



Position paper on the Impact of a 'no-deal' Brexit on organic imports to and exports from the UK across EU Member States.

October, 2018

Table of Contents

Executive Summary: 2
Introduction 2
UK import and export of organic products 2
Contingencies available to allow continuing trade in organic products between Europe and the UK 3

Executive Summary:

IFOAM EU Group asks the decision makers in UK and EU to avoid supply chain disruption and financial distress of those operators that either rely on UK supplies of organic product, or for operators in Europe that rely on access to UK markets in a No Deal Brexit Scenario.

Introduction

This paper aims at outlining the alternative strategies that will ensure the continued opportunity for export and import of organic products to and from the UK, in the event of the UK leaving the EU in March 2019 – whether the products are ingredients or final manufactured products, sold either wholesale or retail, either in the UK or in Europe.

The position regarding Brexit remains uncertain. No specific proposals have been accepted for what the future trading and regulatory relationship will be between the UK and the EU. Different scenarios are envisaged:

1. **EFTA** - UK will be in the same position as Norway or Iceland, therefore will adopt the EU Regulation and will be part of the EU free trade zone.
2. **Specific Bilateral Agreements** – UK will be in a position similar to Switzerland, thus will have UK organic legislation and control system that will have to be recognised by the EU Commission. The UK will have to be recognised as an equivalent third country.
3. **No Deal** - UK will be in the same position as Ukraine, meaning that UK Control Bodies will have to be recognised by the EU Commission as Control Bodies operating in Third Countries.

Scenario #3 appears to be a very distinct possibility – at the time of writing.

UK import and export of organic products

The EU Commission issued a notice to stakeholders on 1st February 2018 regarding the consequences which need to be considered when the UK leaves the EU on 30th March 2019¹. The withdrawal of the UK and EU food law pointed out that, subject to any transitional arrangements that may be contained in a possible withdrawal agreement, the organic regulation (834/2007 and 889/2008) would no longer apply and that certificates issued by UK certification bodies will no longer be valid. Defra (The UK Department for Environment, Food and Rural Affairs) published a Technical Notice on 23rd August² which outlined the implications of a ‘no deal’ scenario for the UK organic sector. This affirms that "Through the European Union (Withdrawal) Act 2018, existing EU regulations (Regulation 834/2007, Regulation 889/2008 and Regulation 1235/2008) will be rolled into UK law and continue to apply after we have left the EU."

In the event of the UK leaving the EU in March 2019 without a deal, the Defra Technical Notice states the following:

- The UK would continue to maintain high standards of food production and labelling.
- UK organic control bodies would be able to continue certifying UK organic operators for trade within the UK.
- The UK intends to continue to recognise those countries currently equivalent to the EU. Therefore, the import and export of organic goods to or from countries such as the USA, Canada, Japan and South Korea should only be minimally disrupted, if at all.
- The UK anticipate continuing to accept EU organic products in a ‘no deal’ scenario, but this will be at the UK’s discretion.

¹ EU Commission (2018) Notice to stakeholders – withdrawal of the UK and EU food law. 1st February 2018 https://ec.europa.eu/agriculture/sites/agriculture/files/docs/notice_brexit_eu_food_law.pdf

² Defra (2018) Guidance: Producing and processing organic food if there’s no Brexit deal. Department for Environment Food & Rural Affairs. Technical Notice 23rd August 2018 <https://www.gov.uk/government/publications/producing-and-processing-organic-food-if-theres-no-brexit-deal/producing-and-processing-organic-food-if-theres-no-brexit-deal>

However, there are some areas that would change in the event of a no deal because the EU will treat the UK as a third country:

- Logos on packaging would need to change. There would be a period of grace to use up existing stock. UK organic operators would not be permitted to use the EU organic logo. UK organic operators may continue to use their control body's logo. Defra has commissioned research on organic logos used worldwide which will provide evidence for developing any future UK logo.
- UK businesses would only be able to export to the EU if they were certified by an organic control body recognised and approved by the EU to operate in the UK. To do this, UK organic control bodies will need to apply to the European Commission for recognition.
- UK control bodies are not permitted to make these applications until the UK becomes a 'third country'. Approval can take up to nine months, so Defra is exploring alternative approaches that should expedite this process. As the UK is retaining the EU regulation in UK law, the UK expects to negotiate an equivalency arrangement with the EU which will allow the free movement of organic goods between the EU and the UK.

Defra will ask the European Commission to discuss these applications in advance of 29 March 2019.

