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# Outline

- Challenges ahead for 2016
  - Current and future economic outlook
  - EU Referendum

# Current economic outlook

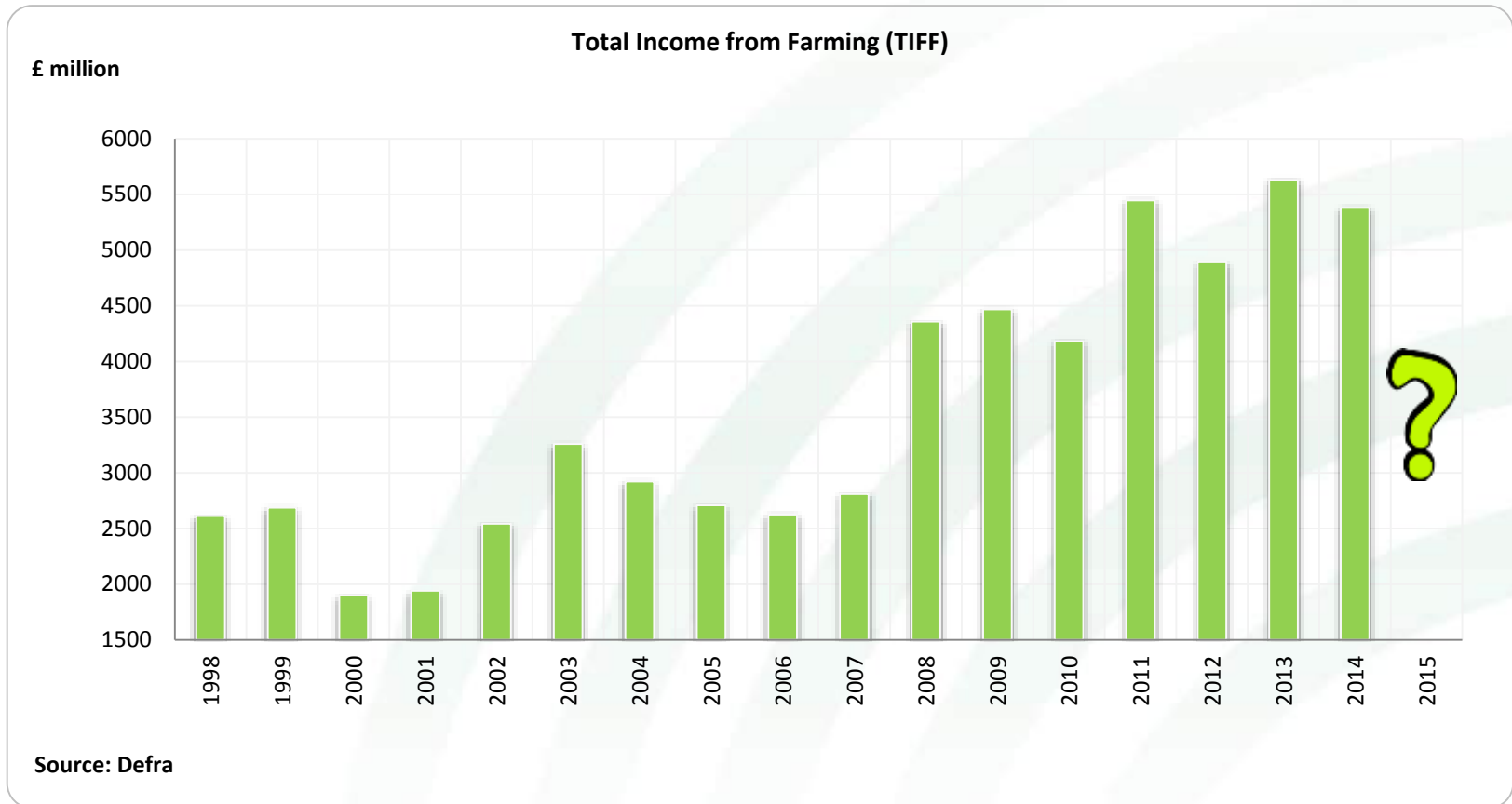


Economic outlook

# Agriculture's growing contribution to the national economy

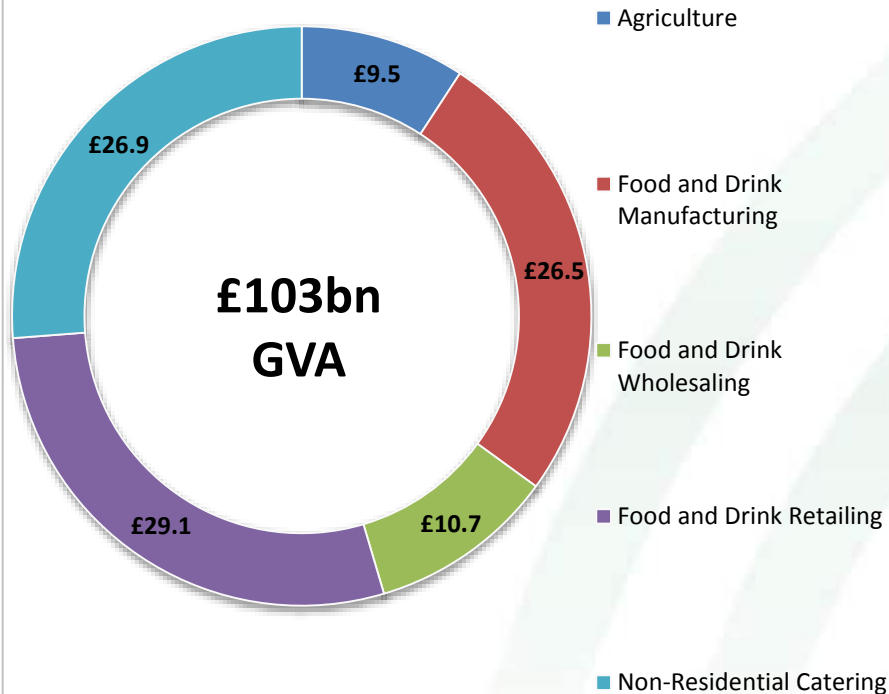


# Rising trend in farm profitability



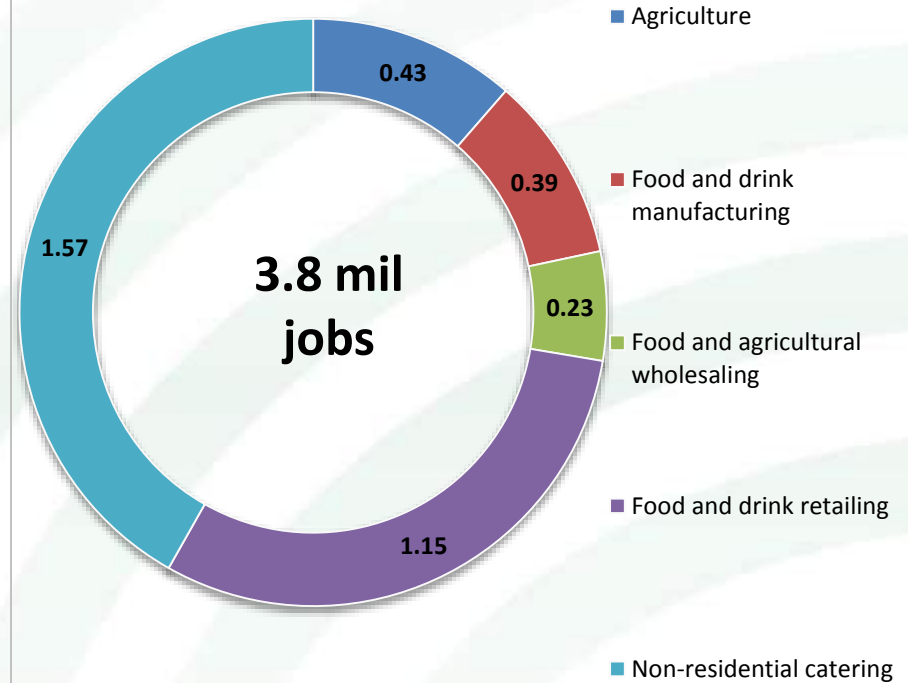
# Agri-food sector: a driving force behind the economic growth

Agri-food sector GVA - £billion



