

# INTERNATIONAL DAIRY magazine



## „The future EU – UK Dairy Framework“

### EDA discusses the Brexit and possible consequences

On the background of the almost chaotic discussion about the Brexit that takes place these days, the breakout session of this year's annual gathering of the EDA (European Dairy Association) entitled „The future EU – UK Dairy Framework“ focused on the consequences of the split of Britain from the

EU. Session moderator Wim Kloosterboer (FrieslandCampina) told the audience on 15 November in Dublin that the industry must prepare for any outcome, be it a close neighbourhood of the EU and the UK or be it a no-deal scenario.

### The dimensions of the risks



As a start, Glanbia Cheese CEO Paul Vernon (also president of UK Dairy UK) described the dimensions of the risks at stake both for the EU and the UK industry. Great Britain exports 1.2m tons of milk equivalent to the EU and buys roughly 1.4m tons from there. The mass balance seems OK but there is a huge imbalance when looking to single product categories. Cheese makes 34% of the British dairy imports from the EU (470,000 tons), yogurt contributes another 24%. The UK dairy exports are dominated by raw milk (60% of the total volume) which are shipped to Ireland for processing. One cannot

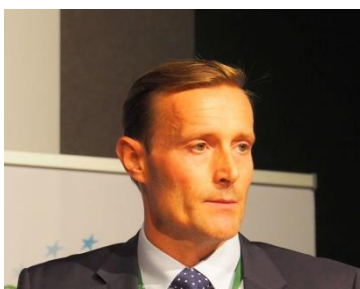
compare the Brexit with the Russian embargo that made 250,000 tons of cheese „customer-less“ in a day. Eckhard Heuser, CEO of the German Dairy Industry Association MIV, added in the discussion that given the UK's huge raw milk exports it is more or less a matter of building processing capacities – of which the UK does not have enough at the moment.

Vernon's forecast is that the situation won't change until the end of the transition period in December 2020 („if there is one“) but that it is open what will be decided until then. Anyway, he said, the industry needs time to prepare and adapt to any new situation. Dairy managers, he said, are no politicians who may switch their course at any given time.



**Mike Petersen, New Zealand Special Agricultural Trade Envoy, told the EDA forum in Dublin that a hard Brexit would seriously affect the world dairy trade as the UK is the world's 3rd largest importer and 5th largest exporter of dairy products. The mutual trade volume between the UK and the EU is about €9bn, Petersen added. NZ hopes, Petersen said, to keep the existing close network with the UK and the EU and aims at new trade agreements with both sides**

### UK retail prices may increase significantly



Arla Foods has prepared for any outcome of the Brexit process, said Kasper Thormod Nielsen. But the co-op which has 4,000 employees in the UK and collects the milk from a quarter of the British dairy farms, still hopes for the best. Nielsen pointed out that Arla, although generating 80% of their sales in the UK from local production, might have to pay €220m in tariffs and would have to complete 100 million of customs declarations if there was a no-deal Brexit. He as well as

Vernon fear that consumer prices in the UK would significantly increase after a hard Brexit, Vernon even spoke of the possibility that consumption could get killed.

### **Each deal is better than no deal**



To sum it up: the EDA session on the Brexit produced one important message: each agreement is better than the no-deal Brexit. The best possible outcome of the Brexit is that the UK stays as close as possible to the EU and that there won't be any disturbing of the trade flows. By the way, EDA has produced a masterplan for a trade agreement with the UK that was adopted by the EU right at the conference day.



**When opening the EDA annual assembly, Irish Farm Minister Michael Creed demanded that the Irish dairy industry should develop an appropriate scale as small co-ops might not necessarily be able to withstand shocks to the system. The industry, Creed said, should be more pro-active when it comes to sustainability and animal welfare matters.**