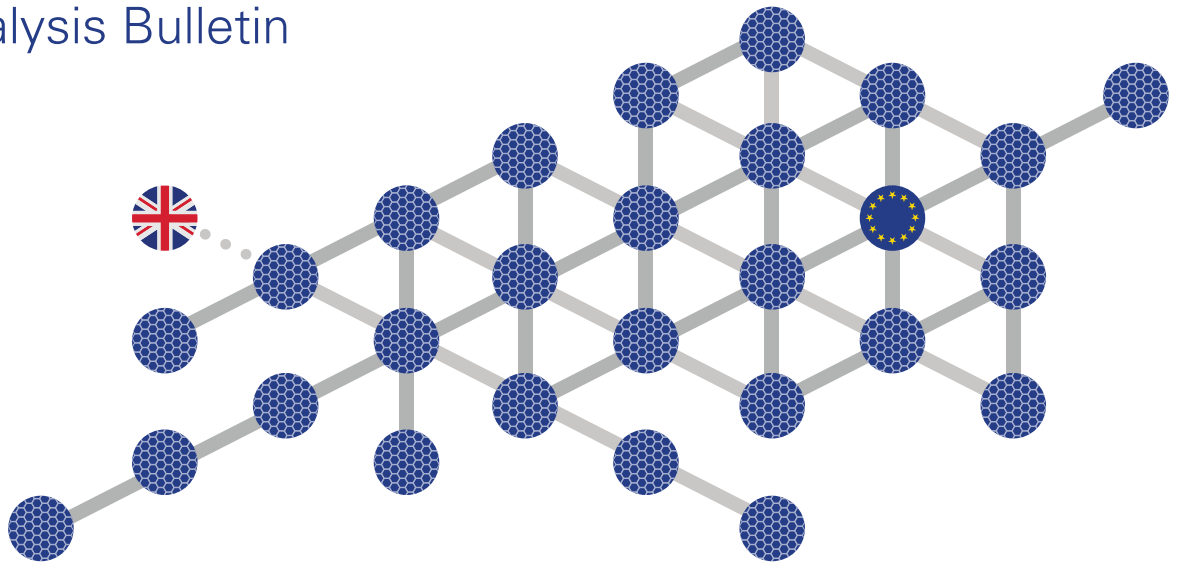




Brexit Analysis Bulletin

Rural



The questions raised by the Brexit vote in the EU Referendum remain numerous and diverse; funding arrangements, trade deals, food regulation, employment and environmental protection. There are no hard-and-fast answers at this stage but it is possible to identify some of the key rural issues raised by Brexit and examine the possible changes that may now occur.

Common Agricultural Policy

The most obvious impact of Brexit on UK farmers will be the removal of the Common Agricultural Policy (CAP). While the current CAP has been criticised by some as imposing a high burden of regulation and focusing support in the wrong areas, the CAP payments remain vital for many farmers in the UK.

It is therefore unsurprising that many in the sector wish to know what will replace CAP. While it appears inconceivable that no replacement will be put in place, it is a distinct possibility that Brexit may lead to a reduction in the level of support available to UK farmers. That is partly due to the political influence and demands of larger persuasive rural economies, such as France, being removed from UK policy-making. On the other hand, it could be argued that the UK will now be able to establish its own unique policies to support the specific needs of UK farmers and remove onerous regulation and red tape.

Exports

The principle of free trade is one of the key pillars of the EU. Over the years, EU law has consistently broken down national barriers to trade and promoted a single European market for goods. This has allowed UK food producers to

export their goods to a larger market without the need to modify their products or pay tariffs.

In terms of Brexit, the question for many in the rural sector is what trade options will still be available outside of the EU. As noted in our earlier bulletins, there are numerous trade options open to the UK in the event of Brexit, including;

- Membership of the European Economic Area (EEA) or the European Free Trade Association (EFTA) would allow access to the common market but, on their current terms of membership, both of these options would require the UK to continue to comply with the vast bulk of EU law. European leaders have so far indicated that, in order to retain access to the common market, the UK will be required to maintain the free movement of persons. During the Referendum debate, the Leave campaign argued that the status quo on free movement would not be acceptable.
- The UK could negotiate its own free trade agreements with other nations around the world. While this would allow the UK greater flexibility and freedom in negotiating its own terms, this would also bring



a large degree of uncertainty as such deals require lengthy negotiation, often over a period of years. There is also the possibility that the UK would be in a significantly weaker bargaining position outside of the EU and would be forced to make significant concessions in any trade deal.

The precise impact of Brexit on UK trade cannot accurately be forecast at this stage. While the UK will have greater freedom to formulate its own trade policy in the longer term, there is inevitable short-term disruption and uncertainty.

Employment

Another key pillar of the EU is the free movement of persons. This freedom has allowed workers from across the continent to take up work in the UK and employers have, as a result, been able to access a far larger workforce. This trend has been a key feature of the agricultural and food production sectors in recent years. The use of non-UK workers has been particularly prevalent for seasonal work, such as fruit and vegetable picking.

Post-Brexit, it is likely that the UK's immigration system will be radically overhauled with a view to reducing the level of net migration. Measures may be adopted to reduce the number of unskilled manual workers entering the UK and all EU nationals may become subject to the same visa restrictions as those from outside the EU.