Source: Defra, Agriculture in the UK

Jobs in the agri-food sector - Millions



Source: Defra, Agriculture in the UK

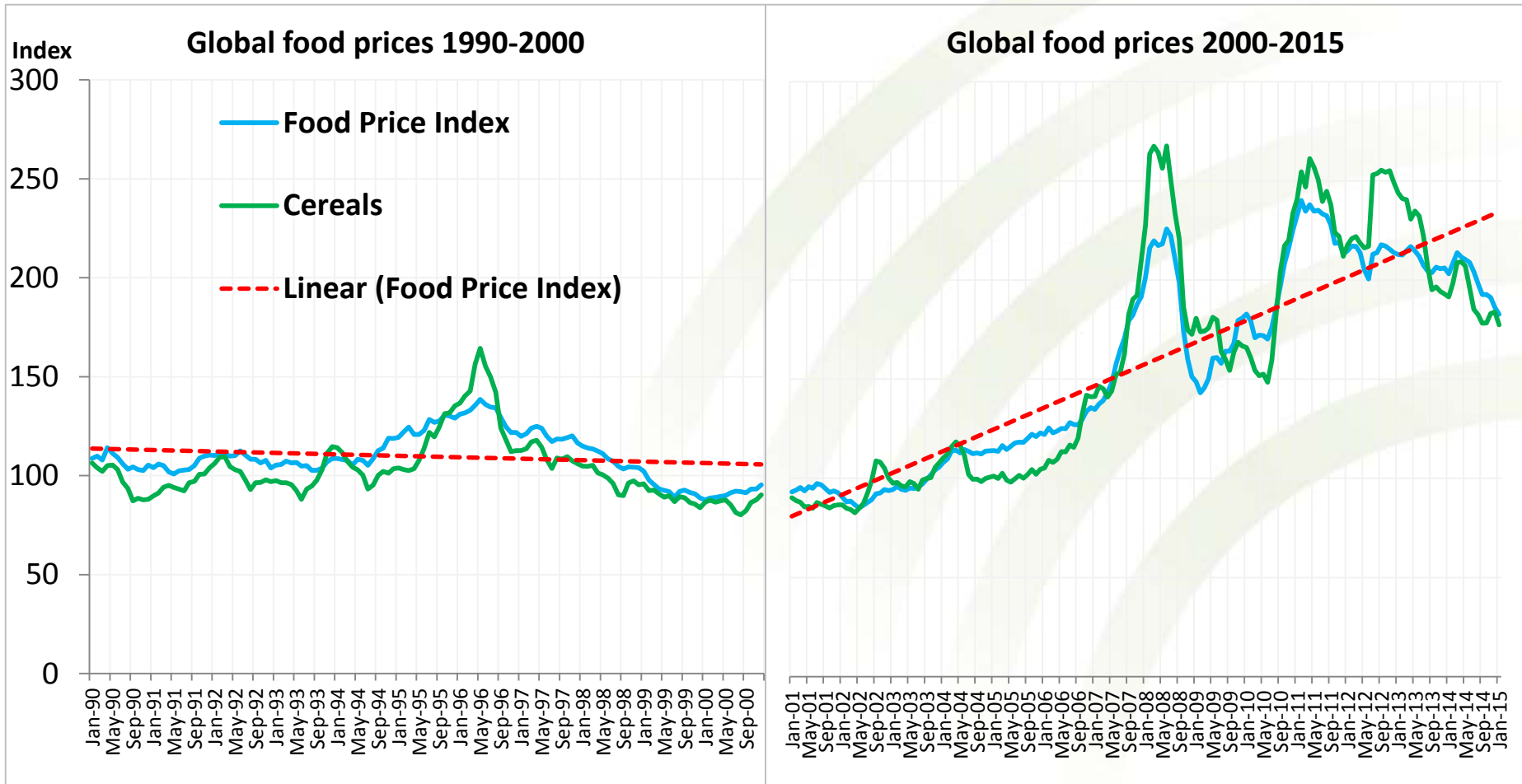
# Sectorial price snapshot

Commodity Prices	Dec 2015 prices	Prices a year ago	% change y-o-y
Dairy (ppl) – Nov	24.2	28.7	↓ -15.8%
Deadweight pigs (p/kg)	122.5	144.0	↓ -14.9%
Wheat LIFFE (£/t)	112.6	132.4	↓ -14.9%
Deadweight sheep (p/kg)	365.3	416.6	↓ -12.3%
Deadweight cattle (p/kg)	337.0	354.3	↓ -4.9%

Source: AHDB (Figures may not add up due to rounding).

