



## ***Brexit and the Potato Industry***

***Compiled by  
Cedric Porter & Guy Faulkner  
World Potato Markets***

***[www.worldpotatomarkets.com](http://www.worldpotatomarkets.com)***

# WORLD POTATO MARKETS

INDISPENSABLE MARKET NEWS AND ANALYSIS FOR WORLD POTATO PROFESSIONALS

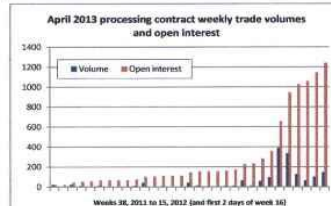
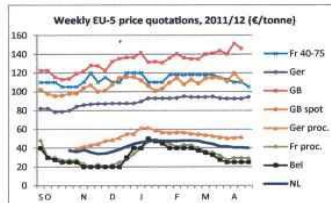
## French area surprise

With nine days of Eurex futures market trading before the expiry of the April 2012 contract, time is running out for any significant physical market improvement. But futures traders are still reluctant to close out their positions. The contract settled today at €39/tonne, €1/tonne above the estimated cash value, with 3 201 contracts still open. Trading in June contracts is now exceeding that of April and there has also been more interest in the April 2013 position. The only bright point on the EU market has been a further surge in Spanish prices. Belgian stocks at April 1 were 410 000 tonnes larger than last year, according to PCA/Fiwap.

France's appalling export season should have resulted in a sharp cut in maincrop ('conservation') plantings but initial estimates from Agreste indicate a small increase, which will limit the price recovery in the coming season if the yield is close to trend. France's ware export gloom extended into February, with the total for the season likely to be 350 000 tonnes smaller than in 2010/11. While sales to Spain should be improving, France's export quotations give no sign of this.

There should be a strong revival in North American production this year, prompted by the high prices achieved in 2011/12. The Canadian crop could be more than 12% larger than last year while the US autumn crop could be 9% larger following last year's 6.1% increase. But lower prices could however dampen the expansion next year.

Demand for US fries remained strong in February despite the rising product price. The 12-month total exceeded 850 000 tonnes product weight for the first time. Canada's fry exports are growing strongly again and regaining some of the losses from 2010 and 2011. While the US and Canada dominate the Philippines fry market, Belgium is improving its position. Indonesian ware imports almost doubled over the 12 months to January 31.



## WORLD POTATO MARKETS

Prices are stable and last Thursday's processing quotation from the agency AMI was €40/tonne a week earlier. As prices last week in Belgium, France and the Eurex market Potato Index was unchanged at €38/tonne.

Prices are being covered by contract goods, so that only small quantities are being caused by field operations are now intensifying, there is less supply pressure.

varieties compiled by the German agency AMI have shown an increase for varieties but are again unchanged for firm cooking varieties.

Ware potatoes (€/tonne)		Class 1 firm cooking potatoes	
2010	2009	2010	2009
120.8	128.8	102.5	123.3
120.0	131.3	100.8	123.3
121.3	131.3	100.0	123.3
121.3	130.4	100.0	123.3
121.7	130.0	100.0	125.0
122.5	129.6	100.0	127.3
122.5	129.6	101.3	130.0
n.a.	n.a.	101.3	131.7
n.a.	n.a.	101.3	103.3

Processing varieties. Dates refer to 2012; comparable dates in earlier years. Source: AMI.

## Physical market

Prices have reached rock bottom and Eurex futures market traders are still reluctant to close out their positions. The April 2012 processing contract, which expires next Thursday. Those on the buying side are still reluctant to close out their positions, while those on the selling side see the cash price.

Prices are to pay €40-45/tonne for good quality potatoes, although poor quality stocks are sometimes even less. The only change in the regional market quotations over the week is at Goes for processing. The processing average is therefore only €40/tonne a week while the export average is unchanged at €39.375/tonne.

2011/12 (€/tonne, €/tonne)		A. EXPORT		Enneldoord		E1=	
		Goes		Apr 12		E1=	
€	35 - 42.5	Apr 12	€ 37.5 - 45	Apr 12	€ 30 - 45	1.214	
€	29 - 35	Apr 12	€ 31 - 37	Apr 12	€ 25 - 37		
€	35 - 42.5	Apr 30	€ 37.5 - 45	Apr 5	€ 30 - 45	1.209	
€	29 - 35	Apr 3	€ 31 - 37	Apr 5	€ 25 - 37		
€	35 - 45	Apr 3	€ 37.5 - 45	Mar 29	€ 32.5 - 42.5	1.201	
€	29 - 37	Mar 27	€ 31 - 37	Mar 27	€ 27 - 35		
€	37.5 - 45	Mar 27	€ 37.5 - 47.5	Mar 22	€ 35 - 45	1.196	
€	31 - 38	Mar 27	€ 31 - 40	Mar 22	€ 29 - 38		

Grading station prices were also unchanged. The best that can be said is that at present still being quoted.

World Potato Markets is a weekly briefing on the price, production and trade of potatoes and potato products read by industry professionals across the world

# A reminder of last June



**52%**



**48%**

# Planned Brexit timeline

**June 2017**

First face-to-face EU/UK talks to take place



**Autumn 2017**

German election & exit terms decided. Status of EU & UK citizens in UK & EU a priority + Irish border and 'divorce' payment

**2018**

Main post-Brexit arrangements negotiated. By March companies will want to know direction of travel to help plan. Aim is for deal to be agreed by Autumn to allow UK & EU states to ratify it.

# Planned Brexit Day



March 29 2019



# But after last week's election, what now?



# Island of Ireland could determine how Brexit looks



# **A minority Government**

- **Mrs May wanted to strengthen her majority of 17. She ended up with 318 seats out of 650 and no majority.**
- **She needs an informal arrangement with the Northern Ireland Democratic Unionist Party (DUP), who have 10 seats, to govern.**
- **The Conservative Party wants to control immigration into the EU. It accepts that means the UK cannot remain a member of the EU Single Market or Customs Union.**
- **This might mean conflict with its DUP partners, who want assurances of that there will be no changes to the current Ireland/Northern Ireland border and trading arrangements**



# Key UK Brexit Ministers

**Boris Johnson,  
Foreign Secretary**



**David Davis,  
Brexit Secretary**



**Michael Gove,  
Environment &  
Food Secretary**



**All campaigned to leave the EU and Johnson or  
Davis could be Prime Minister by end of the year**

# EU position

- **EU wants Brexit negotiations to be conducted as soon as possible with the aim of doing a deal that maintains strong links with the UK, but does not disadvantage the remaining 27 countries or lead to any of those countries leaving too.**
- **The UK's election probably puts the EU in a stronger bargaining position**
- **Far from being weakened by Brexit, the EU appears stronger following pro-EU results in the Dutch and French elections and a similar result likely in Germany**
- **EU economies are also recovering more strongly**

