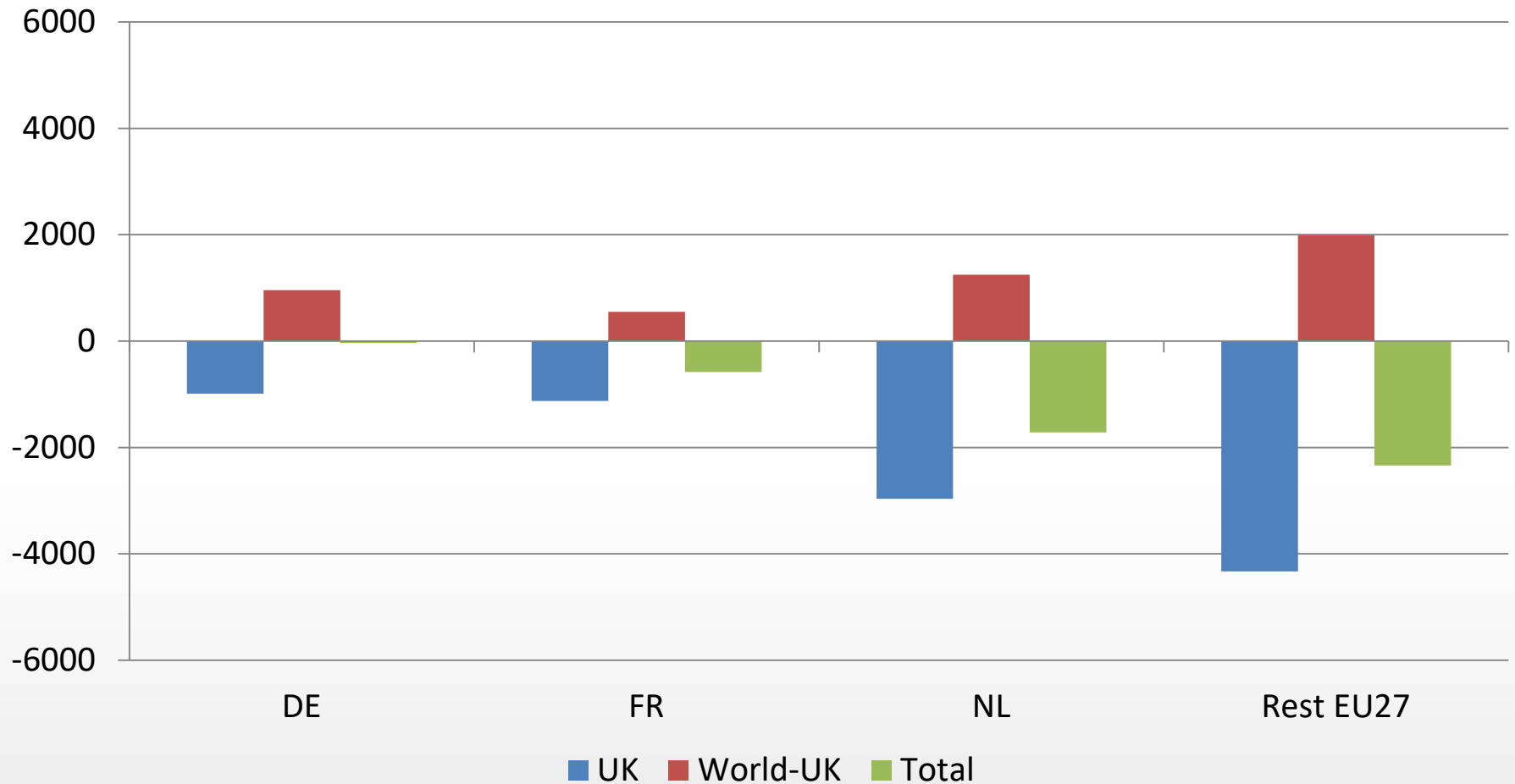
- UK leaves the EU trade agreements with these two regions