This will obviously present a very difficult situation in the short term for organic businesses in the EU that rely on importing from the UK. It will also have an impact on UK companies that export to the EU. The UK organic sector and IFOAM EU Group are seeking a solution, otherwise UK and EU organic businesses will face significant disruption in the event of a no deal Brexit.

In this regard, the UK Organic Trade Board (OTB), with the UK Organic Certifiers Group (UKOCG) have issued a press release³ that is calling on Defra to work toward a solution to avoid this disruption in the event of a no deal.

Recent data from Comtrade⁴ shows that for many agricultural products there is a high interdependence between the UK and EU. 58% of the UK's total potato exports and 82% of UK cereal crops go to the EU and nearly 72% of the UK's potato imports and 74% of its cereal imports come from the EU. In other areas the interdependency is even higher with 93% of total UK exports of beef going to the EU and 86% of UK beef imports coming from the EU. In relation to dairy products, 98% of UK imports come from the EU with 72% of its dairy exports going to the EU and in poultry the figures are 95% and 72% respectively. This shows the significance of the UK market and consequently the critical importance of trade between Europe and UK. Given this high degree of co-dependency, there is significant potential damage to EU and UK businesses if trade were to be disrupted. This would happen if there was a loss in the mutual recognition of organic standards.

In terms of an exact value for the trade in organic products, it is difficult to estimate the value of either UK organic exports to Europe or imports from Europe to the UK. There is no specific data collected on this. Based on market share and product values, the value of exports from the UK to Europe amounts to circa €125 million, whilst imports from Europe to the UK could be worth €300 million per year.

Contingencies available to allow continuing trade in organic products between Europe and the UK

While the Defra technical notice provided some assurance that possible solutions will be 'explored', it lacked detail, and consequently a clear contingency plan is needed immediately. The best course of action would be for the UK Government and the EU to negotiate a mutual recognition agreement with the EU ahead of March 2019 as stated in the Defra paper, however, in the event of a 'no deal' scenario; there is concern that this will be overlooked as a consequence of other issues taking precedence over trade in organic products. It is critical

³ OTB & UKOCG (2018) Organic sector calls for much clearer contingency measures as Brexit looms. Press Release, issued 5th October 2018. <http://ofgorganic.org/organic-sector-calls-for-much-clearer-contingency-measures-as-brex-it-looms/>

⁴ Comtrade (2018). <https://publications.parliament.uk/pa/cm201719/cmselect/cmenvfru/348/34804.htm>

therefore, that this challenge is addressed in good time to avoid widespread financial distress of those businesses affected and disruption to supply chains in Europe and the UK.

The UK will adopt the EU organic regulation when it leaves the EU, and so will be equivalent, if not compliant, by default.

While the negotiation of a mutual recognition agreement is by far the best course of action it depends on a degree of political cooperation that cannot be relied upon, however, it isn't the only option.

The other immediate option is for the EU to unilaterally accept organic imports from the UK, and vice versa, in recognition of the interdependency of the organic supply chain across the EU, as the UK Government has stated that they will do, through the European Union Withdrawal Act. Which would bring the EU Organic Regulation into UK law and so would apply to all organic imports coming into the UK, whether from Europe or from other countries. This would be a transitional measure, limited in time until there is a formal agreement.

One further option would be to ensure rapid or accelerated recognition of UK certification bodies through an extension of their Regulation 1235 scope. Currently the EU Commission might consider this as premature. However, given that the UK and all certification bodies currently comply with EU requirements then the EU could choose to take a very light touch approach to this.

IFOAM EU and its UK members would like to see communication between Defra and the EU Commission in terms of contingency planning in the event of a no deal Brexit in order to ensure that both imports from the UK to Europe, and exports from Europe into the UK, will be accepted regardless of the outcome of negotiations or whether a mutual recognition agreement will be in place ahead of the March 2019 deadline.

Recommendation: IFOAM EU asks the European Commission and the UK Department for Environment, Food and Rural Affairs to consider the various options immediately, in advance of a 'no deal' scenario possibly becoming a reality, and so to start the procedure for a mutual recognition agreement for organic products or to confirm that the EU will unilaterally allow both the import of UK organic products to Europe and export from Europe into the UK ahead of the March 2019 deadline. The European Commission and the UK Department for Environment, Food and Rural Affairs should aim to avoid supply chain disruption and financial distress of operators that either rely on UK supplies of organic products or for operators in Europe that rely on access to UK markets.