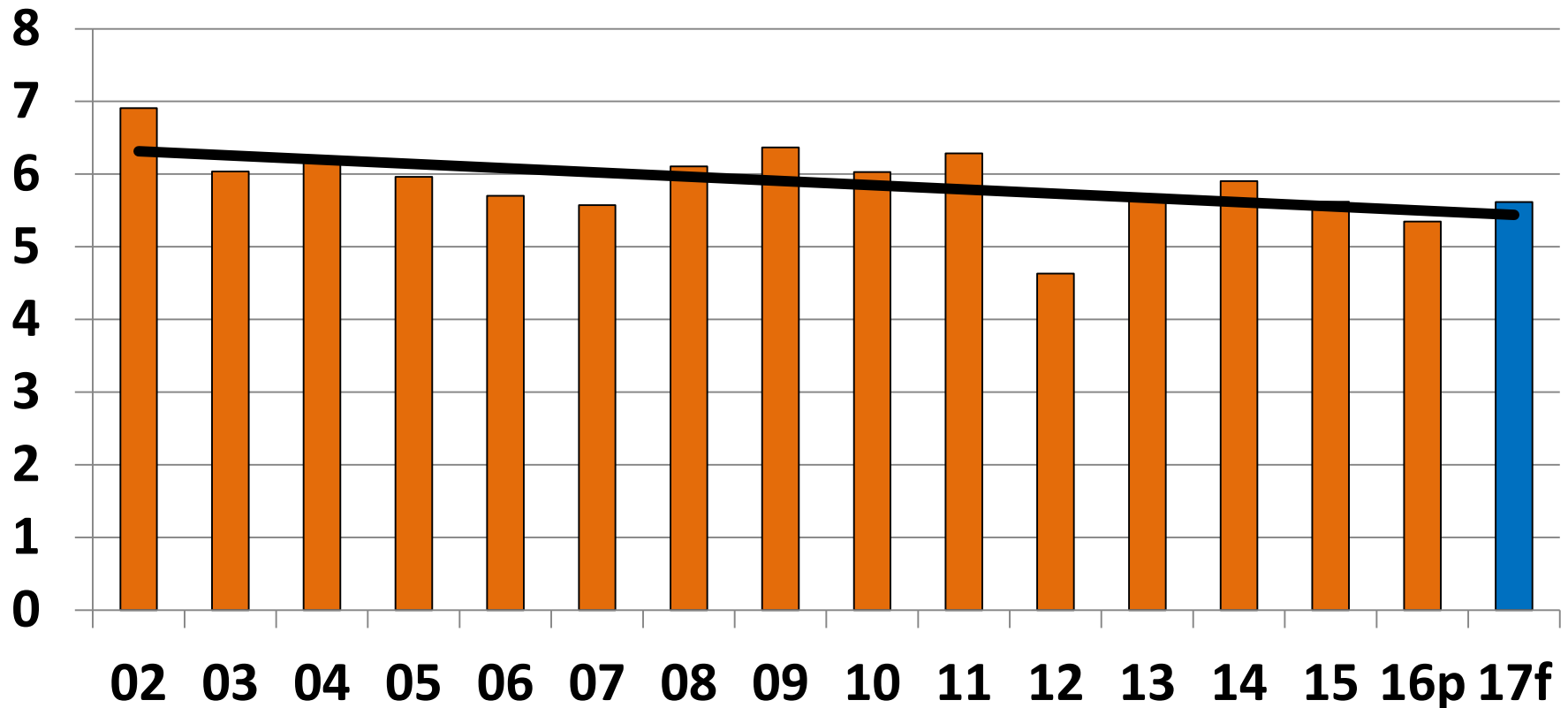


# The UK potato industry



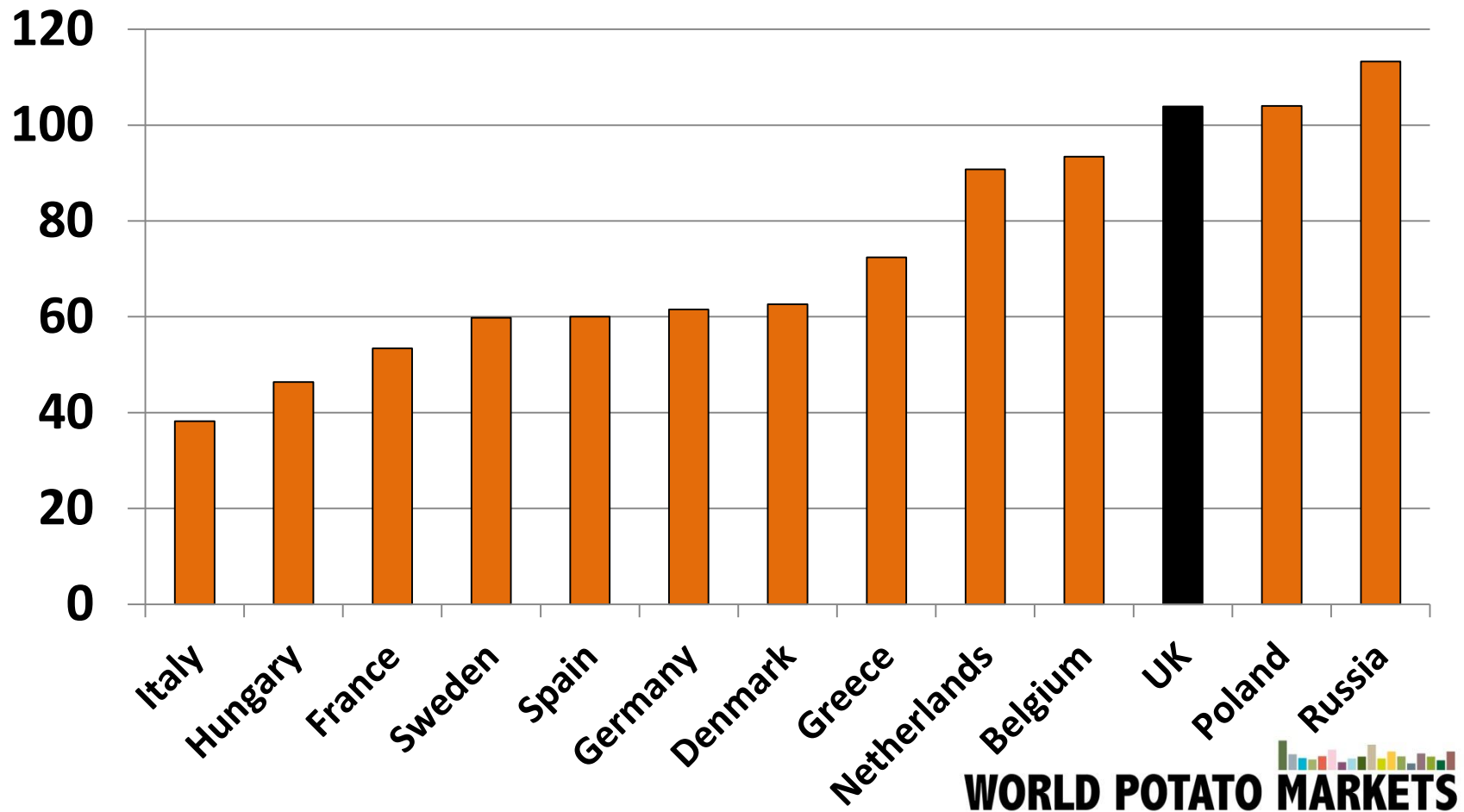
# The UK potato industry

UK ware and seed harvest (million tonnes)  
WPM Estimates



# UK: a big potato consumer

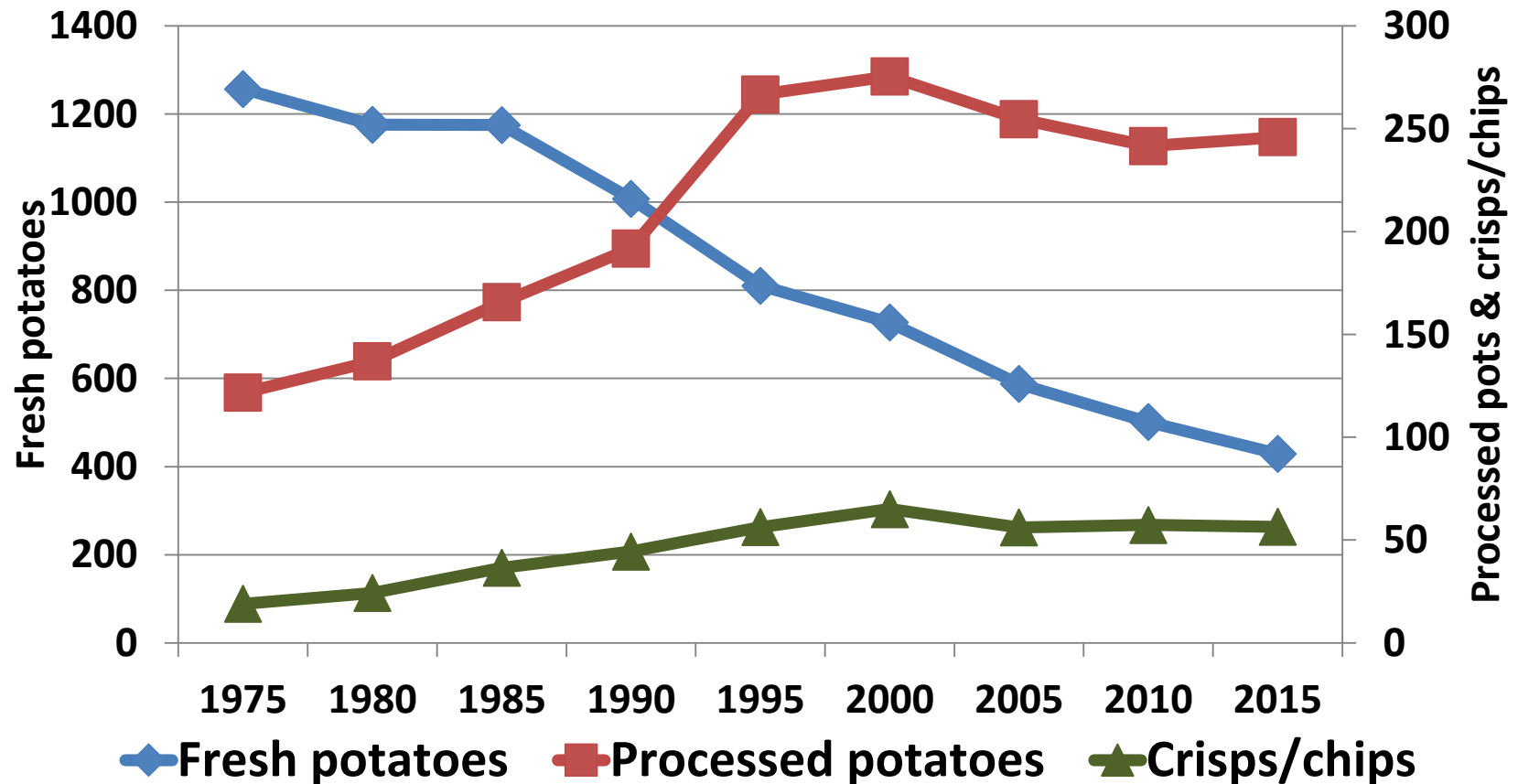
Potato supply Kg/head/year  
(2013 UN FAOSTAT)



# A levelling off of UK consumption

Potato consumption in g/head/week.

Source: Defra





# Trade





# UK trade facts

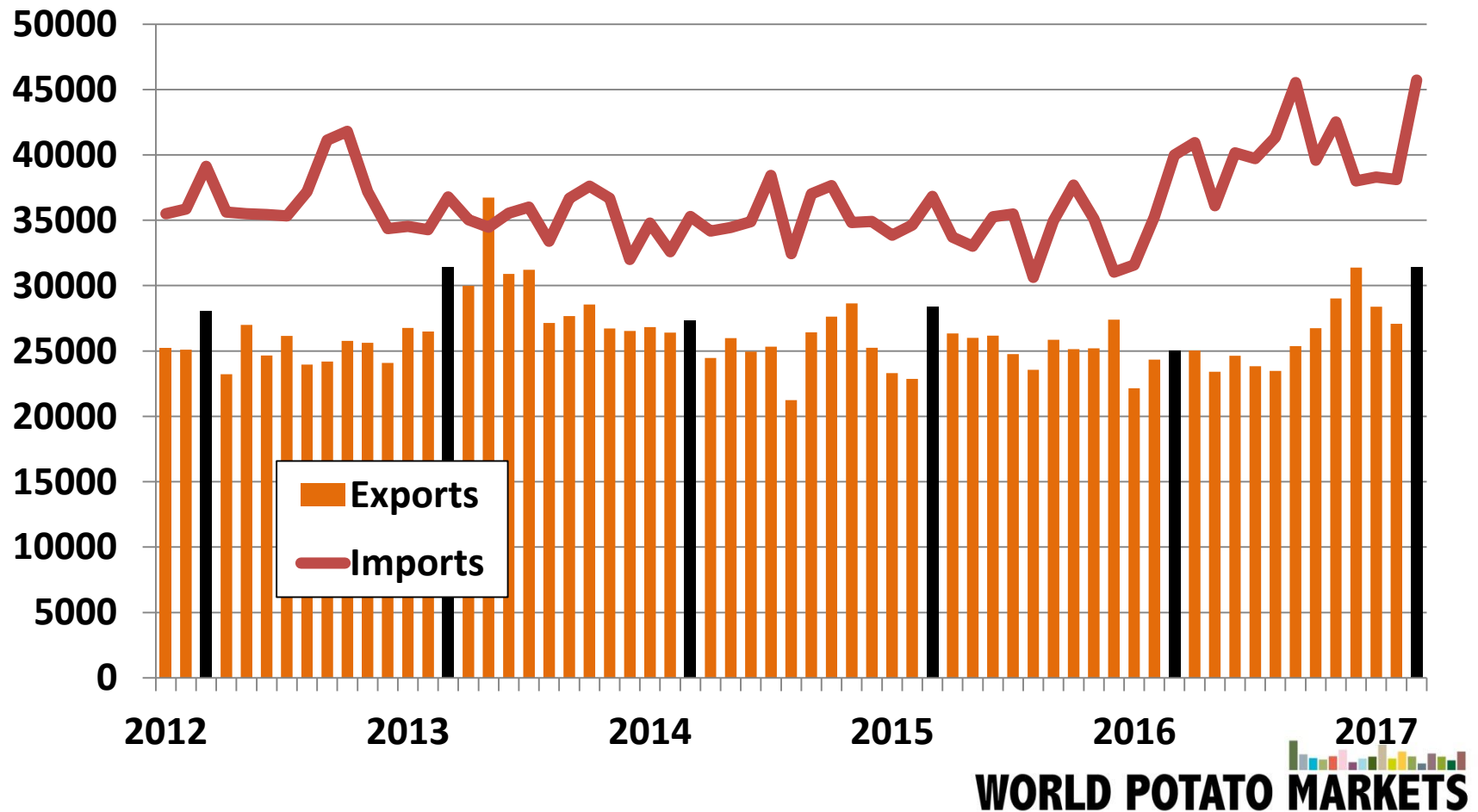


- UK is 61% self sufficient in food<sup>1</sup>
- Total UK exports are €380 billion a year<sup>2</sup>
- Total UK imports are €575 billion a year<sup>2</sup>
- 47% of exports go to the EU and 51% of imports come from the EU<sup>2</sup>
- Total food exports are €25 billion a year with 61% to the EU<sup>2</sup>
- Total food imports are €52 billion a year with 71% from the EU<sup>2</sup>
- 14,000 trucks operate between the UK and EU every day<sup>3</sup>

