

Comparing post-Brexit scenarios on Scottish farming systems



The Challenge

Changes in market prices and agricultural policy are predicted to have a major impact on the structure and resilience of the Scottish agricultural sector when the UK leaves the EU in 2019. However, uncertainty surrounding post-Brexit arrangements requires a detailed assessment of the impacts of alternative trade and policy agreements to better prepare for the future. This study examines three alternative post-Brexit trade scenarios and presents their potential impacts on Scottish farming systems.

Policy Implication

Dairy farms are expected to benefit if the World Trade Organisation default tariffs are implemented due to favourable price projections, but are expected to see a small decrease in farm profitability when the UK market is unilaterally liberalised. A majority of dairy farms are resilient as only a small number of farms are predicted to make losses when farm direct payments are removed. Scottish arable farms are least affected under all three post-Brexit scenarios since the predictions of price changes for crops are the smallest under all three trade scenarios, compared to other agricultural commodities. Arable farms show a high degree of Brexit resilience as only a small number of farms are expected move from profit to loss, both with and without farm direct payments. Beef and sheep farms in contrast, are projected to experience a substantial financial pressure under Brexit.

Research

ScotFarm was used to carry out farm level assessments of three scenarios under assumptions of continued and withdrawn Pillar I support payments to farmers. The model was run on 436 individual farms, taken from the Farm Business Survey (FBS) and grouped under four general farming systems (Dairy, Beef, Sheep and Crops). The results from these three scenarios were then compared with a baseline scenario representing pre-Brexit trade and policy conditions.

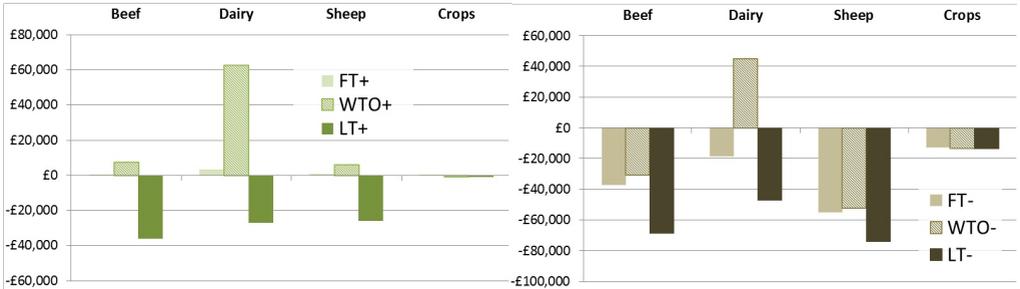
Results

The 'Free Trade Agreement' scenario has the least impact on all four farming systems.

The 'World Trade Organisation' scenario is estimated to be financially beneficial for most Scottish dairy and beef farming systems if the farm direct payments remain. For sheep farms, this projects large reductions in profits and substantial decreases in flocks. A small shift to beef production is expected in some of sheep farms.

The 'Unilateral Trade Liberalisation' scenario has the largest impact on Scottish farms. The model projected a substantial negative impact on beef and sheep farms as tariff protection is lost.

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About

The Land Economy, Environment and Society (LEES) Research Group is one of the largest groupings of economists and social scientists working in the rural, agricultural and land based sectors in the UK. Our vision is to be recognised as one of the leading centres for agricultural and wider rural economic and social research globally, benefiting the land use sector, the environment and rural communities.

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