



European Association representing the trade in cereals, rice, feedstuffs,
oilseeds, olive oil, oils and fats and agrosupply
Comité du commerce des céréales, aliments du bétail,
oléagineux, huile d'olive, huiles et graisses et agrofournitures

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COCERAL Recommendations on Brexit and the Future of Trade Relations between the EU and the UK

Since 1973, trade relations led to the creation of multi-layered, efficient and competitive value chains across the Channel. These chains range from input industries for agriculture trading direct to farmers, to the primary processing and food, feed and non-food agricultural production.

With the withdrawal negotiations ongoing, it is paramount to maintain the integrity of the EU Single Market as well as to prepare the foundations of the strong trade relationship with the UK.

An overview of trade relations between the EU and UK

The UK is an important partner for agri-commodity trade, and its leaving the EU will mean significant changes as a result of leaving the EU Customs Zone, and no longer being subject to the Common Commercial Policy.

COCERAL membership covers trade in 105 product lines and according to Eurostat data for 2015, the volume of 2 way trade between the EU27 and UK for these products, amounted to over 6.6 million tonnes.

The UK has over 30 ports which regularly handle grain exports and many are also suitable to accept imports. Of these ports, only 3-4 can handle 60k/mt size vessels, 3-4 can handle 25-50k/mt, but the majority are just suitable for 3-4k/mt size vessels and many also face tidal restrictions. The smaller ports supply the majority of the grains shipped to the EU where the bigger ships travel the distance to non-EU destinations, due to economies of scale. UK crop size dictates import and export necessity, with 2015/16 being a big export season, with over 4.8 million mt of combined wheat and barley tonnes being exported. This equates to nominally 400k/mt a month which, if all moved in 4k/mt size ships would equate to 100 vessel movements a month. UK ports have very little storage being 'just in time' facilities with lorries carrying approx. 29t, arriving direct from farm when ships are in port. Loading takes nominally 48hrs for a 4k/mt size vessel with average sailing times to Europe of around 1-4 days. Ships of 25-60k/mt usually take circa 5-8 days to load with sailing times varying from 5-20+ days subject to destination. Any delays in obtaining shipping documents will affect business and will lead to extra costs and vessels stuck in port. Shipping logistics are currently very efficient and vessels can often be sourced on a spot basis, arriving in ports on the next tide while contractually suppliers would expect 3 days' notice. Any barriers to trade that affect these efficiencies, will add costs that will feed directly to ex farm prices affecting farmers incomes, and leading to increased volatility in prices.

For operators in the agribusiness supply chain, while volumes of production and trade are important, they cannot be taken by their face value. The quality of the agricultural products is of utmost importance and



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different qualities serve different outlets and societal needs. Trade in agricultural products between the EU and the UK thus enables the neutralisation of volume fluctuations as well as quality imbalances and helps limit price volatility. For these reasons, trade between the EU and the UK should continue for agri-commodities as seamlessly as possible. Consumers throughout the EU27 and UK largely operate on a 'just-in-time' approach with minimal storage, requiring trade to be efficient and fluid.

Moving to the new relationship between the EU27 and UK

COCERAL repeats its call for both the EU Commission and the UK Government to adopt a positive approach to withdrawal negotiations to help provide predictability and stability for businesses.

In order to meet the requirements for predictability and stability, COCERAL calls upon the European Commission as well as on the UK Government to:

- Work on a common methodology for determining the position of goods placed on the market ahead of 29th March 2019;
- Agree to a methodology for establishing historical trade between the EU27 and the UK for overcoming the uncertainty of the so-called Rotterdam Effect;
- Actively engage with WTO and Third Country trading partners to agree on the future of WTO-related TRQs.
- Agree on mutually acceptable quality parameters and requirements for certificates of origin and Phytosanitary requirements which could cause unnecessary burdens and time delays.

One of the main deliverables of the withdrawal negotiations is the agreement on transitional measures and the transitional period. The European Commission's Position Paper on "Customs related matters needed for an orderly withdrawal of the UK from the Union" clearly lays down the EU laws and regulations that would be applicable in case of a failure to reach a successful transitional arrangement.

The volumes of trade between EU27 & UK are significantly bigger in comparison to the volume available under the WTO TRQ's. In the worst-case scenario of a 'hard Brexit', any trade above WTO TRQs' will expose the UK commodities to prohibitive import duties when entering the EU, which could be mirrored by the UK on imported EU commodities. Such an outcome would significantly disrupt markets and impact the integrity of the supply chains both for EU27 and the UK, leading to supply chain inefficiencies and eventually inflation.

Business operators need sufficient time to adapt to a new regulatory and trade environment but should only be required to take these steps on a single occasion. Multiplying regulatory and trade changes could lead to legal uncertainty, less investment, change of trade patterns, potential litigation and will negatively impact the economic development on both sides of the Channel.

For this reason, COCERAL calls for a transitional period not limited to product and scope, and applicable as long as possible under the current EU budgetary and fiscal rules and preferably until a new trade agreement enters into force. This is essential for businesses established and operating across the



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Channel, who are already entering into contractual arrangements with farmers and industries for post April 2019. These contractual arrangements need to take into account the uncertainty, which will be reflected in pricing, having an implication on plantings as well as supply chains.

A non-agreement or fallback to WTO default rules will be damaging for the agri-commodity trade. For this transition and until such time that a trade agreement comes into effect, it is fundamental for the UK and EU to accept all 'EU 28' origin agricultural produce, as equivalent and compliant as a complete unit and not to introduce unilateral border and customs procedures for products traded between all parties.

Continued harmonization and recognition of procedures would facilitate efficiency - financially and logistically - which would reduce the burden on available resources both for the UK and the EU. Where possible and needed the EU and UK should seek for mutual recognition agreements. On the UK side, appropriate resources - capital, labour and systems - should be deployed to ensure efficiency of trade. The UK should also in a timely manner apply the WTO trade facilitation rules vis-à-vis the EU if a trade agreement is not reached.

COCERAL calls upon the UK Government to also communicate its plans for the future of the UK's Agriculture Policy in order to provide clarity for operators and traders.

The issues around 'grain quality' and producing certificates that are acceptable for end receivers, governments of receiving countries need to be addressed and discrepancies should be avoided. The UK needs to establish necessary systems to monitor and address trade requirements in a knowledgeable way, backed by solid scientific evidence and with a full understanding of the current issues, legislation, trade restrictions and procedures.

To conclude, the grain and feed trade is a cornerstone for the agricultural sector as a whole, delivering raw materials for the food, feed and fuels industries. We would urge authorities on both sides of the Channel to ensure minimal trade friction in these raw materials to allow the value-added sectors the best chance of improving productivity and delivering end products that are competitive on the world market.

COCERAL is the European association of trade in cereals, rice, feedstuffs oilseeds, olive oil, oils and fats and agrosupply. It represents the interest of the European collectors, traders, importers, exporters and port silo storekeepers of the above mentioned agricultural products. COCERAL's full members are 21 national associations in 15 countries and 1 European association [Unistock]. With about 3500 companies as part of COCERAL national members, the sector trades agricultural raw materials destined to the supply of the food and feed chains, as well as for technical and energy uses. COCERAL has 1 associated member in Switzerland and 2 European Associations (EUROMALT and EUROMAISIER). Gafta is an extraordinary member of COCERAL.