<sup>1</sup>NFU, <sup>2</sup>HMRC, <sup>3</sup>Freight Trade Association

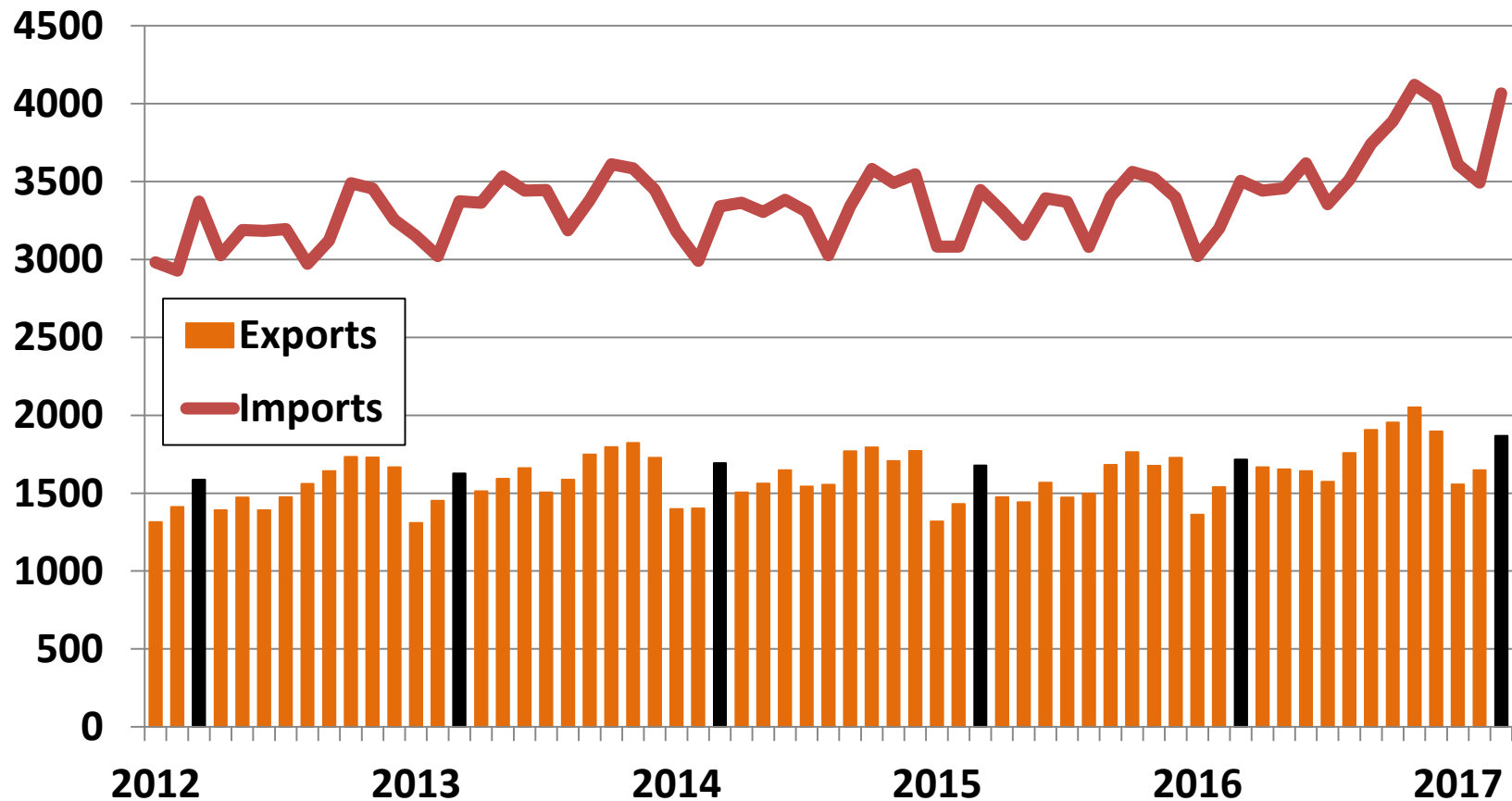
# Total UK imports are two thirds of exports

Monthly UK total trade in £ million  
(March column in black). Source: UK HMRC

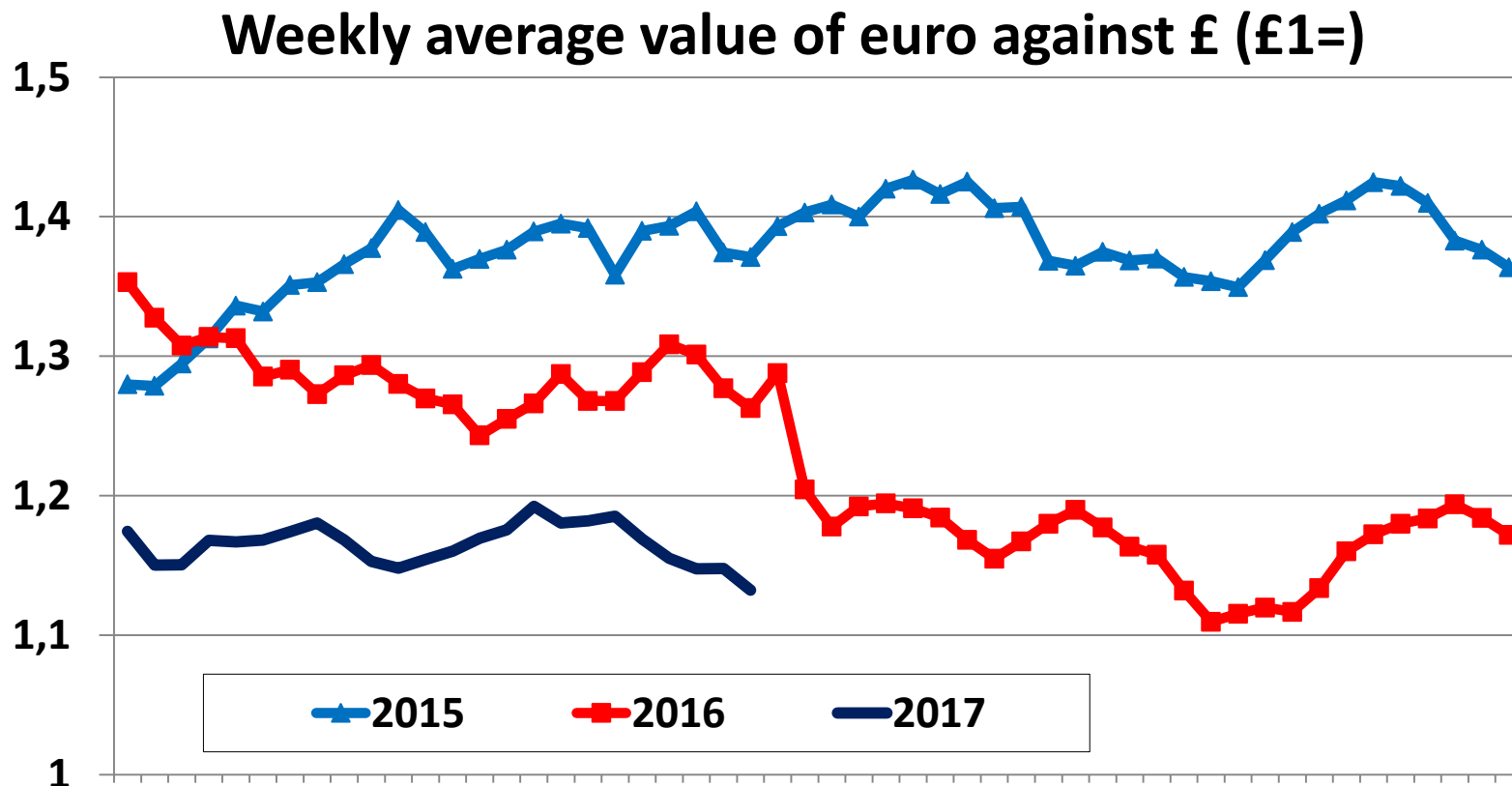


# Total UK imports are two thirds of exports

Monthly UK food trade in £ million (March column in black). Source: UK HMRC



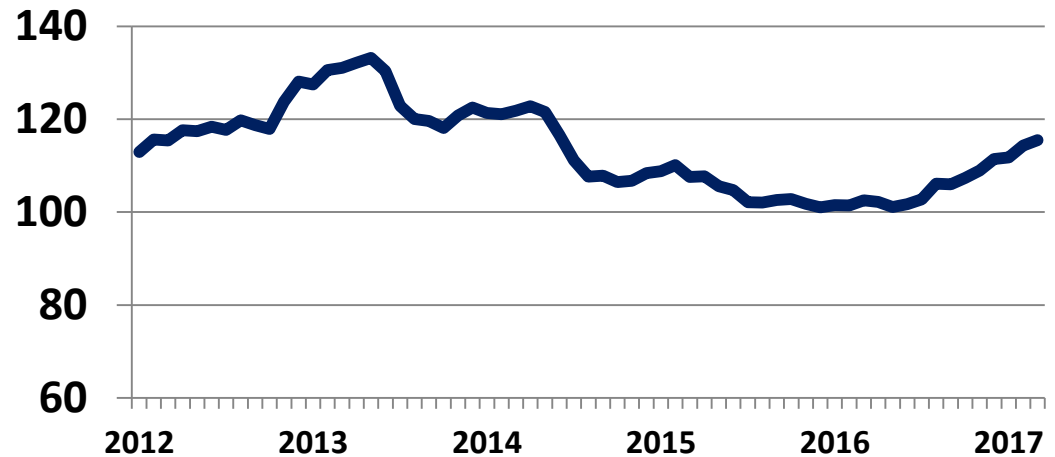
# The weaker pound has made imports into the UK more expensive



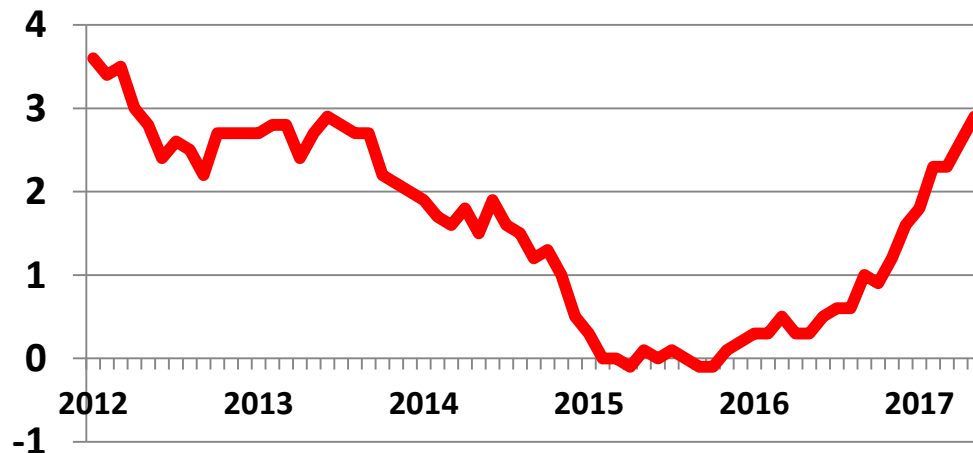
The £ is 12% weaker than a year ago and  
17.5% weaker than two years ago