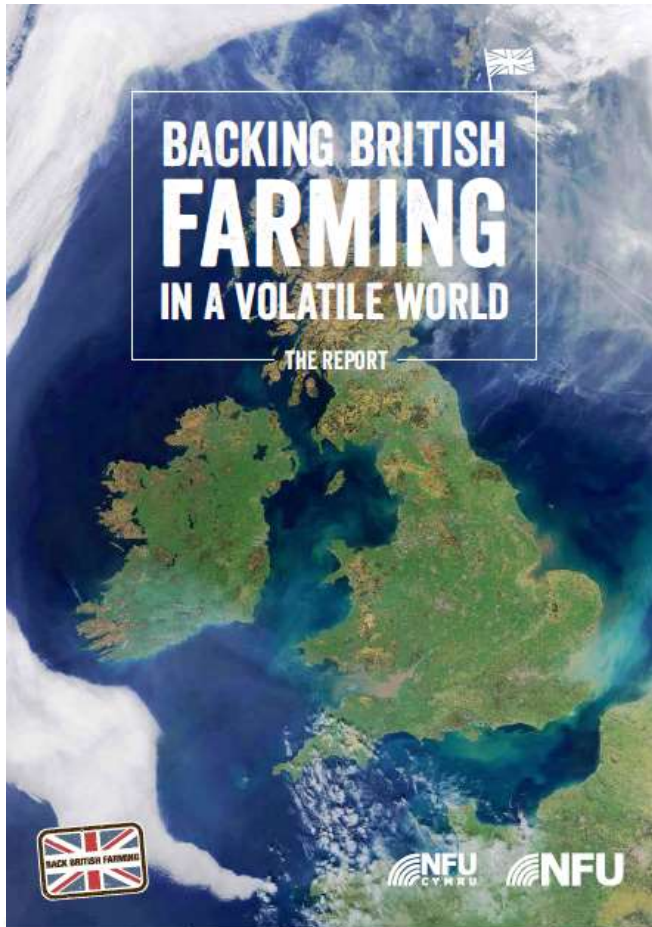


# Volatility in context – then and now



Source: FAO

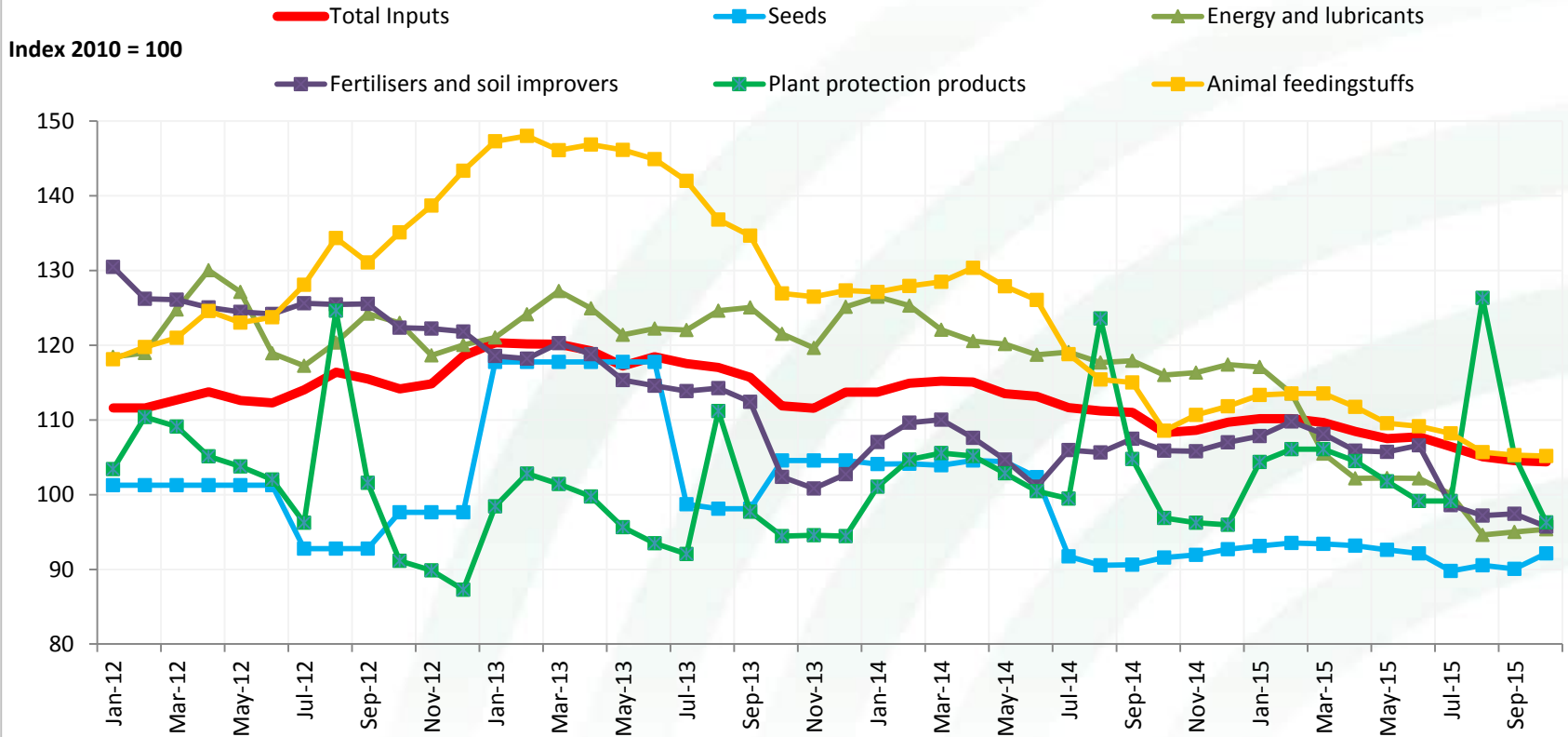
# Managing Volatility



- Do we have the right tools?
  - Longer term contracts
  - Supplier power => POs / cooperatives
  - Pricing mechanisms – derivative trading?
  - Codes of practice
  - Role of GCA