# How did we analyze Brexit?

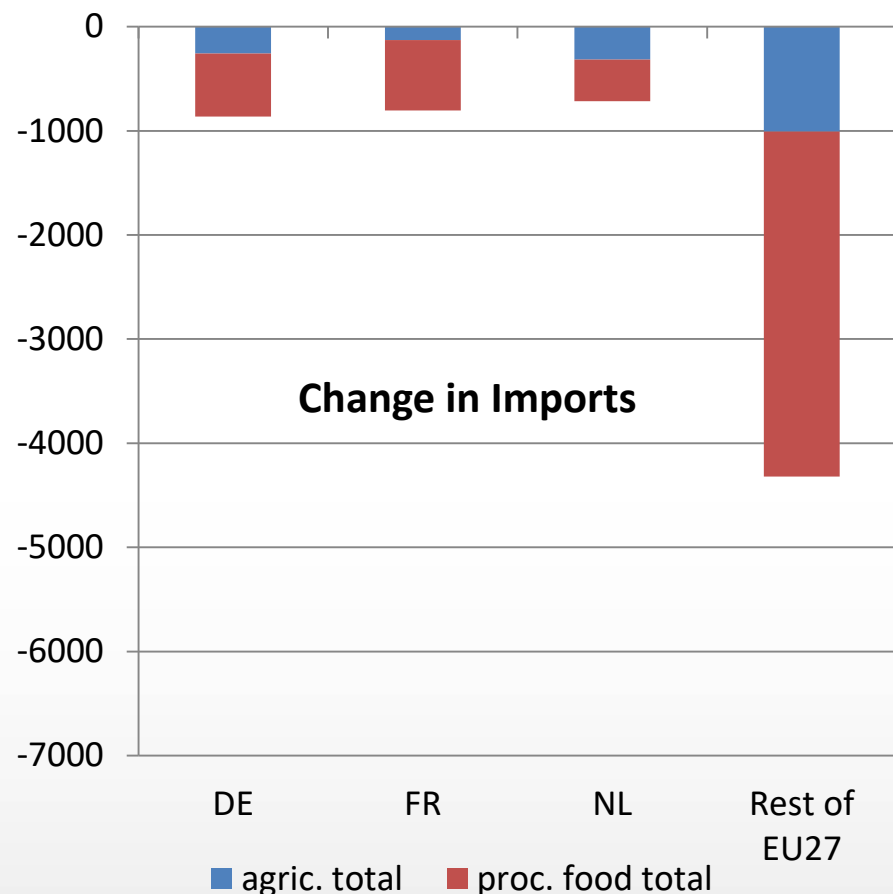
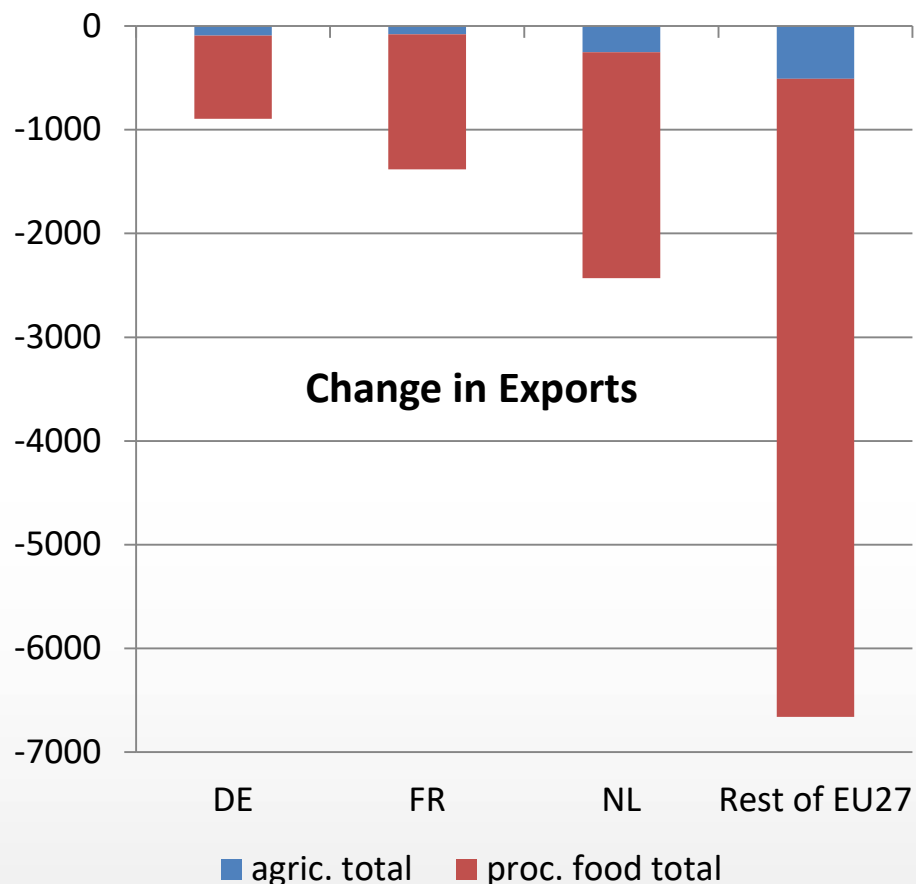
Policy impact assessment of the Brexit with the MAGNET model:

- Computable general equilibrium model (CGE)
- Idea: To combine economic theory with current data to analyze the isolated effect of a policy change.
- Database with 60 sectors and 140 countries
- High level of detail on agricultural products and policies
- Coverage of bilateral trade flows

# Change in agri-food trade balance EU Member States, in Mio. € (2027)



# Change in exports and imports, EU Member States, rel. to Baseline, in Mio. € (2027)

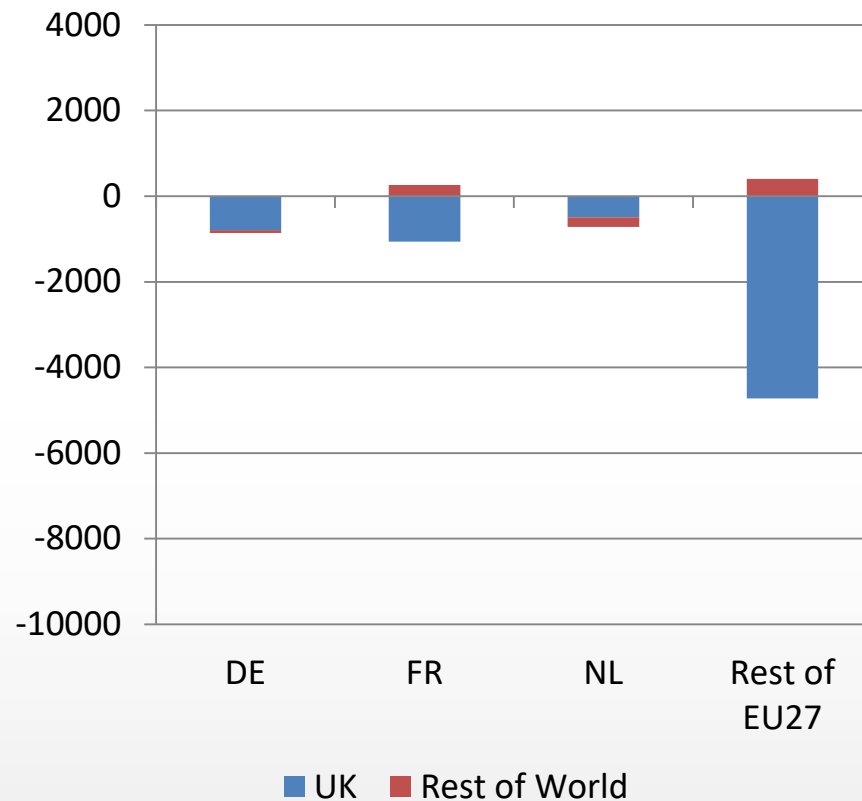
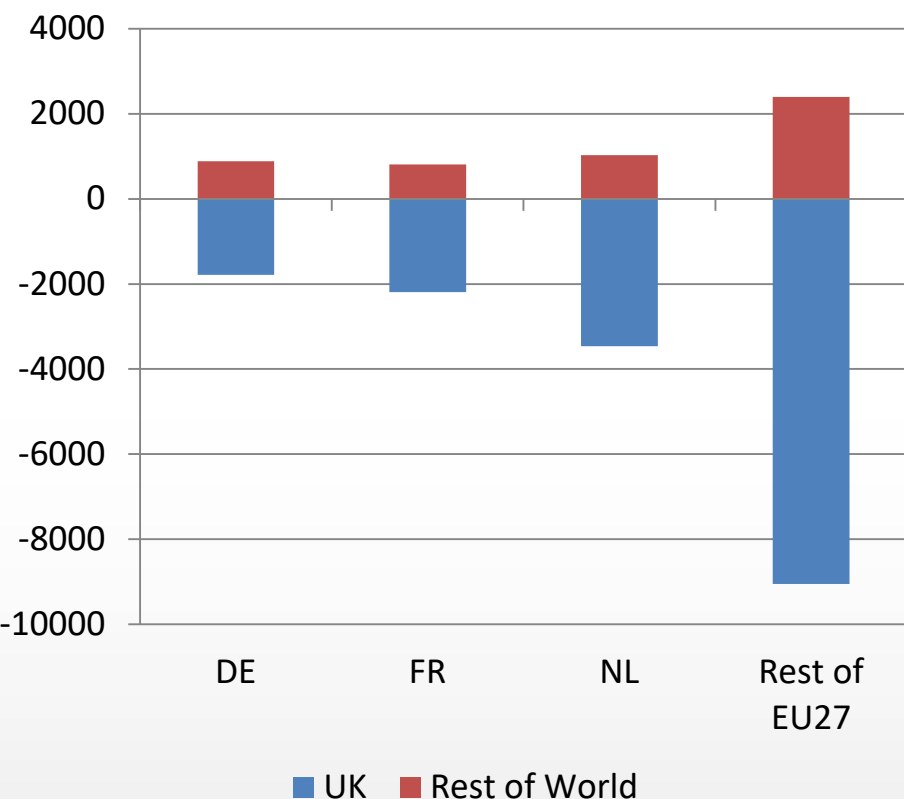