# Higher farm and general prices since the Brexit vote

Defra total output price index.  
2010=100



Monthly UK inflation (CPI). Source: ONS







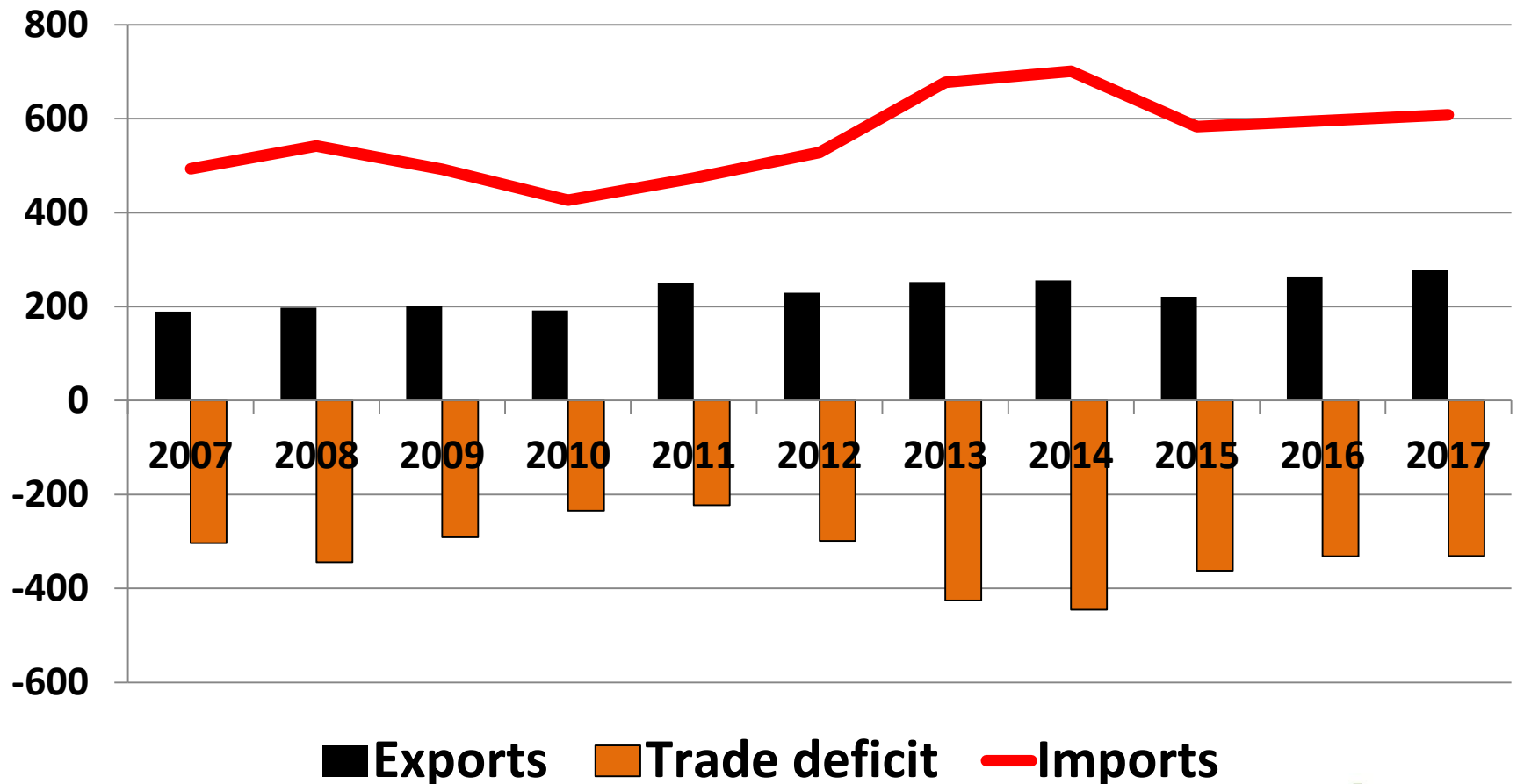
# Brexit & Trade



The UK Government has said that it wants to restrict the freedom of movement of EU citizens to the UK. That will exclude it from the EU Single Market and Customs Union. That means that either a new arrangement will have to be negotiated or EU/UK trade will have to take place under WTO rules.

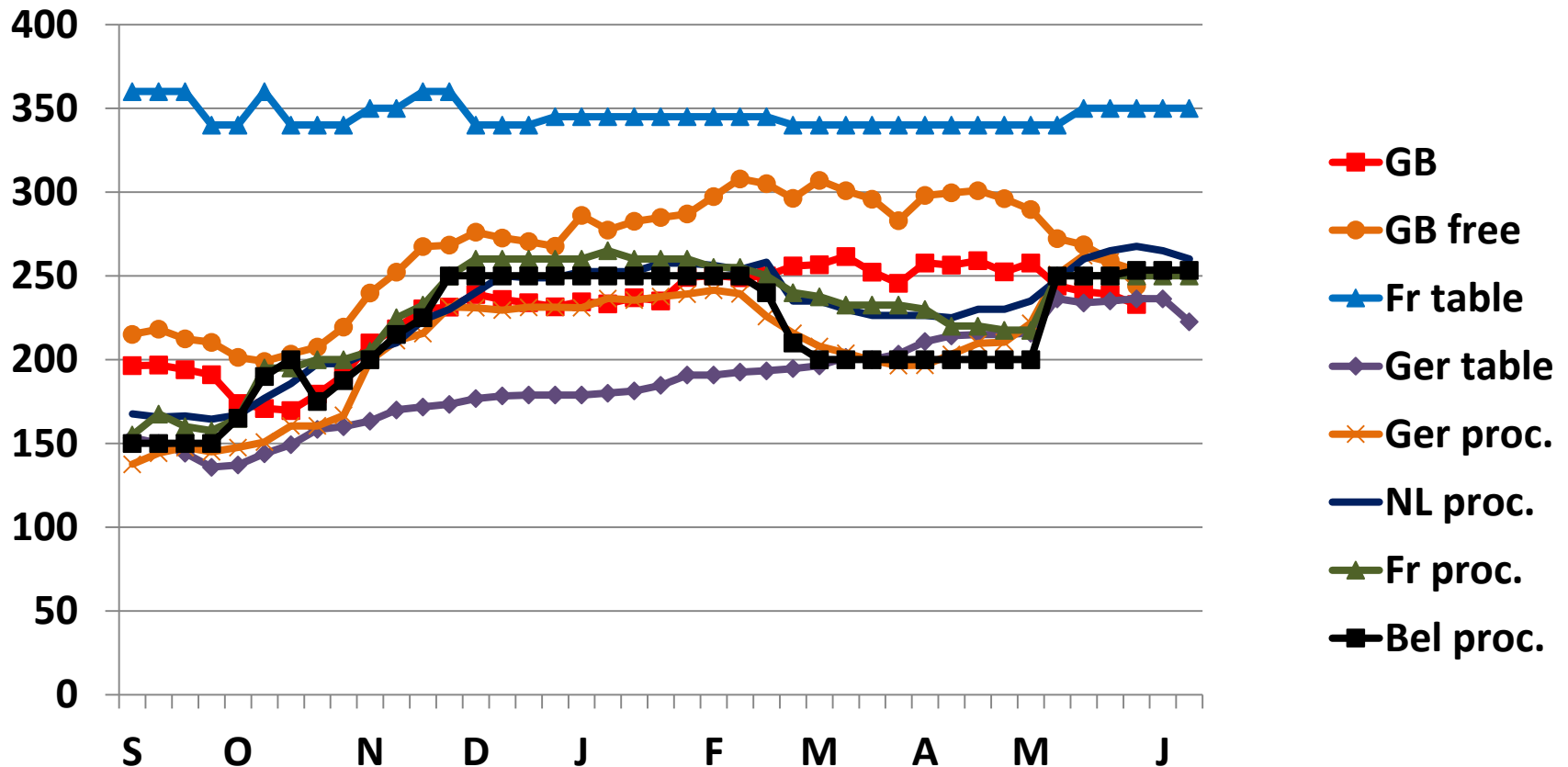
# The UK is one of the largest potato markets in the world with exports at 45% of imports

UK potato and potato product trade in € million



# British prices have been higher than others this year, but are now similar

Weekly EU-5 price quotations, 2016/17 (€/tonne)