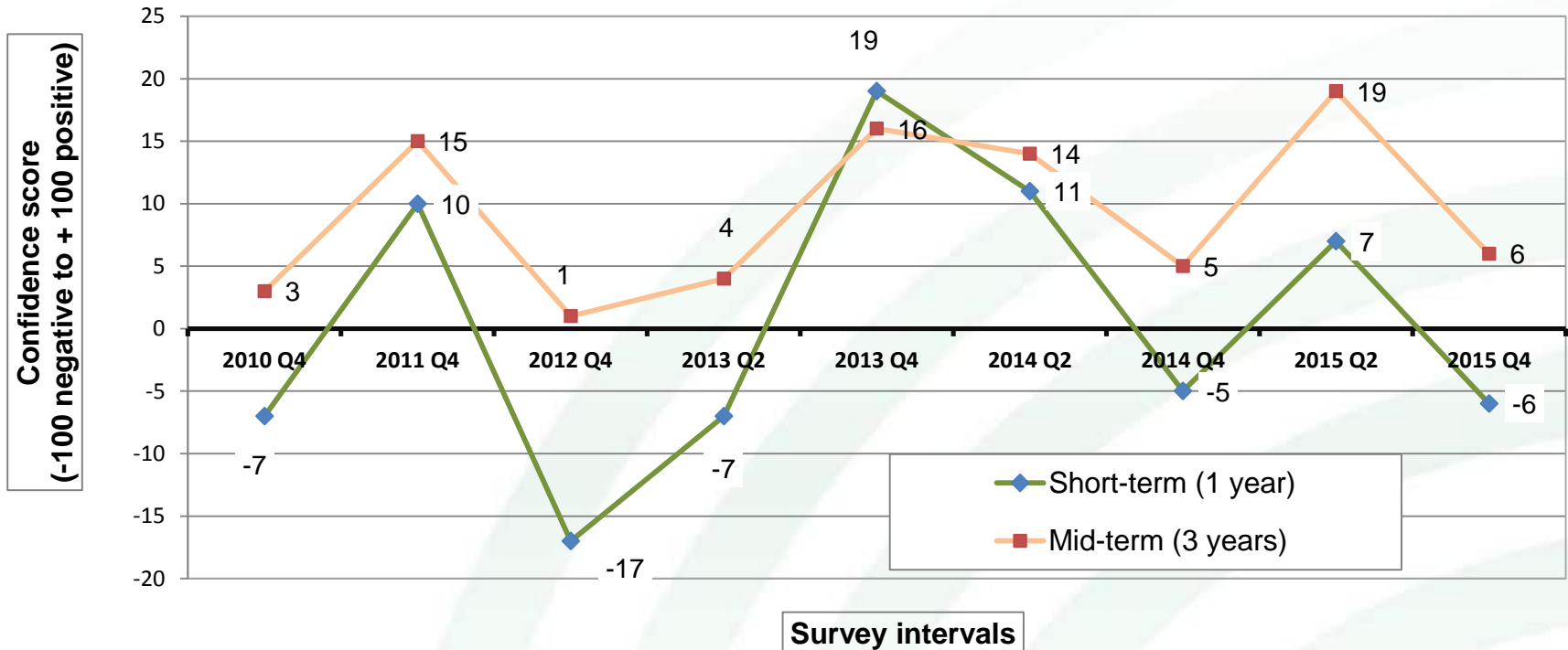
# Keeping a handle on business costs

Trends in key farming costs since 2012



Source: Defra

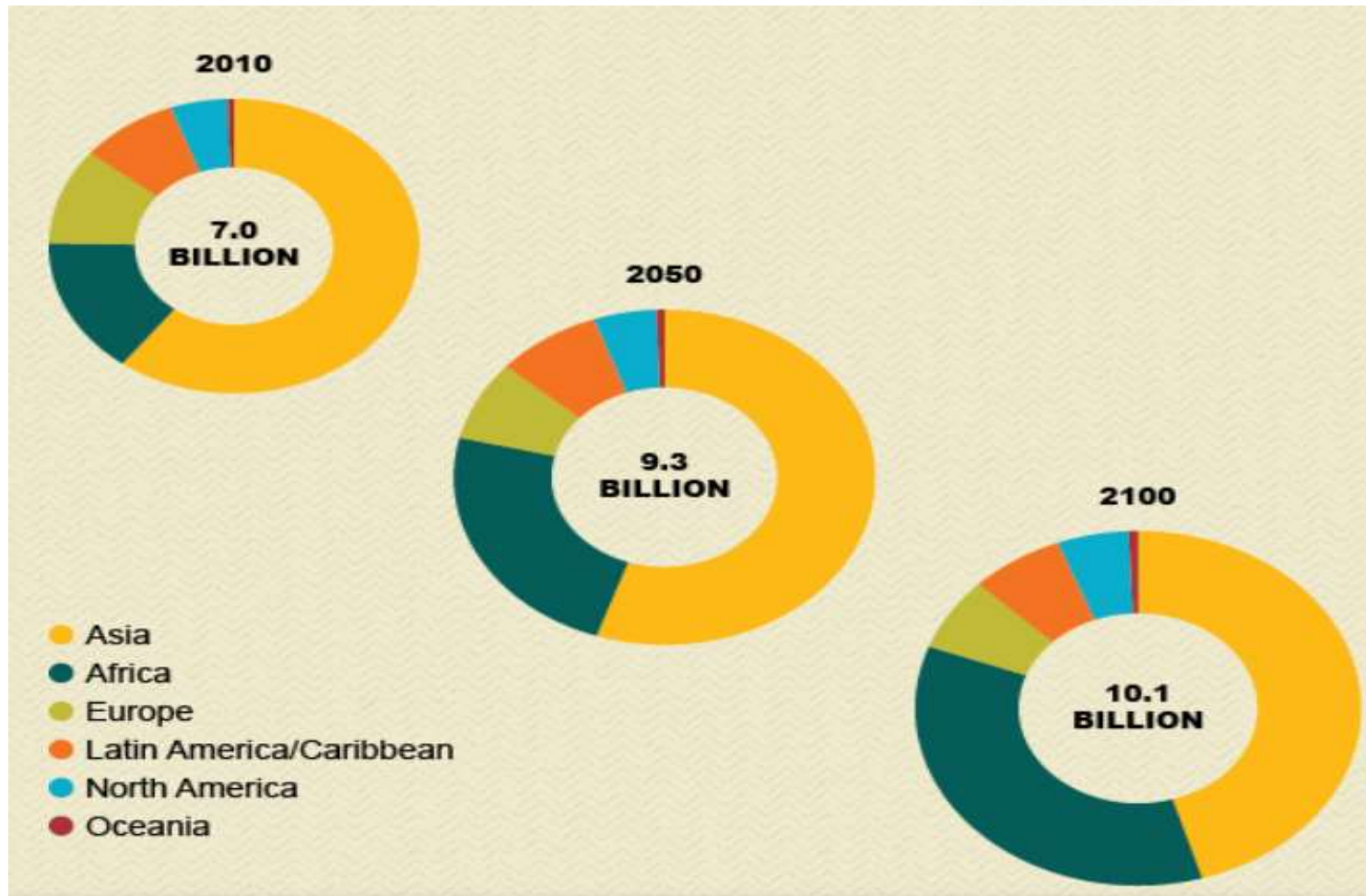
# Business confidence over time



- ST confidence (12 month outlook) has reduced 13 points into negative territory (-6)
- Mid term confidence (3 year outlook) has also dipped by 13 points but remains slightly positive overall (+6)

