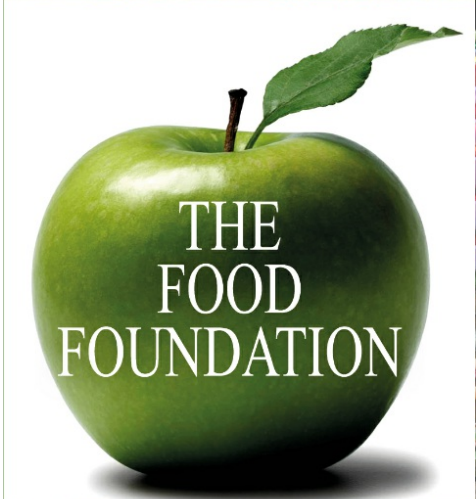


# FOOD AND THE EU REFERENDUM



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# Food and the EU Referendum

"In" or "out" - what are the implications for the food we eat?

This short paper is based on the key points made at an event in Parliament convened by The Food Foundation, Food Ethics Council and Food Research Collaboration. The event involved three expert speakers: Prof Tim Lang, Prof Wyn Grant and Prof Fiona Smith, and two parliamentary panelists: Kerry McCarthy MP and Raymond Finch MEP. It also draws on two papers produced on the topic by the speakers and referenced at the end. This paper is intended to summarise the potential implications for food of the UK remaining or leaving the European Union and attempts to address the key issues which voters will care about.

This summary paper was authored by the Food Foundation alone, and does not necessarily represent the views of the other event partners or panelists.





# Will Food Prices change?

There are at least four factors which could affect the price of our food:

1. The strength of sterling immediately following a decision to leave the EU could fall which would make the food we import more expensive. We currently import 46% of the food we eat. Most analysts suggest a fall in sterling is more likely than a rise though no-one can be sure.

2. The price of food we import from Europe could, in the medium term, rise if we left Europe. Twenty seven percent of our food comes from the European Union, and because of the customs union within the EU we pay no import tariffs on this food. Some analysts argue that it will be in the interests of the EU to maintain a free trade agreement between the EU and UK in the event of Brexit, because the EU relies on a lot of imports from the UK, but others argue that the EU member states will be reluctant to offer a good deal to the UK on trade because it could trigger further Member States (MS) to leave the union and ultimately trigger a disintegration of the EU.

3. The price of food we import from outside Europe could change. Being outside of the EU would allow an influx of cheaper food from outside the EU, which hitherto has been prevented by subsidies in Europe which allow the prices of some European products to be kept artificially high. However, in contrast, the trade agreements which we currently have with countries outside the EU are managed through a schedule within the World Trade Organisation in which the UK is treated in the same manner as all other EU Member States. In the event of Brexit, the UK would have to renegotiate these terms with the EU and with all 161 members of the WTO. This would take a very long time, and it's not clear how the interim period will be handled. After all, food stocks in the UK would last about 3-5 days, so we cannot rely on these, and it is important to remember that trade policies affecting the UK's food system will not be negotiated in isolation. Protection for the UK's food and farming sector will be vulnerable to political horse trading, further complicating predictions of what our post-Brexit trade terms may look like.

4. The price of British food could change too. Currently our farmers benefit from the Common Agricultural Policy subsidies and for many, these subsidies are the difference between them surviving or going out of business (particularly for those farming marginal areas and uplands). The UK government currently regards these subsidies as market distorting and for many years the UK has lobbied in Europe for subsidy reductions. In the case of exiting Europe, the chances are that these subsidies would continue to decline, though the funds currently channeled through Pillar 2 for agri-environment projects may stand a greater chance of being protected as they are widely supported both by farmers and other influential constituents, pressure groups and stakeholders. Under this scenario, the four UK nations are likely to handle their subsidy policy quite differently given the differences in their farming populations.



*"A concern in any WTO negotiations is that protection for farmers could well be traded off against manufacturing industry or financial services."*



Whether we decide to leave or remain, the UK will remain vulnerable to world price volatility. This was extreme in 2008 and triggered a major global crisis. In the UK our prices went up by 11.5% before peaking in 2012, and are now 8% higher in real terms than they were in 2007. These rises had a disproportionate impact on low income households.

While a lot of work has been done to mitigate the effects of such a shock in future, the fact remains that our agriculture, and world production of food remains heavily dependent on the price of oil and is vulnerable to climatic shocks. Climatic shocks are only likely to increase in the face of global warming.