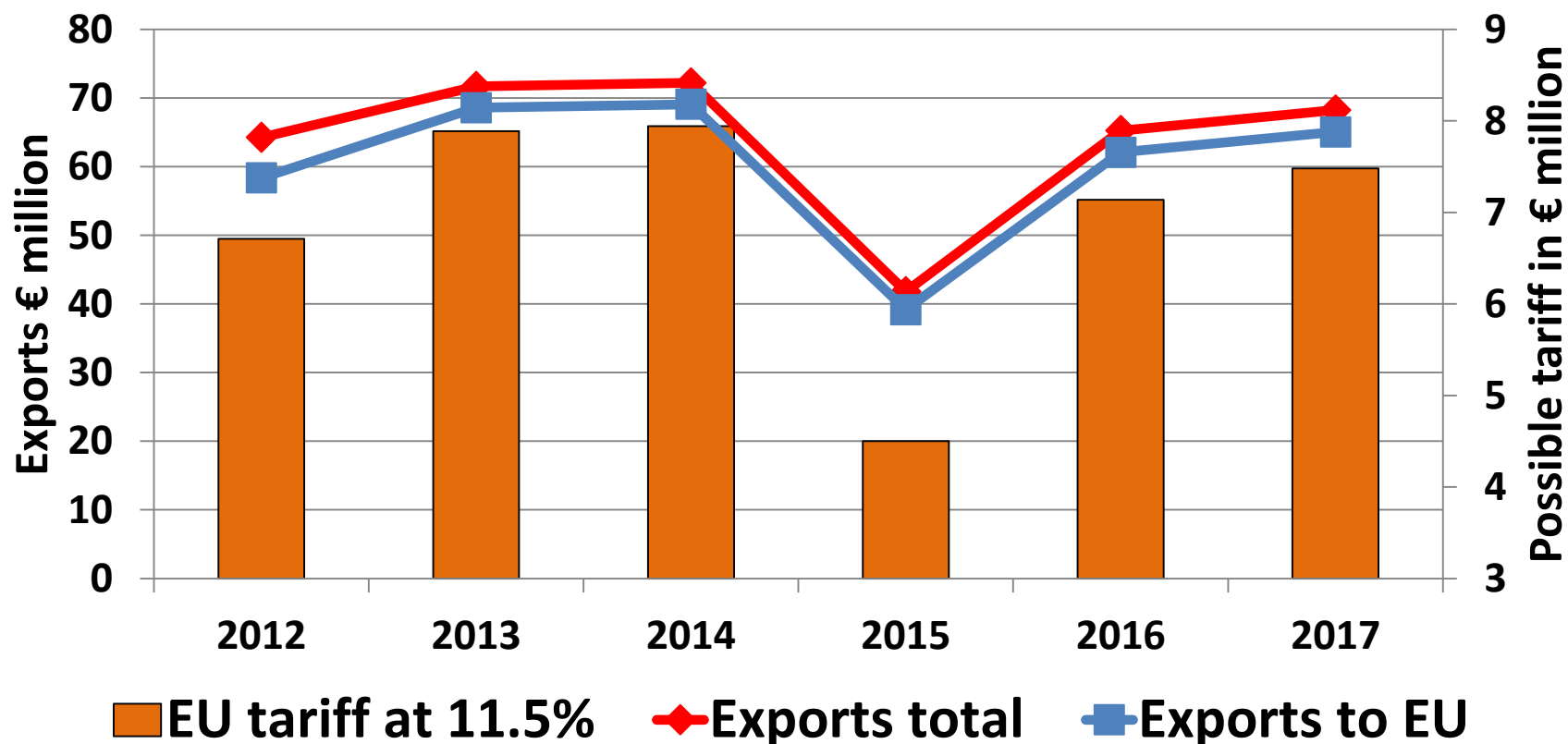


# EU/UK trade in fresh potatoes



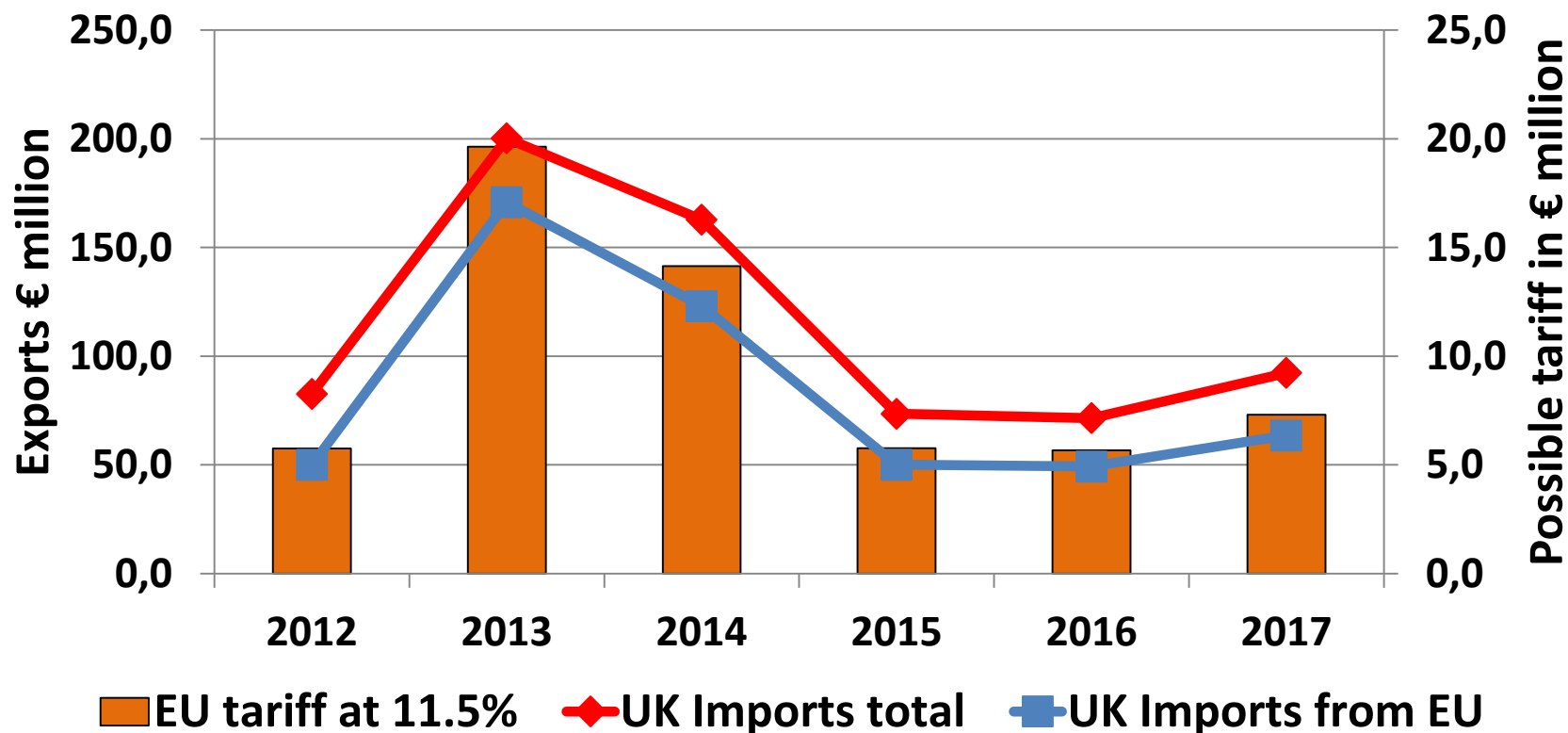
# What would a 11.5% WTO tariff add to the cost of UK fresh potato exports to the EU?