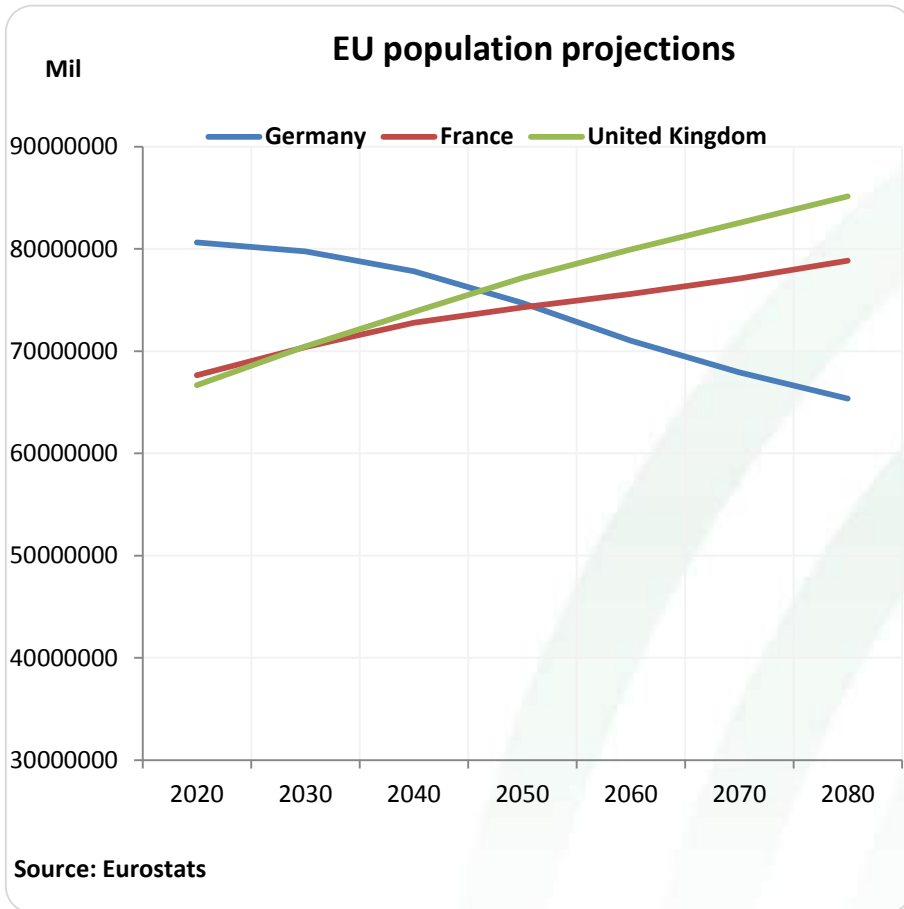
# The outlook?

# 9.3 billion – The most over used statistic in the global food industry?

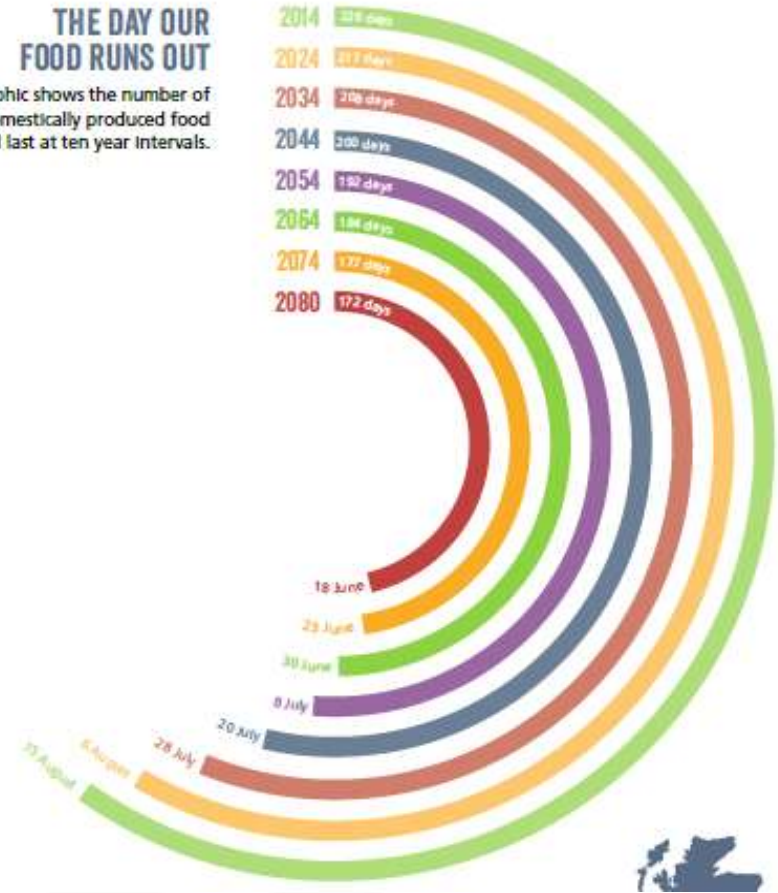




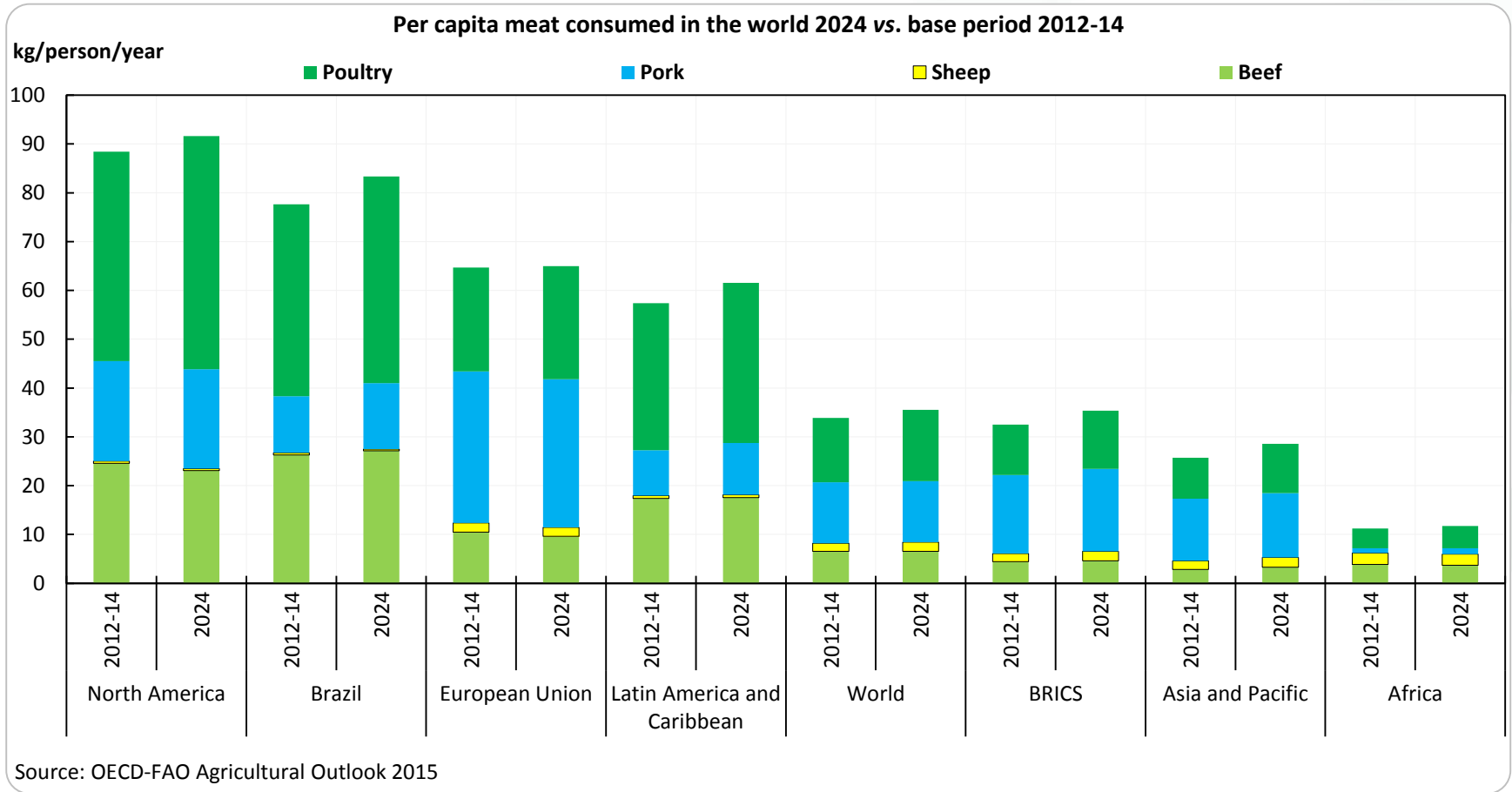
# UK's population will continue to grow faster than any other large EU MS