# Change in EU exports and imports with selected countries, relative to Baseline, in Mio. € (2027)

## Change in Exports

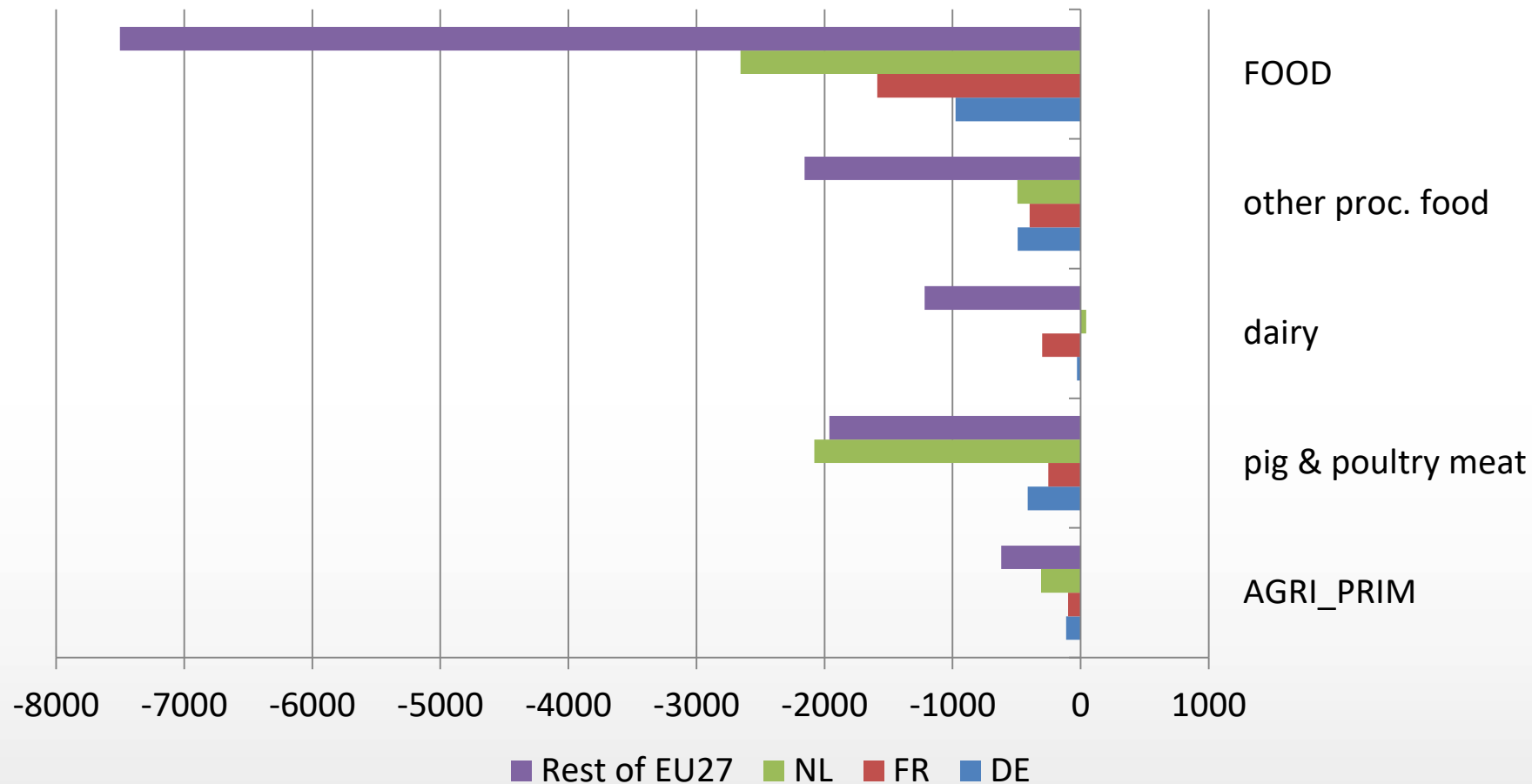
## Change in Imports



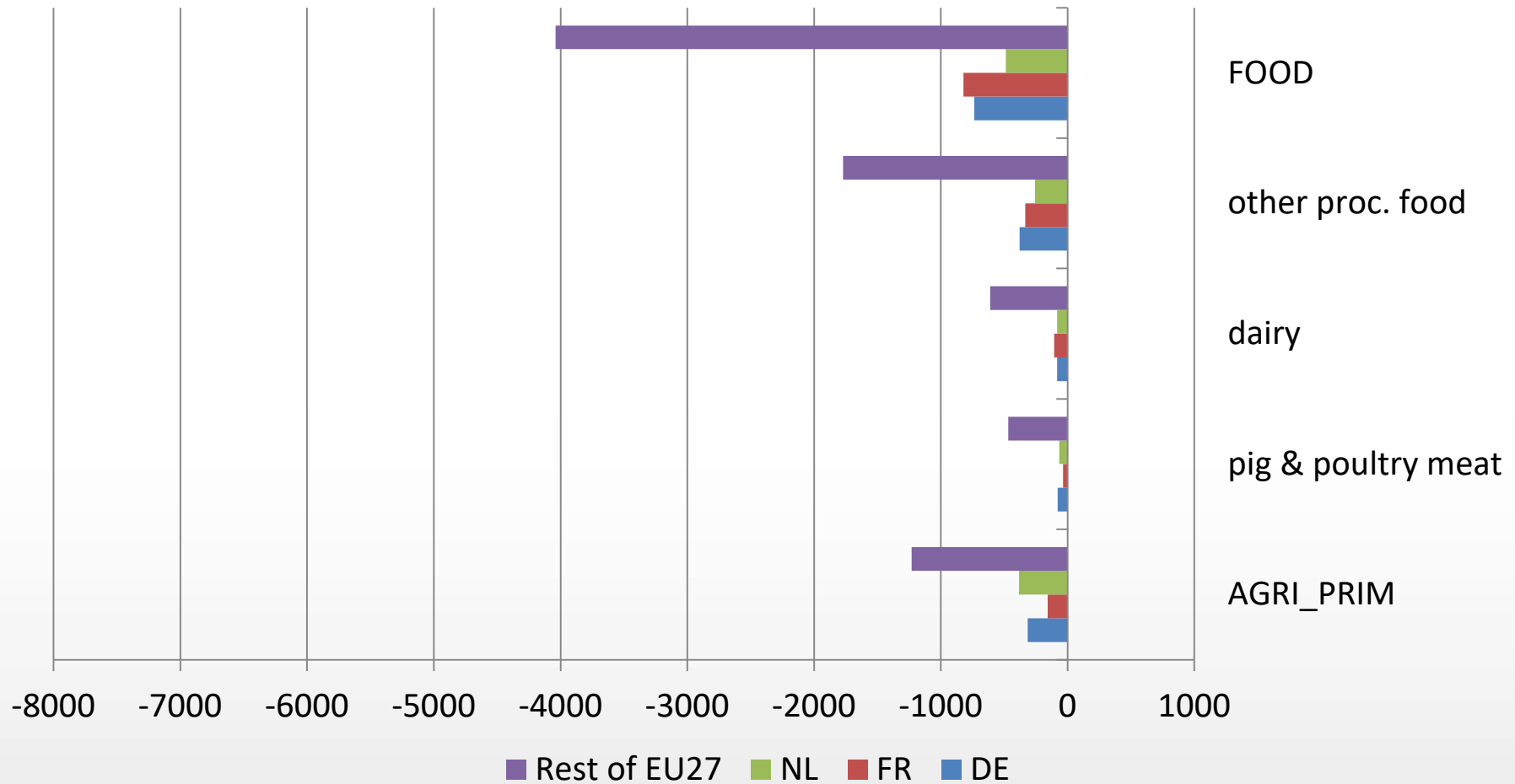
# Interim conclusion: Aggregated trade

- Significant effects of a "hard" Brexit under published tariff.
- Changes in trade mainly affect processed foods, as these are generally traded more intense than agricultural products.
- Brexit reduces trade with the UK and the EU27 - but there is also a trade diversion.
- It is interesting to note that imports with third countries also decline in the case of Brexit.
- EU27 positive agricultural trade balance vis-à-vis the UK remains due to Brexit, but is in some cases declining significantly.