## UK fresh potato exports in € million



# What would a 11.5% WTO tariff add to the cost of UK fresh potato imports from the EU?

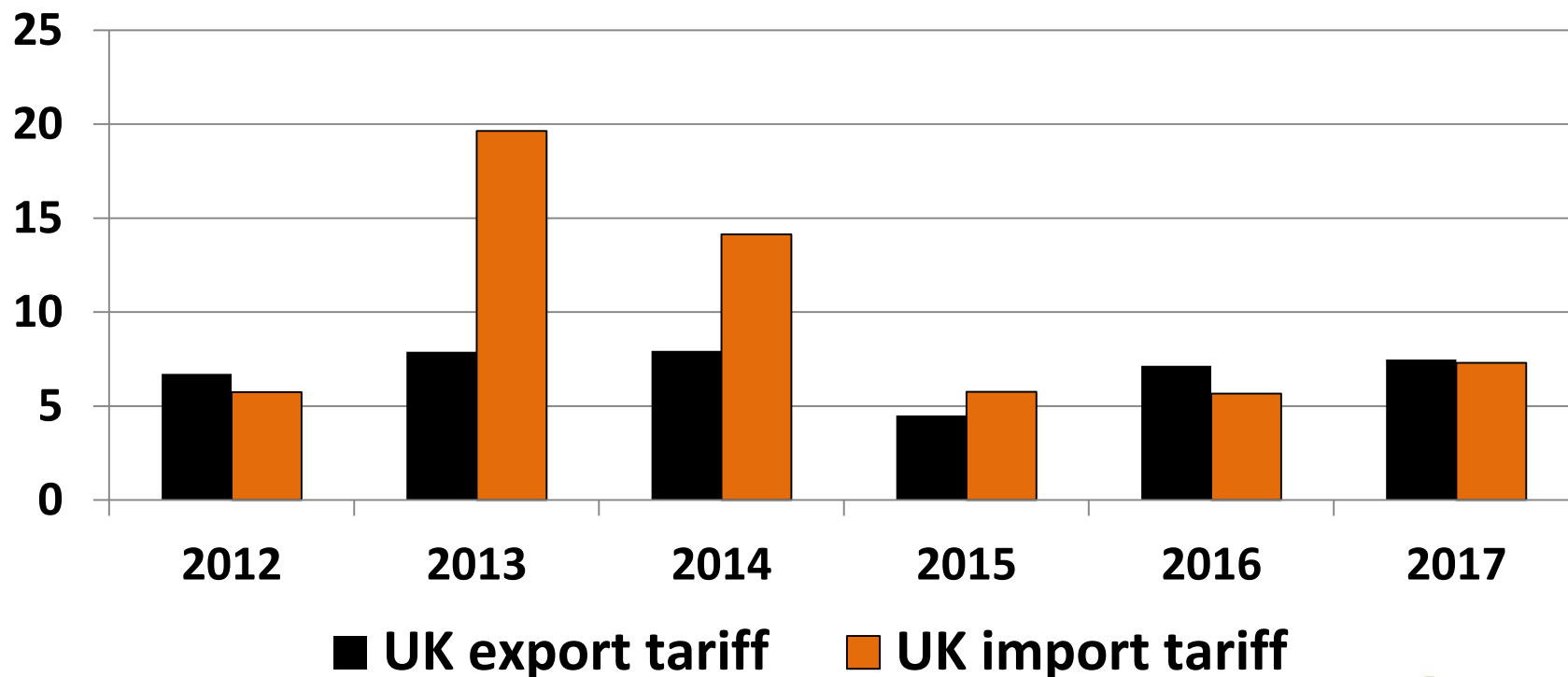
## UK fresh potato imports in € million





# An 11.5% WTO tariff would be similar for exports and imports

UK EU fresh potato tariff calculations at 11.5% in  
€ million

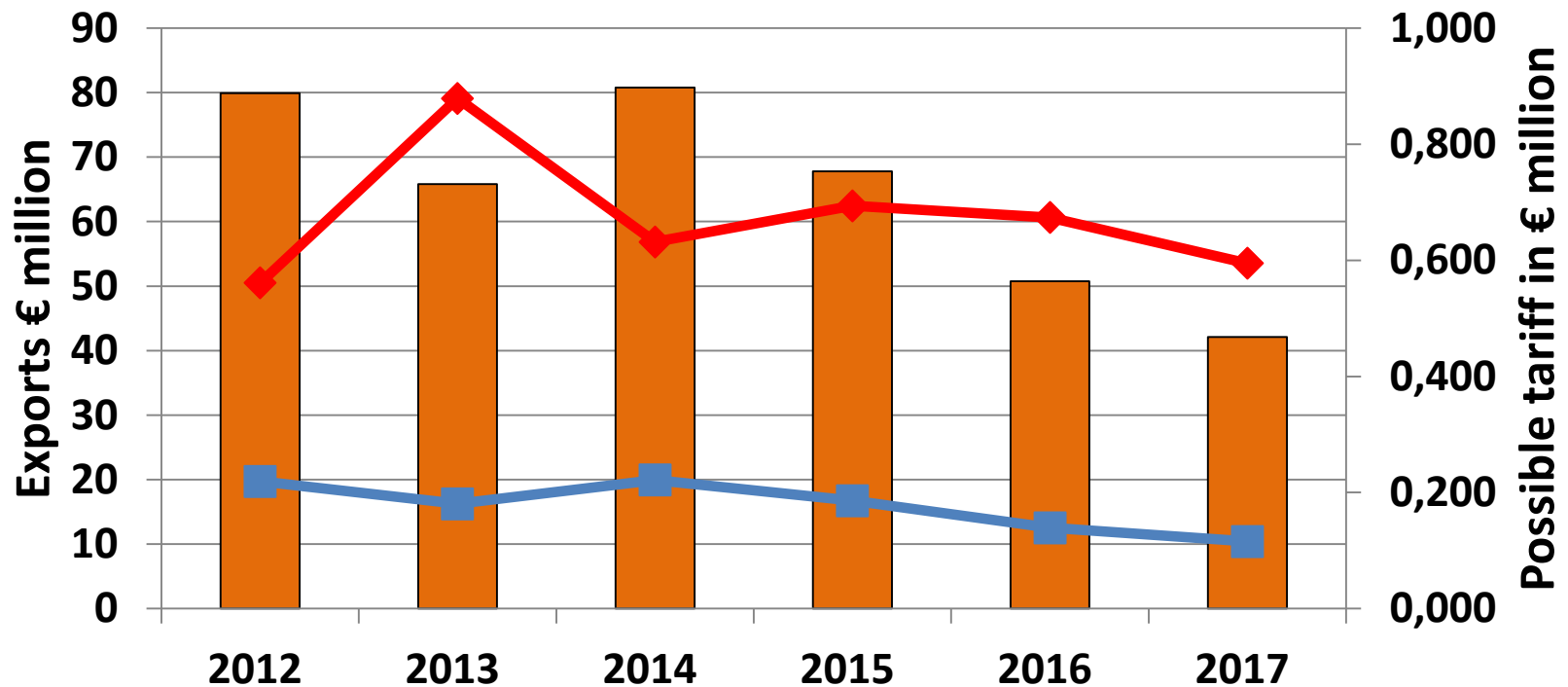


# EU/UK trade in seed potatoes



# What would a 4.5% WTO tariff add to the cost of UK seed potato exports to the EU?

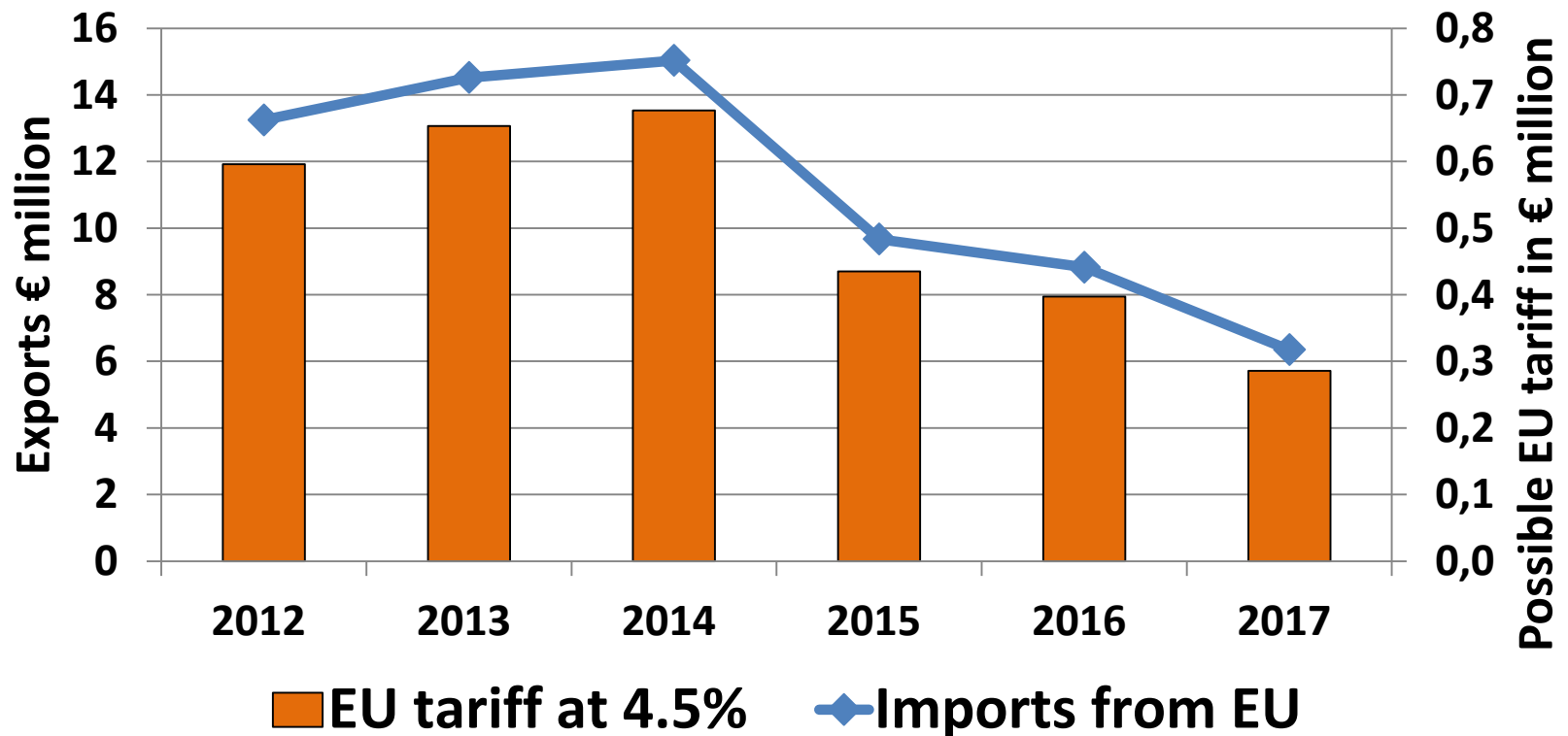
## UK seed potato exports in € million



■ EU tariff at 4.5%    ◆ Exports total    ■ Exports to EU

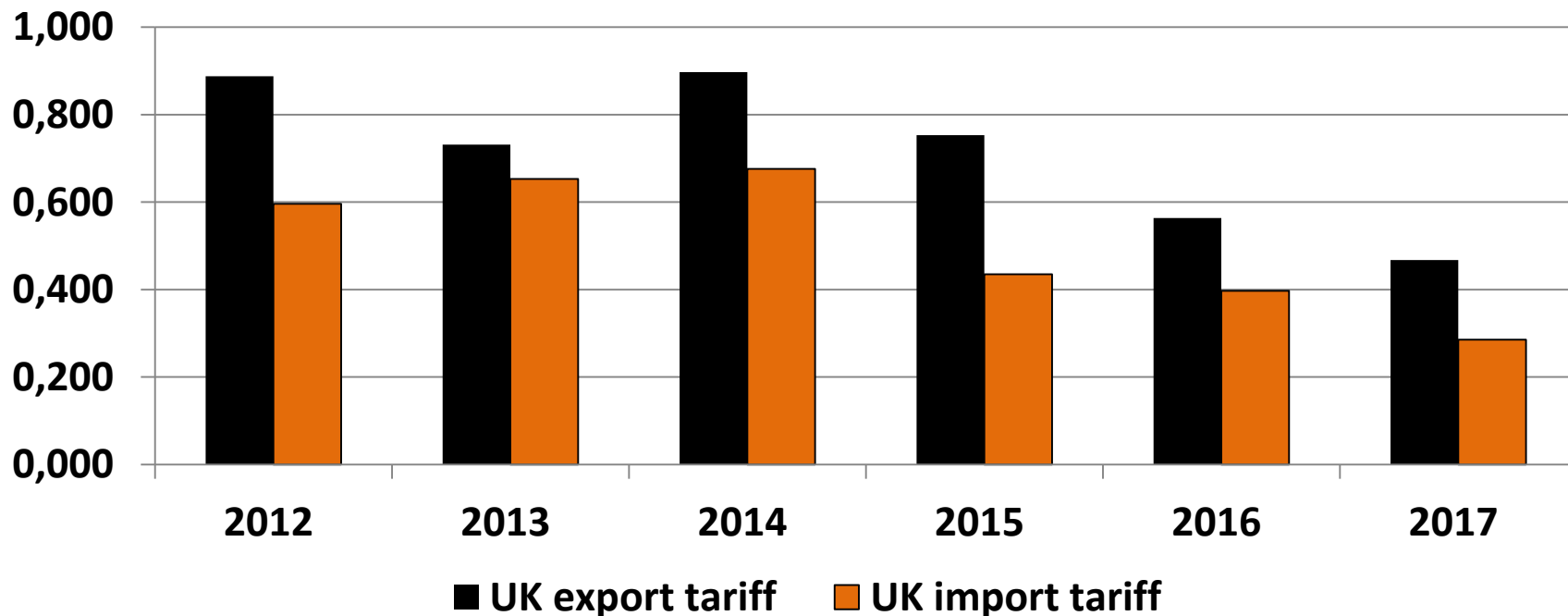
# What would a 4.5% WTO tariff add to the cost of UK seed potato imports from the EU?