**THE DAY OUR FOOD RUNS OUT**  
 This graphic shows the number of days domestically produced food will last at ten year intervals.

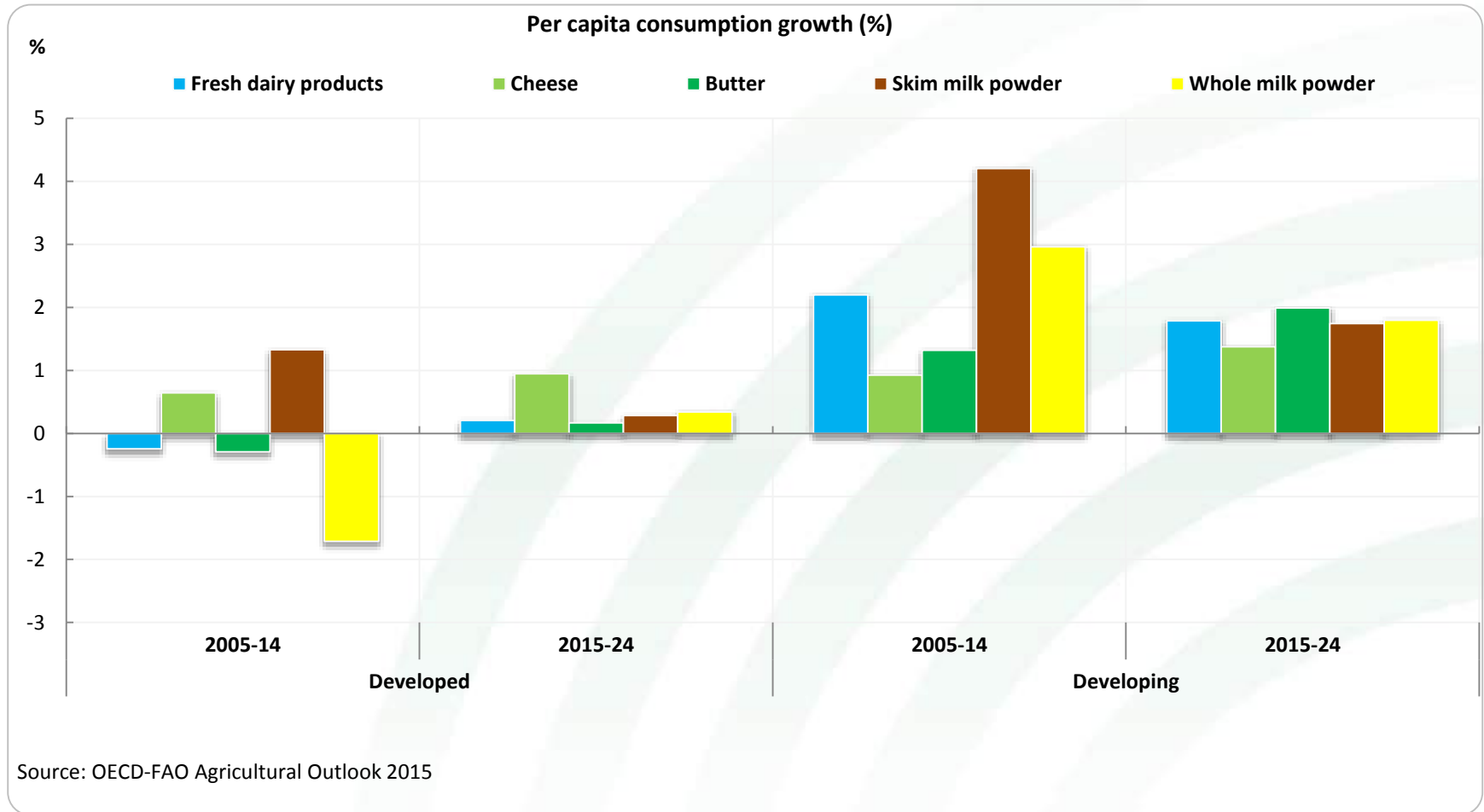


# Per capita meat consumed in the world is expected to grow





# Rising per capita consumption of dairy products



# Current priorities: Key policy areas?



EU Referendum –  
setting out the  
facts

# Europe – in or out?



# What you will find in the NFU publication

- No “remain/leave” conclusion, but questions raised;
- Facts about our relationship with the EU regarding agriculture;
- Stimulate and inform the debate with members and interested parties.

# Key questions that demand answers

## Leave

- Would we have access to EU market?
  - Under what conditions?
- What would a “British Agricultural Policy” look like?
  - How to ensure fairness?

## Stay

- What is EU’s strategy to make agriculture more productive and globally competitive?
- In or out, how do we achieve better/science-based regulation?