# Will our Food be Healthier?

Currently, the healthiest part of our diet – the fruit and vegetables which we eat – comes in large part from Europe: about 40% of our vegetables, and about 37% of our fruit comes from the EU.

There has been a long-term decline in the amount of land devoted to horticulture in the UK and a steady rise in imports. Our consumption of vegetables has also gone down. There is a chance that, in the face of increased prices of fresh fruit and vegetables from Europe, there will be a reinvigoration of our horticulture in the UK which could increase the proportion of UK grown fresh fruit and vegetables which we eat. Having said that, our horticulture sector (along with other parts of the food system) is heavily dependent on cheap migrant labour from the EU, and in the absence of this being replaced from elsewhere, the costs of production in the UK could go up, which may make it harder for the UK to compete with imported goods.

If overall, the price of fresh fruit and vegetables goes up, this would be very detrimental for the quality of our diet. Consumption of fruit and vegetables in high-income countries is sensitive to prices: when the latter increases, the former decreases. Already, we have big socio-economic differences between rich and poor in consumption of fruit and vegetables, and we are all eating too little for our health. If prices go up, relative to the price of non-perishable processed foods, this will undoubtedly be bad for our health.

However, membership of the European Union does not automatically guarantee the protection of the horticultural sector and the public goods it produces. Pillar 1 of the CAP, through which the majority of subsidies are distributed, uses farm size as the basis with which to calculate the value of individual farmers' subsidies: meaning the horticultural sector, typified by high productivity, but low land use, is under-subsidised in comparison to other sectors.

As public health responsibilities are largely reserved for Member States and not the EU, in the event of remaining in the EU, it would not be easy to inject a public health lens into the CAP negotiations to strengthen the horticulture sector relative to others. Indeed, a subsidy scheme primarily designed to boost production is ultimately a blunt tool for improving public health.



*"The food trade gap of £21 billion, and rising, is a health deficit as well as an economic deficit."*



*"If you give farmers subsidies you have to be careful how you target them so they don't affect production"*





# Will our Food be More Sustainable?

The picture on sustainability is not particularly promising for either leaving or remaining. While the Common Agricultural Policy has shifted in a more positive direction regarding sustainability following recent reforms it is not a policy instrument which incentivises more sustainable farming (e.g. less reliance on nitrogen-based fertilisers, supporting biodiversity, less reliance on grain/soy fed livestock etc), and the prospects for it to become so, are limited. However, there is a growing shift of resources from Pillar 1 (direct subsidy to farmers) to Pillar 2 (which supports rural development projects) and a debate which is slowly strengthening (in the face of the commitments made in Paris to keep the rise in global temperatures under two degrees celsius) about the need to bring down greenhouse gas emissions associated with the food we eat. It's clear that it will be much easier, and more competitive, for the UK to make farming more sustainable if it is doing so along with the other 27 member states of the EU rather than doing it alone.



*"Evidence says the food system needs to be recalibrated and that requires multi-level, multi-actor engagement, which is when we enter into the question of where are the partnerships to achieve this? It is impossible to sort this out on our own."*

# Will Consumers be Better Protected?

Currently all our policy on food labeling and food safety (including traceability) is made at the European level. It is likely that if we left the EU, we could simply adopt this same policy in the UK. We could potentially relax some of these regulations (e.g. around certain pesticide use, or animal welfare standards), but this would of course restrict our ability to export to the EU which would maintain these standards.

Some could argue that a vote to leave could also allow the UK to strengthen some areas of policy and legislation. The UK has only been able to make Front of Pack traffic light labeling a voluntary measure because it cannot be agreed in Brussels. Could we strengthen this system if we were outside the EU? Potentially, but only if the proposals were judged by the WTO not to be trade distorting. The same would apply, for example, to making stronger policies on the purchasing of food grown in Britain for public procurement in e.g. schools and hospitals.

If we left the EU we would no longer be part of the negotiations on Transatlantic Trade and Investment Partnership over which the EU has full control, which would remove some of the consumer concern about hormone use in livestock production, GM etc., but if the deal went ahead it would undoubtedly have indirect impacts on the UK.

One way or another, prospects for substantially re-aligning our food system to reduce greenhouse gas emissions and obesity are uncertain whether we are in the EU or out. The onus for action must ultimately lie with our democratically-elected representatives, with civil society, academia, professional bodies, UN agencies and think-tanks like ours helping create demand for change. However, given how globally interdependent our food system is, this challenge may be even harder if we try to do it on our own.

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