## UK seed imports in € million



# A 4.5% WTO tariff would add a small cost to UK exports and imports

UK EU seed potato tariff calculations at 4.5% in  
€ million

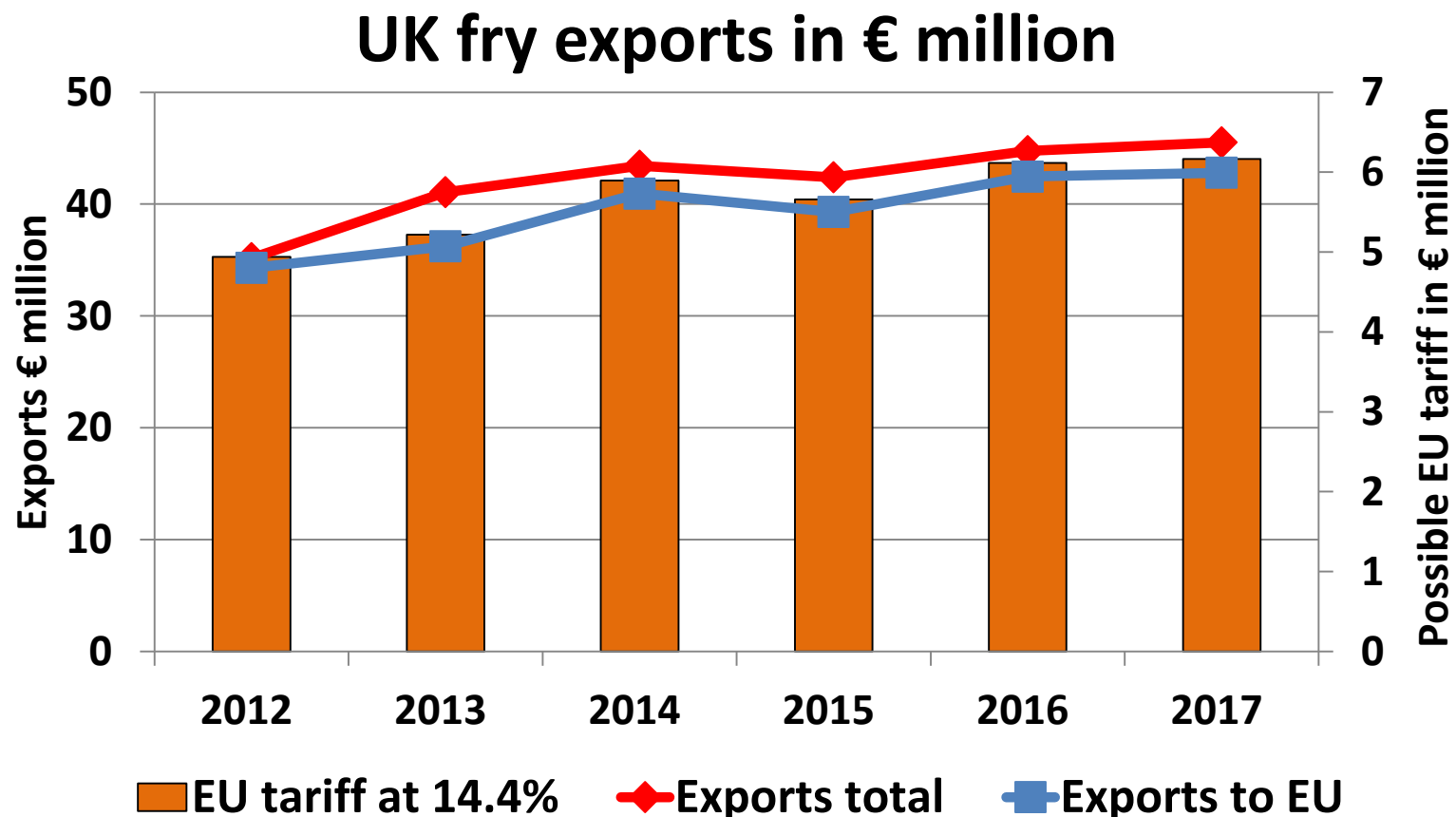


# EU/UK trade in fries



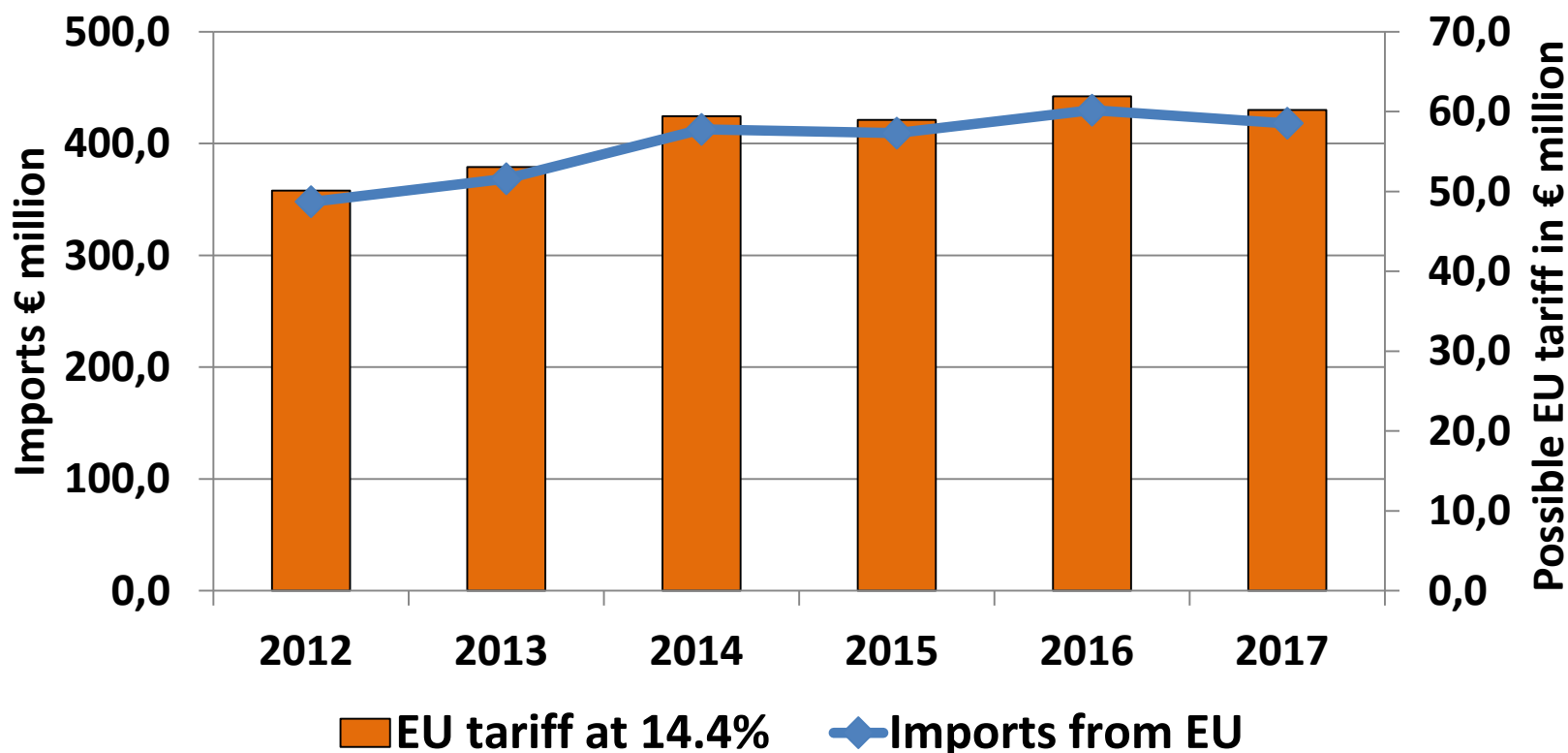


# What would a 14.4% WTO tariff add to the cost of UK frozen fry exports to the EU?



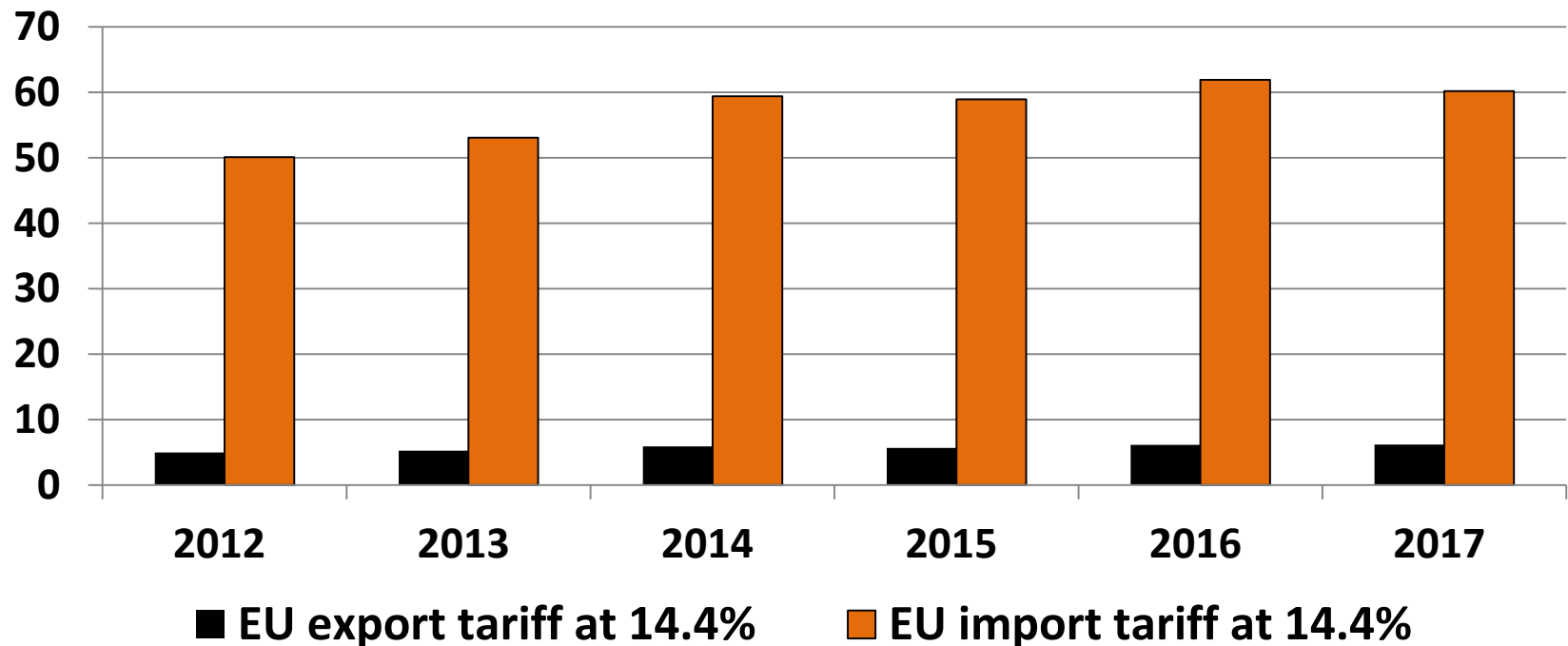
# What would a 14.4% WTO tariff add to the cost of UK frozen fry imports from the EU?

## UK fry imports in € million



# An 14.4% WTO tariff would impact imports much more than exports

UK EU seed potato tariff calculations at 4.5% in  
€ million





# Other Brexit Issues

- **Brexit means the UK will leave the Common Agricultural Policy. The Conservative Government has committed to preserving support payments to 2022. This could mean the EU reforms support before the UK**
- **The UK contributes €10 billion to the EU budget. The country's exit could impact on funding, including for agriculture**
- **Restricted access to EU labour could impact on British agriculture – there are 100,000 EU farm employees on UK farms and 40% of food manufacturing jobs are taken by EU citizens. A scheme to give access might be needed.**
- **The UK will be responsible for regulations now covered by the EU. But rules will probably need to comply with the EU if the UK wants to trade with the EU**

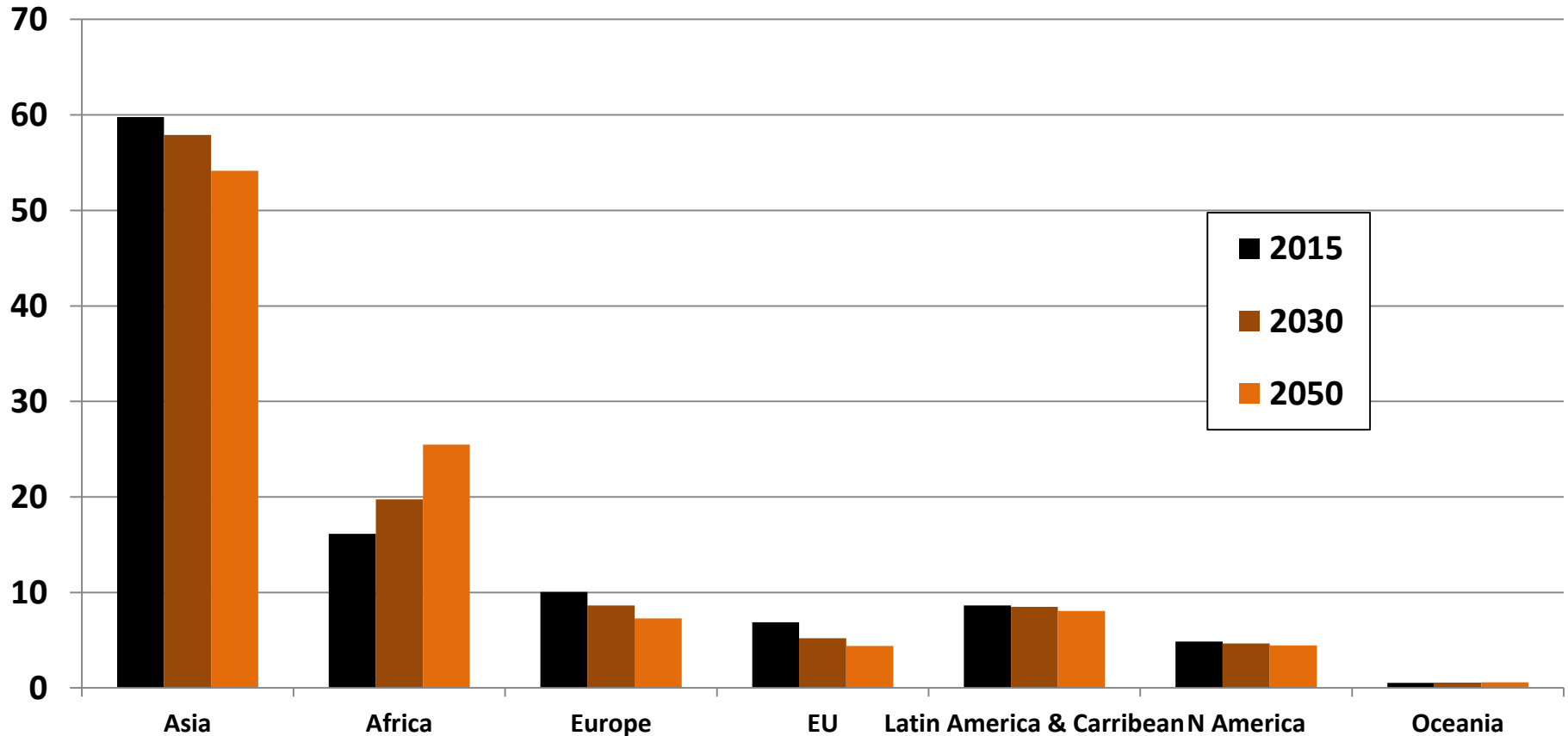


# Brexit opportunities?

- The UK will remain a large and perhaps growing market for EU suppliers
- There could be processing and packing investment opportunities in the UK
- Eventually the UK may be able to trade more freely with other parts of the world. It may provide opportunities for EU countries operating in the UK