# Single Market and Trade

## GROSS DOMESTIC PRODUCT 2014



**\$18,495.35**  
Billion (USD)



**\$17,418.93**  
Billion (USD)



**\$10,380.38**  
Billion (USD)

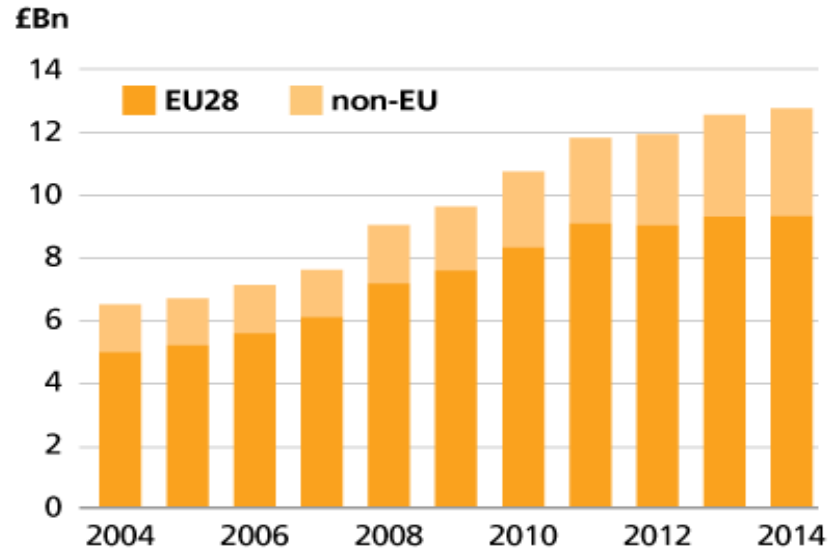


**\$4,616.34**  
Billion (USD)



**\$3,859.55**  
Billion (USD)

## UK FOOD AND NON-ALCOHOLIC DRINK EXPORTS





# Labour availability



- Importance of non UK born labour;
- Official sources of labour underestimation:
  - 34,513 (65% non UK born is EU born)
  - Doesn't cover seasonal / communal housing
- Any restrictions would impact sector.



# EU legislation

## EXAMPLES OF EU LEGISLATION APPLYING TO FARMERS

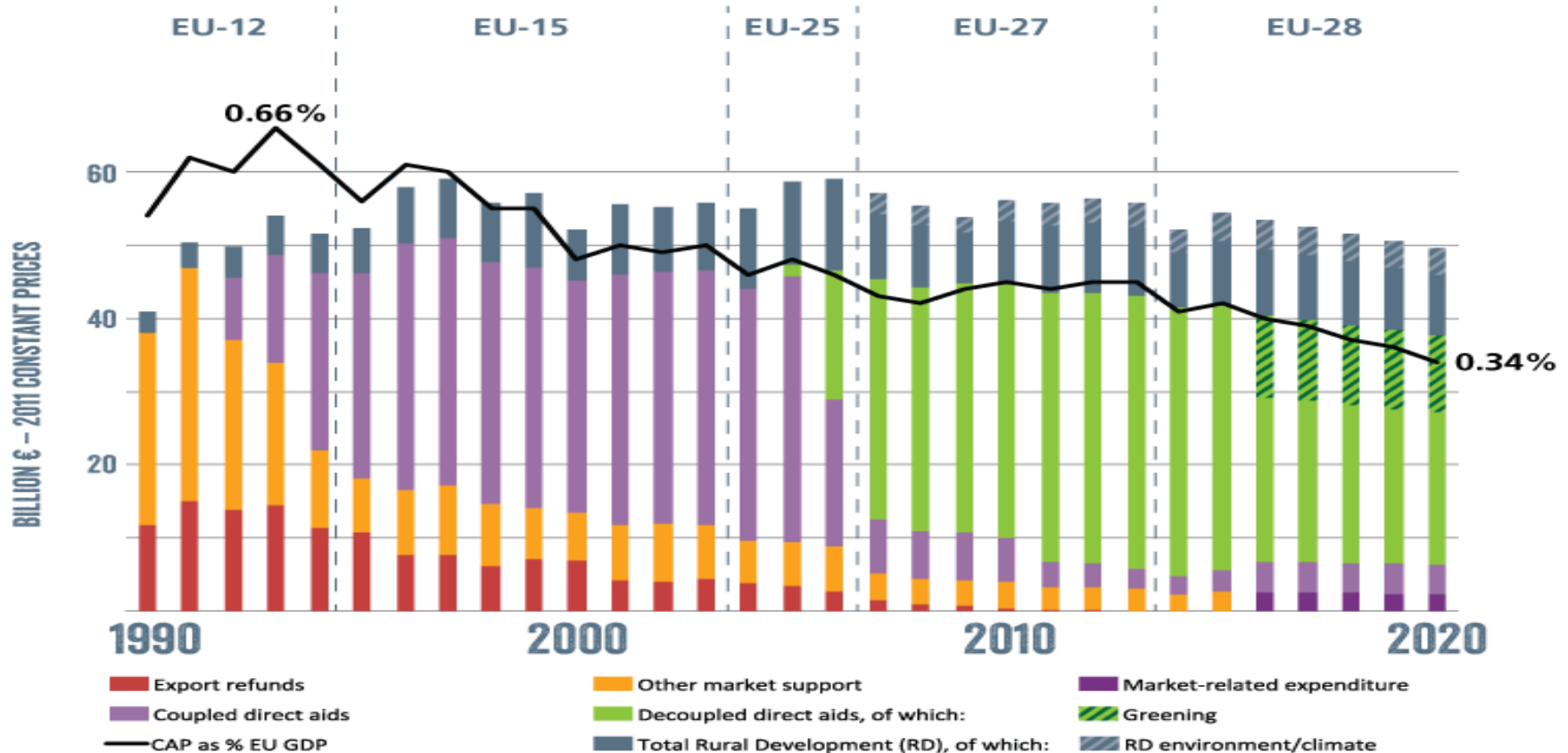
**40,000**  
legal acts in force in the EU.

		
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 saw stall ban (No 2008/120)	✓	✓



