

FOR IMMEDIATE RELEASE

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U.K.'s vote to leave the European Union: Consequences for the fruit and vegetables trade

Freshfel Europe, the European Fresh Produce Association, is severely concerned by the economic consequences, the outcome of the U.K. referendum may have on the sector. Short term consequences might be related to disrupted trading relations and insecurities based on the drop of the pound. A British leave on a long run would lead to an elimination of existing framework agreements to conduct trade within the European Union as well as with third countries. Both, short- and long-term perspectives, will force businesses to adapt to the new market situation and lead to insecurities over the upcoming months. Freshfel will closely follow the political and economic developments of the dossier, and voice the specific requirements of the fresh produce business, if the "British Leave" becomes reality.

The outcome of the British Referendum, held on the 23rd of June 2016, with a 51.9% majority decision to leave the European Union, continues to occupy policy makers as well business operators. For the current situation, the Referendum has no direct consequences on the manner in which business operations are conducted, except immediate implications on currency fluctuation. The U.K. will have to convoke Art. 50 in line with the Lisbon Treaty, to notify to the EU its will to leave. The divorce-procedure could take up to two years, once the notification has been handed in. During all this time, it will remain "business as usual", with the current terms and conditions provided by the single market as well as with regard to FTA with third countries. Also, all other benefits such as the CAP (CMO, marketing standards, promotion policy, GI protection), food and plant safety legislation and research and innovation projects will remain fully applicable.

While the outcome of the Referendum only having a political but no legal implication, the current floating state about the future path of the U.K., could have short-term economic consequences for the fruit and vegetable sector. The drop of the British pound is already causing a sphere of insecurity among the fresh produce business operators, which has to be closely monitored in the upcoming days. Depending on the currency stated in the contracts, the current drop cause severe losses on the one or the other side of business operations. Price volatility caused by currency drops will on the long run be reallocated to the consumer and could lead to the increase of fruit and vegetable prices in the U.K. but also limit the offer given the loss of competitiveness of the British market. This will not only affect the sourcing from the EU-27, but from all third countries.

Freshfel refrains, neither to speculate on the outcome of the "leave"-negotiations nor the initiation of the leave-procedure itself. Procedures will be impacted by political and legal complexity. Nevertheless, the association has to admonish a fast clarification of the political situation, to give business operators possibility to adapt to new market conditions.

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In case of a British leave, this could have significant impact on the fresh produce trade, primarily between the EU-27 and the U.K., given the important EU-27 shipments of fresh produce to the U.K. market. This business is currently enjoying the benefit of the free circulation within the single market and trade is facilitated by the existence of the “acquis communautaire” securing harmonized rules within the single market. The potential negotiation of the transitional treaty, which will govern the EU-27/UK relations on the exit, will have to address these matters and conditions. Moreover, the future format of trade relationships between the EU and the U.K. will have to be discussed. Depending on the format chosen – bilateral negotiations, customs union-format or the membership in the European Economic Area – will decide on the future relationship of traders with regard to tariffs, duties and quotas.

The U.K. is moreover a significant importer of fresh produce originating from third countries. These imports are currently taking the benefits of trade liberalisation conditions set by the existing 36 FTA's that the EU signed on behalf of the 28 member states. Fresh produce trade was in this respect liberalized with many countries in the Mediterranean basins, with Southern Hemisphere countries, ACP countries and more and more countries in South East Asia. With the possible exit of the U.K., the FTA's negotiated by the EU will cease to apply for import into the U.K. The country will have to recreate its trade relationships with third countries, governed by the necessity, to renegotiate bilateral trade deals individually with each country. By experience, these negotiation processes are usually time consuming, lengthy and need to comply with complex legal requirements. Moreover, the leave could also trigger renegotiations of EU-FTA's, initiated by third country partners claiming on changes of the contracting parties. Moreover, other implications might occur on the British labour market with regard to the right of residence for foreign workers.

Today the British market is delivered with fresh produce originating from close to 120 countries. A snapshot on the trade between the U.K. and the EU-27 shows the tight relationship, but also the heavy reliance on external imports of fresh products of the U.K:

- In 2015, the UK received more than 5.6 million T of fresh fruit and vegetables from either the EU or other origins from around the world. The value of this import business was worth 6.8 billion €. Out of this volume 52% (or 2.9 million T) are more specifically originating in the EU
- The main fresh produce suppliers are: Spain (1.4 million T), The Netherlands (700.000 T – including some trans-shipments), South Africa (350.000 T), Costa Rica and Colombia (300.000 T each), but also Dominican Republic, France, Germany, Ireland (ca 200.000 T each).
- Products include among others bananas (1.1 million T), apples (450.000 T), soft citrus (300.000 T), oranges (280.000 T), table grapes (280.000 T)
- The UK also exports / re-exports up to 240.000 T to EU-27 and third countries, a business trade worth 240 million €. Ireland is the main destination taking up close to 50% of this business.

Freshfel will continue to work closely with its members to monitor the specific aspects relating to fruit and vegetables, to minimize the impact for the fresh produce sector of this development.

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Note to the Editors:

Freshfel Europe is the European Fresh Produce Association, representing the interests of the fresh fruit and vegetables supply chain in Europe and beyond. Freshfel Europe currently has over 200 members, including both companies and associations. For more information, contact the association at info@freshfel.org or visit the association website www.freshfel.org.

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