# Forget Brexit. The real potato opportunities are outside Europe

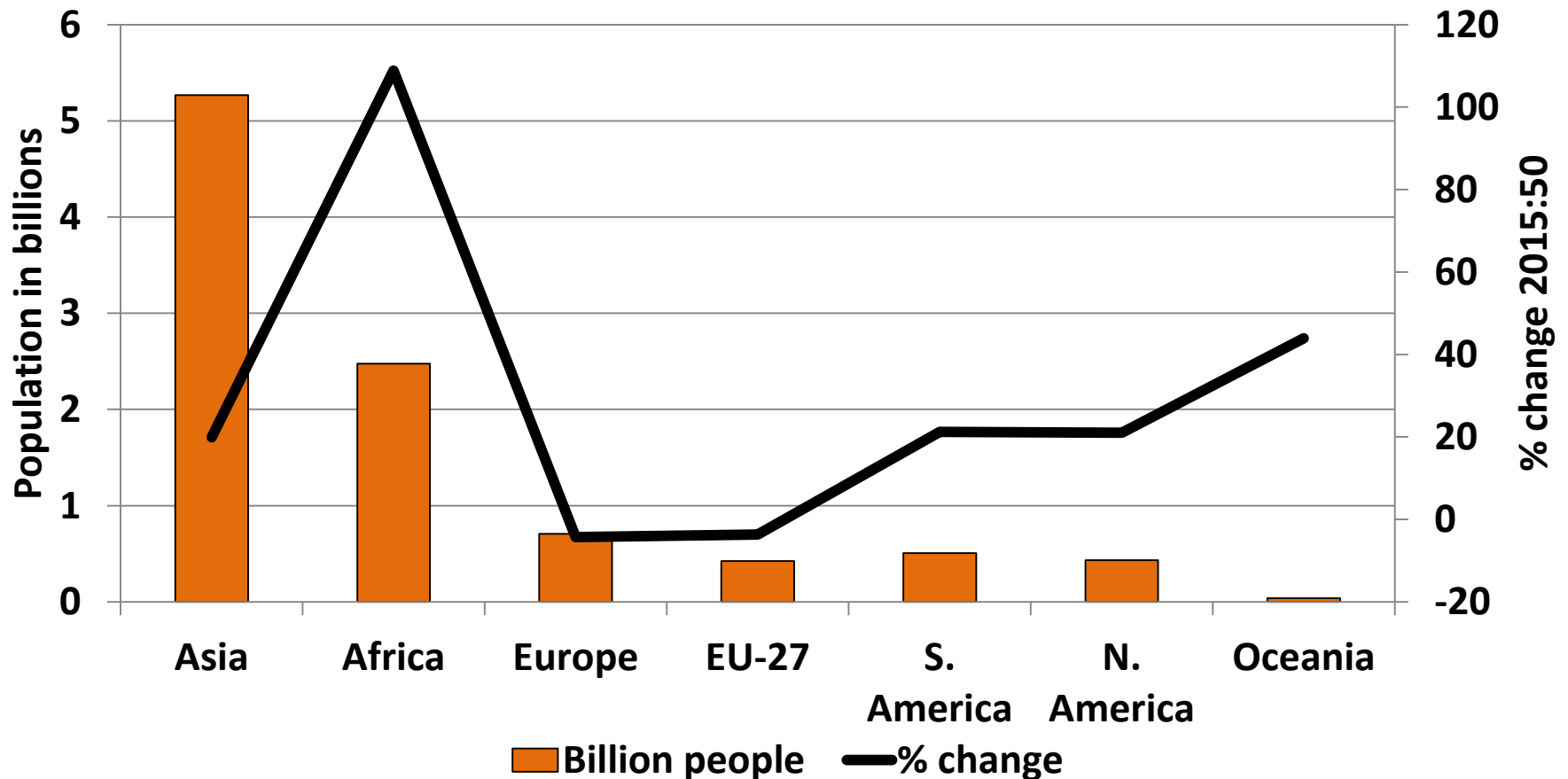
% of world population by region. UN calculations



# Forget Brexit. The real potato opportunities are outside Europe

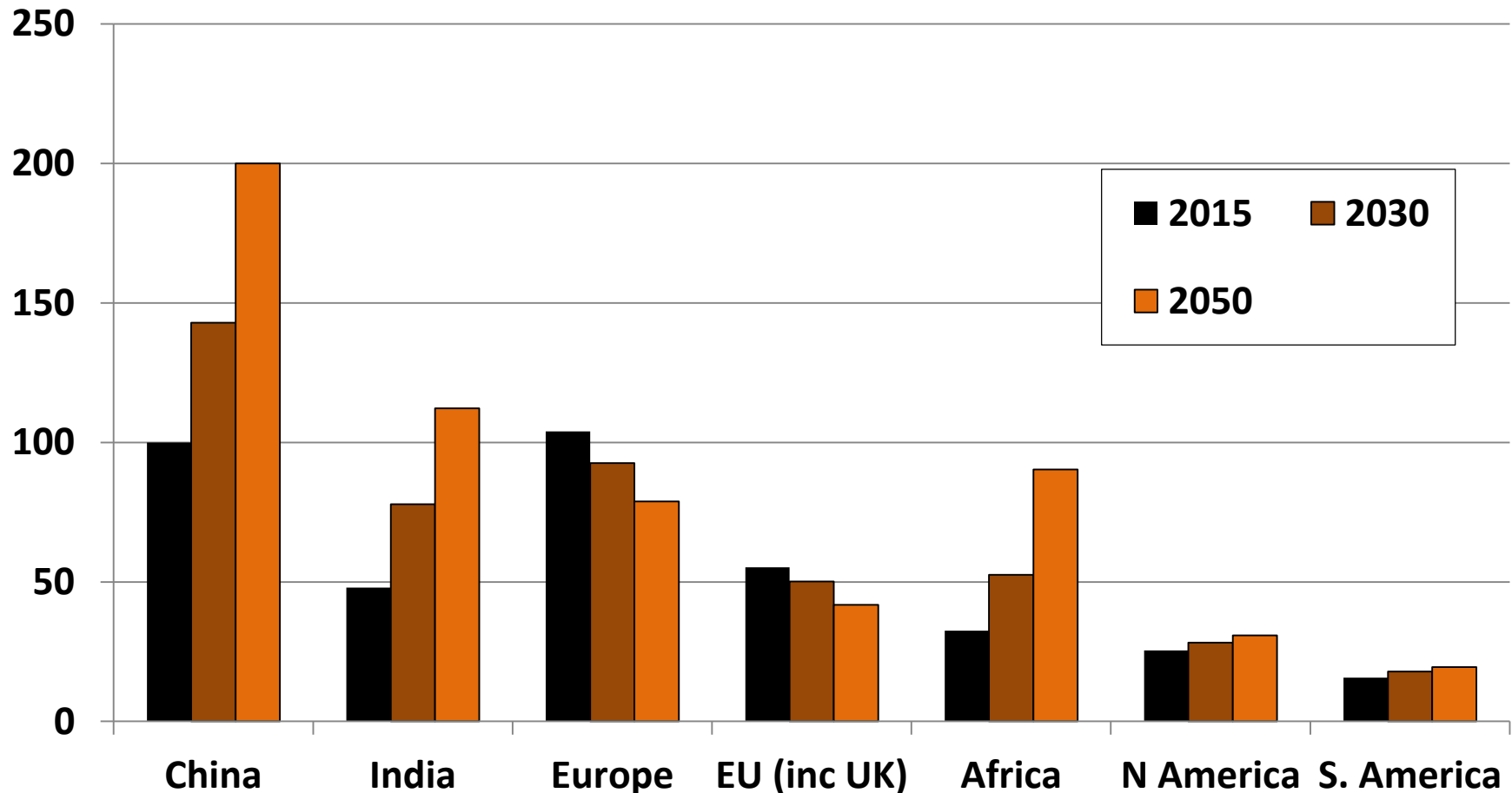
2050 Population by continent and % change to 2050.

Source: UN



# What might that mean for potato production?

World Potato Markets estimates of future potato production, based on UN population growth figures and historic changes in consumption. In million tonnes






# Final thoughts



- **Brexit is still most likely to happen. But the chances of a Breturn have increased.**
- **The UK Parliament will want to approve the Brexit deal and there will now be stronger calls for another referendum to vote on a deal**
- **Brexit could disrupt trade between the UK and EU, adding to costs and administration. Those costs could be higher for the EU**
- **The EU and UK will still be able to trade with each other**
- **A Brexit that ends up with similar arrangements to now is more likely after last week's election**
- **Brexit will mean significant changes for UK farmers**

# Finally, we now have a monthly Brexit newsletter especially for the food & farming industry



ISSN 2399-7729

## As Article 50 gun is about to be fired, prices still rise

New trade relationships with the EU and the rest of the world, greater control of immigration but protection for EU and UK citizens, the strengthening of a special relationship with Ireland were key elements of the Government's White Paper on Brexit, but there are still a lot of details to be determined. Meanwhile, Defra Secretary of State Andrea Leadsom set out her Brexit priorities at the NFU's annual conference.

March will be an important month as it is expected to see the triggering of Article 50 and the formal two year process of exit from the EU. We look at the key issues facing the Government in a new **Brexit Watch** section and bring you the latest relevant policy news and analysis.

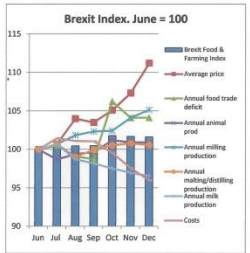
The latest **Brexit Food & Farming Index** is at 101.6 showing that market developments have been positive since the June Brexit vote. Prices of key commodities are more than 11% higher than in June and in some cases much more. The UK's food trade deficit has widened again, while costs are also rising. This issue contains a special report on price movements since June demonstrating the impact of a weaker pound. Although higher prices are pleasing farmers, concern is growing over rising costs for processors and consumers.

### Your Brexit Food & Farming views

We welcome your views on **Brexit Food & Farming** and want you to help us shape the monthly publication so that it is of most to you and your business.

Cedric Porter, Editor  
cedric@supplyintelligence.co.uk  
+44 1892 543444  
+44 7881 956446

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**Brexit Index. June = 100**

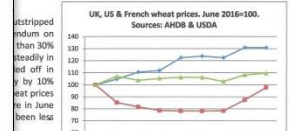
Month	Brexit Food & Farming Index	Average price	Annual food trade deficit	Annual animal prod	Annual milling production	Annual mutton/droving production	Annual milk production	Costs
Jun	100	100	100	100	100	100	100	100
Jul	101	102	101	102	101	102	101	102
Aug	102	103	102	103	102	103	102	103
Sep	103	104	103	104	103	104	103	104
Oct	104	105	104	105	104	105	104	105
Nov	105	106	105	106	105	106	105	106
Dec	101.6	107	106	107	106	107	106	107

**In this issue of Brexit Food & Farming:**

- **Brexit Barometer.** Page 2  
How a weaker £ since Brexit has driven prices up
- **Brexit Watch.** Page 4  
Key developments for the food and farming industries
- **Brexit Policy.** Page 5  
A roundup from National, Devolved and EU Governments
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What organisations, companies and individuals are saying
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UK production of key commodities
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Price trends for crops and livestock
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Input prices from vet bills to fertiliser
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Export and import performance
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How the wider economy is performing

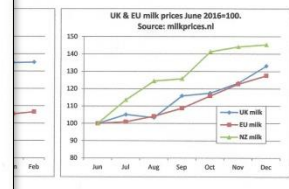
### Prices higher than competition

Farmers and higher commodity prices for buyers is emerging. Here commodities (wheat, pigmeat and dairy) and compare UK prices with



**UK, US & French wheat prices. June 2016=100.**  
Sources: AHDB & USDA

It was in lower after  
A definite increase in UK milk prices compared to other countries was a third higher in December than it was in June, according to the prices across the EU and uses Dairy Crest's Davidstow price as a milk price was a little ahead of the 28% increase in the average EU milk price. World milk prices have increased as supply



**UK & EU milk prices June 2016=100.**  
Source: milkprices.nl

all: cedric@supplyintelligence.co.uk  
1892 543444 Email: anna.lambert@agrimarkets.net  
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*Thank you*

**Cedric Porter and Guy Faulkner**

**World Potato Markets**

**Agri Markets Ltd**

**Tel: +44 1892 543444**

**[www.worldpotatomarkets.com](http://www.worldpotatomarkets.com)**

**Email: [info@worldpotatomarkets.com](mailto:info@worldpotatomarkets.com)**