# Change in agric. exports, EU Member States with all countries, relative to Baseline, in Mio. € (2027)



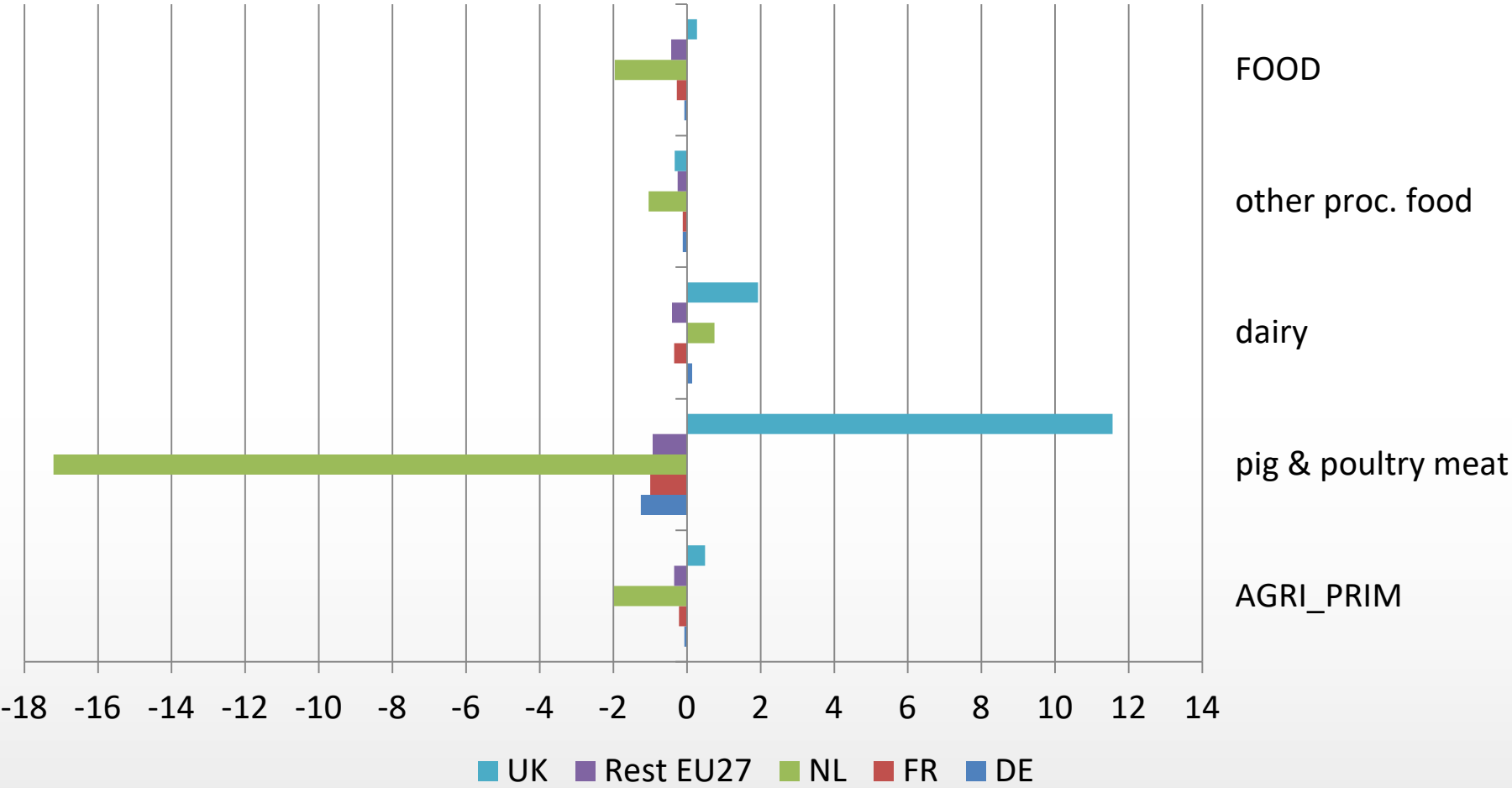
# Change in agric. imports, EU Member States with all countries, relative to Baseline, in Mio. € (2027)