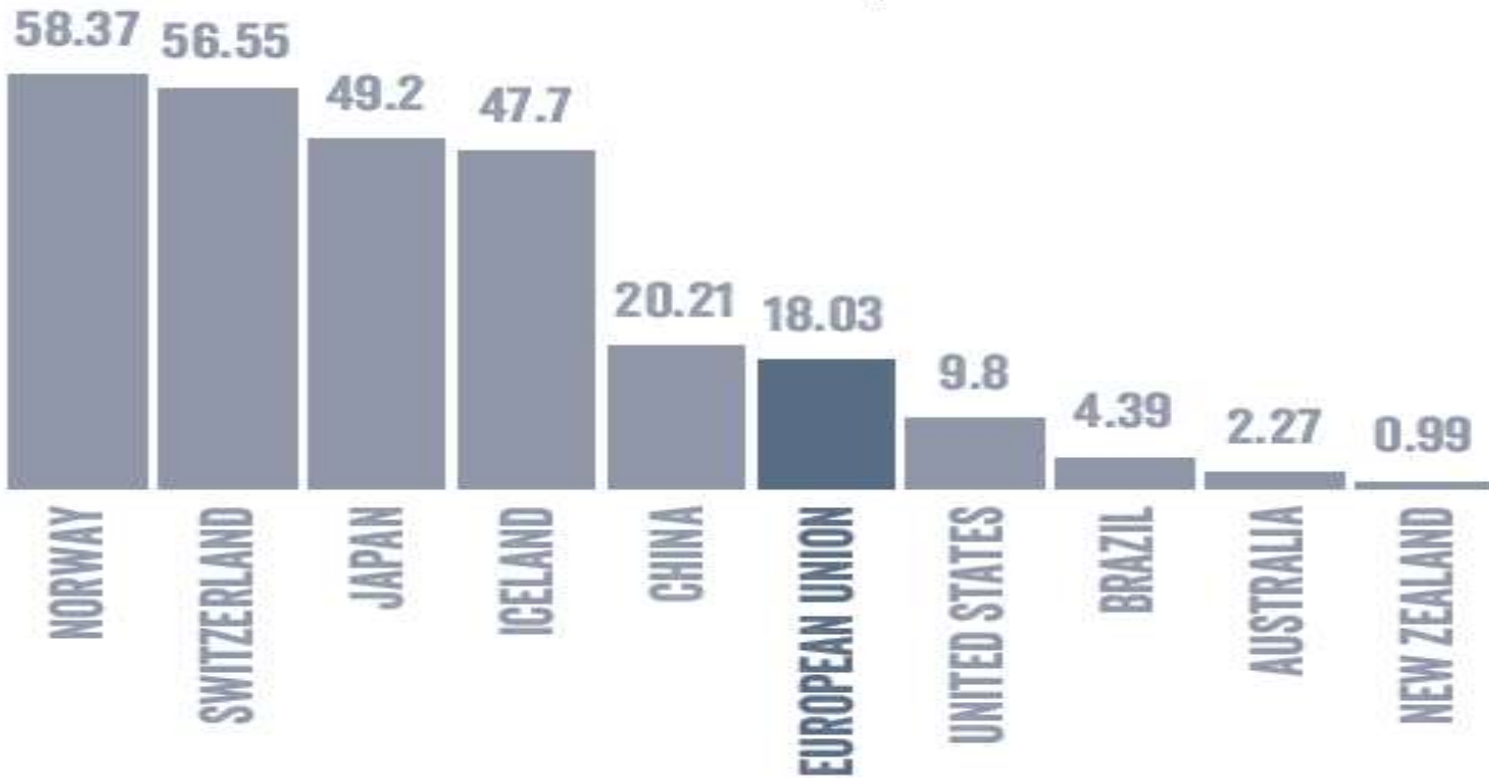
# The CAP, its history and evolution

## CAP EXPENDITURE AND CAP REFORM PATH



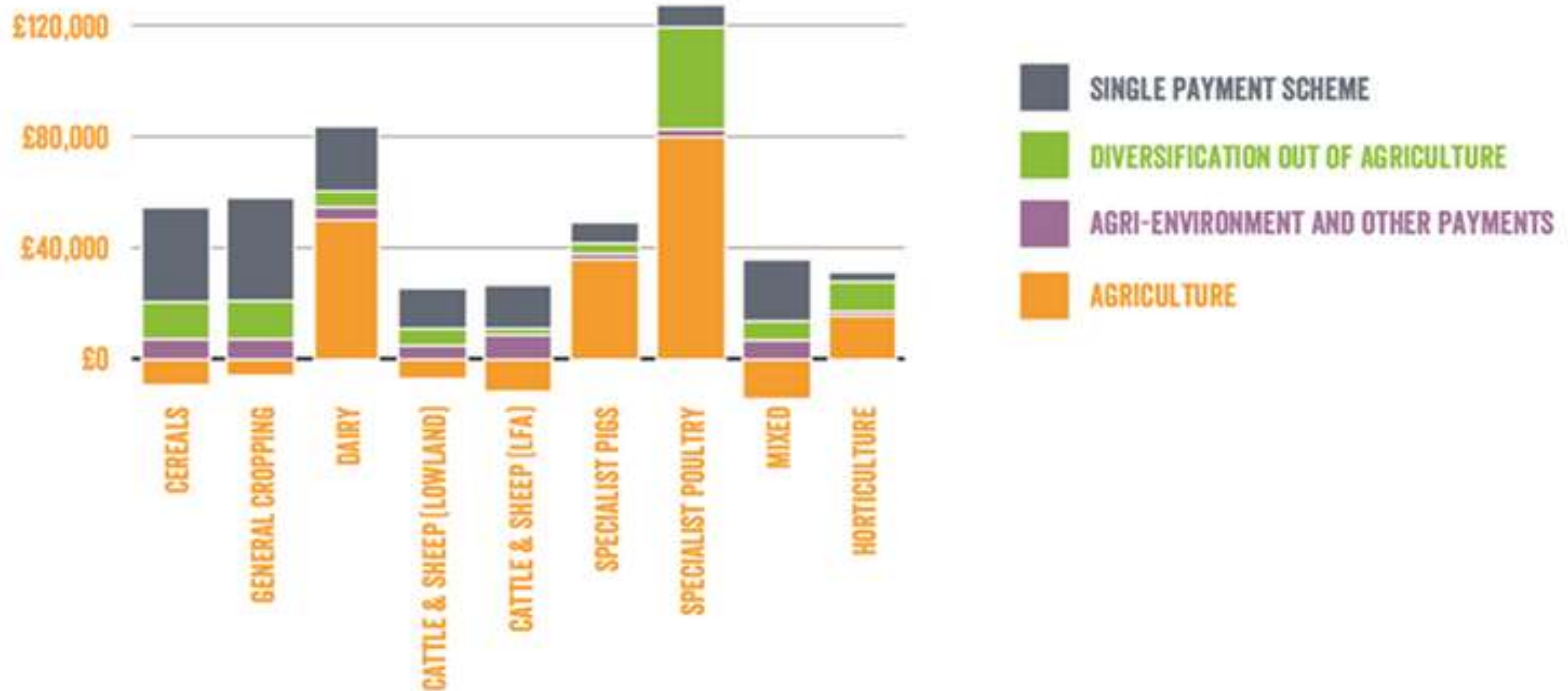
# Other countries support their farmers too...

**2014 OECD PRODUCER SUPPORT ESTIMATES**  
% farm receipts



# The CAP in the UK

FARM BUSINESS INCOME BY COST CENTRE 2014/2015



# The EU science and research landscape

- Horizon 2020 – biggest ever EU R&D fund;
- UK ranked No.2 in R&D funds from EU under FP7 (€6.8bn);
- Bridging research and farmers(EIPs);
- Science inside the Commission (JRC);
- EFSA.

# The UK outside of the EU?



The UK contributed the equivalent of

**£153**  
PER PERSON

in 2014

# NO

MEMBER STATE  
HAS EVER  
LEFT THE  
EUROPEAN UNION



In 2014 Norway contributed the equivalent of

**£106**  
PER PERSON

to the EU budget with no influence

# Brexit assessment

- NFU has commissioned an impact assessment
- Easter 2016
- 9 different scenarios
  - Different trading relationships
  - Different CAP direct support levels



# Thank you!

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