The scale of the impact on immigration policy will be dependent on the UK's relationship with the EU after Brexit. Membership of the EEA or EFTA would, for example, guarantee free movement rights for workers. It is therefore not possible to say with any degree of certainty what the UK's immigration policy will look like after Brexit. At the very least, the departure from the EU will open up the door to greater restrictions on immigration.

For a more detailed analysis of the employment implications of Brexit, please click [here](#) for the bulletin prepared by our employment team.

Food Regulation

Animal Welfare

Much of the UK's legislation on farm animal health and welfare originates from the EU. The implementation and enforcement of EU law in this area has, however, been patchy across member states and many view the current framework as creating an unequal playing field for British farmers.

After Brexit, the UK is likely to maintain current provisions in order to ensure ongoing trade with the EU in animals

and animal products but the UK will theoretically now be less able to exercise influence over the standards imposed on competing farmers in other member states.

Plant Protection

The framework for approval and registration of plant protection products has been primarily driven by the EU. It is widely perceived that decision-making through this framework is inconsistent and slow and this has presented a barrier to innovation. While the UK may maintain its own domestic approval system on Brexit, it is likely that this system will still have to adhere to EU rules on ingredients in order to trade with the EU and it is unlikely that businesses will seek to produce products exclusively for the UK market in any case.

GM Products

The regulation of Genetically Modified (GM) products is an area which has seen a significant return of powers to member states in recent years. Member states are now permitted to restrict or prohibit the use of an authorised GM product in their territory where there are compelling grounds for doing so. Implementation of GM regulation in the UK has been done on a devolved basis and, on Brexit, it is anticipated that there may be scope for further policy differentiation across the UK.

Environmental Protection

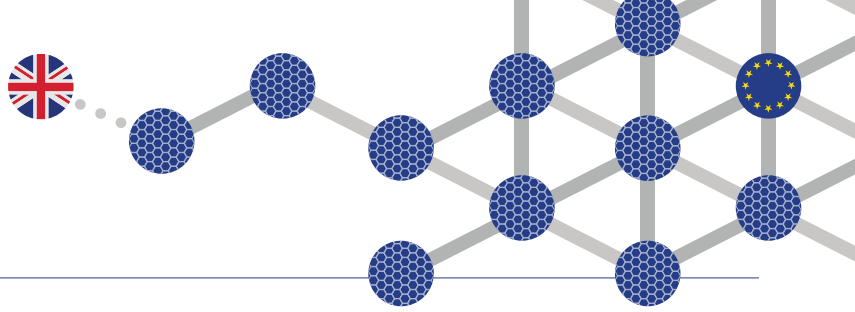
EU policy has directed much of the UK's legislation for the protection of the environment and wildlife. This has included measures relating to emissions, contaminated land, biodiversity, wildlife, energy efficiency and environmental impact assessments.

The UK has, however, incorporated many of these measures into domestic law and, in some cases, domestic law has gone further than required by the EU. As a result, it is not anticipated that the UK will seek to overhaul environment and planning law in the immediate aftermath of Brexit. There will, however, need to be some amendments to UK law to ensure that current references to EU standards and designations are updated and this process may present an opportunity to formulate new policy.

For more on the implications of Brexit on planning and the environment, please click [here](#) to access the bulletin prepared by our planning team.

Devolution in the UK

As a final note, it is worth considering the impact of Brexit on the devolved structure of the UK. The current devolution arrangements for Scotland reserve certain matters to Westminster and declare that all other matters are within the remit of the Scottish Parliament. Provided there is no change to the current constitutional



arrangements, Brexit will result in the Scottish Parliament having greater control and responsibility over policy areas that are currently governed by the EU, such as agriculture, fishing, and environment and planning.

In that scenario, a new financial arrangement will need to be agreed within the UK and the potential for further policy divergence between Scotland and the rest of the UK will be increased. In that context, it should also be noted that the funding made available to the Scottish Parliament is currently calculated by reference to equivalent spending in England. Agricultural and rural

spending is proportionately higher in Scotland than in England and it remains to be seen how this divergence will be addressed.

Conclusion

Those in the rural sector will continue to ask questions of the potential implications of Brexit. While answers remain scarce at this stage, it is already clear that some areas could be subject to significant reform while others are likely to remain business as usual for the foreseeable future.

SHEPHERD AND WEDDERBURN'S BREXIT ADVISERS

JOINING THE DOTS OF THE EU REFERENDUM

What next?

Shepherd and Wedderburn has been for many years offering balanced and impartial advice on how the different scenarios might play out in the event of constitutional change.

Now that the vote has been cast to leave the EU, members of our dedicated Brexit group continue to interrogate the regulatory and commercial issues and to advise clients on next steps and outcomes.

For further information in the first instance, please contact:



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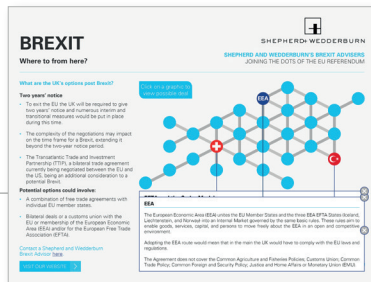


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