# Interim conclusion: Detailed trade

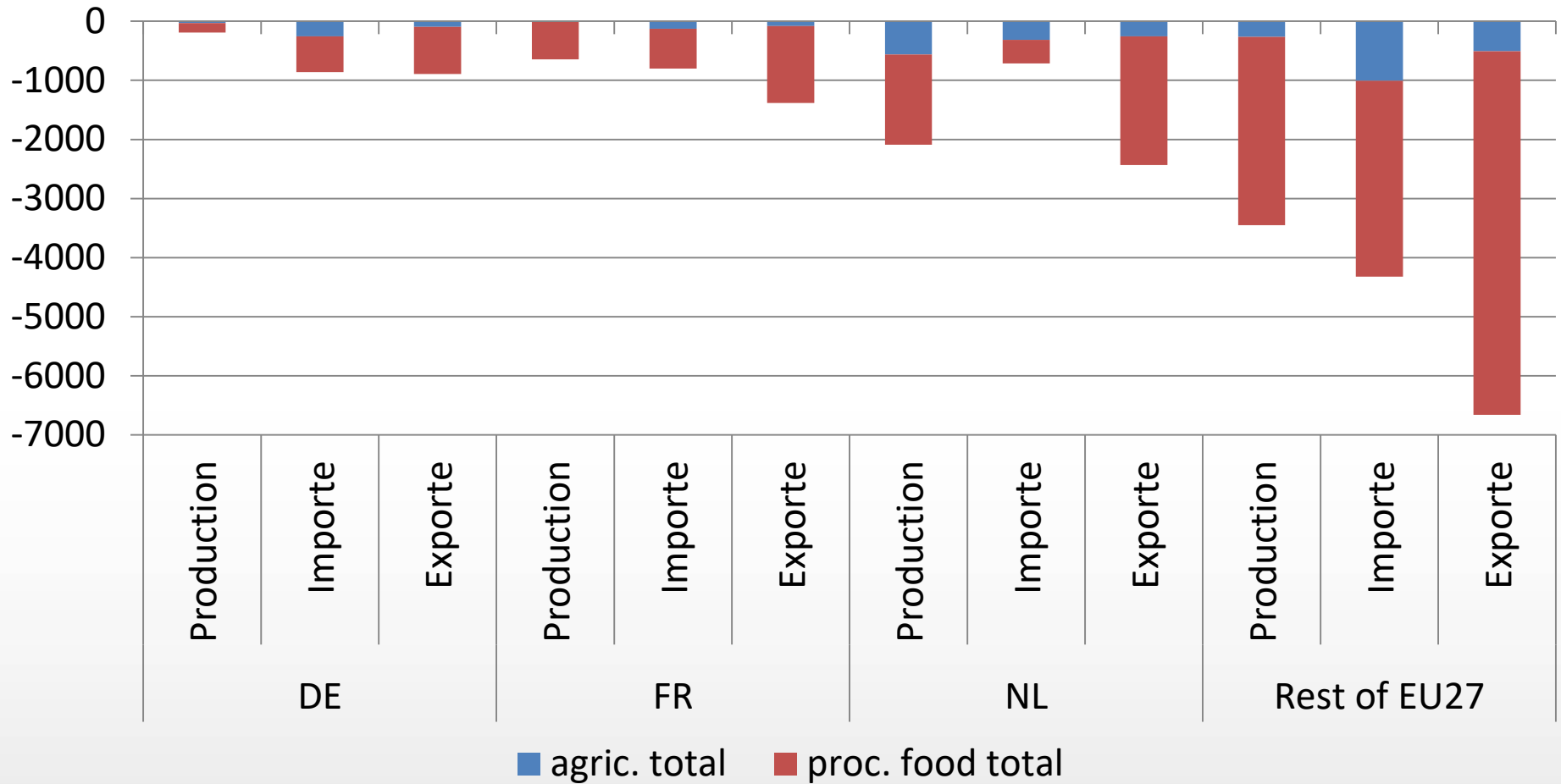
- The higher the initial trade and the higher the MFN tariffs, the greater the differences between the scenarios.
- This is mainly the case for pork and poultry meat, other processed food products and dairy products.
- For beverages and tobacco, e.g. with only low MFN tariffs, the difference between the scenarios is rather marginal.

# Change in agricultural production rel. to Baseline, in % (2027)



# Change in trade and production

in Mill. €, rel. to Baseline, 2027



# Interim conclusion: Impact on Production

- Declines in production are most pronounced in sectors,
  - with intensive UK trade already before the Brexit such as pork, dairy products and other processed foods.
- Other sectors whose trade is not so strongly affected by a Brexit slightly expand their production due to resource reallocation.
- This applies, for example, to the beef sector, which is now absorbing labour and other production factors, e.g. from the slightly shrinking pork and poultry sector.



# Conclusions

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- In the case of a "no-deal", the effects on EU27 agriculture of the announced UK customs regime are less pronounced than under the originally assumed EU customs rates.
- Note: These rates are called 'temporary' by the UK government.
- See UK-Website
  - This regime is temporary, and the government would closely monitor the effects of these tariffs on the UK economy.
  - It would apply for up to 12 months while a full consultation and review on a permanent approach to tariffs is undertaken.
- **Flexible extension of the Brexit date - to be continued!**

.... until October 31

..... on Halloween Day

# Surgical castration of piglets without anaesthesia

- ✓ In Germany the end of surgical castration without anaesthesia is politically intended
- ✓ Alternative strategies must be implemented by 31<sup>st</sup> December 2020
- ✓ We are looking at market effects of two non-surgical variants
  - ✓ **Immunocastration**
  - ✓ **Fattening of (uncastrated) boars**



# Surgical castration of piglets without anaesthesia

With an increased market share of pork from immunocastration and boar fattening.....

- ✓ **How is the pork value chain organized if different systems prevails?**
- ✓ **What can we learn from examples within the EU?**

If you have any expertise or if you could recommend experts in your home country, please contact my colleagues:

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