



Brexit Assumptions and Teagasc Farm Income Forecasts for 2021

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Brexit: what we know and don't know

- There has not (yet) been agreement between the UK and the EU on the future trade relationship
- An agreement remains possible
 - Challenges related to ratification one hopes can be addressed by EU and UK political institutions
- However – in making an economic forecast for farm incomes in 2021 we have to make assumptions about what will/might happen politically

Brexit Assumptions

- No Deal is agreed between the EU and the UK
- UK Brexit Transition period ends on Dec 31st 2020
- UK exports to EU subject to EU MFN Tariff Schedule
- EU exports to UK subject to UK Global Tariff Schedule
 - No preferential market access granted by either party via tariff or Tariff Rate Quota (TRQ) concessions

Impact of Brexit on Markets

- Tariffs & non-tariff barriers negatively affect import demand
- Lower import demand reflected in changes in agricultural output prices in Ireland
- Short run (2021) supply response very limited
 - Animals on farm
 - Breeding animals and next year's calf/lamb/pig crop already decided
 - Crops sown

Price Changes in 2021 vs 2020

- Forecast price changes in event of No Trade Deal Brexit based on FAPRI-Ireland analysis of impact Hard Brexit presented in 2019
- Ongoing research updating this work and analysing the impact of a “thin” trade deal
- Once complete and in the event that an agreement between the EU and the UK is reached, revised forecasts for 2021 will be produced

Ad Valorem Equivalent of No Trade Deal Tariffs

| CN8 Code | Product | UK Global Tariff | EU MFN Tariff |
|----------|------------------------------|------------------|---------------|
| 02013000 | Fresh Deboned Beef | 66% | - |
| 02023090 | Frozen Deboned Beef | 123% | - |
| 02031955 | Fresh boneless meat of Swine | 29% | - |
| 02042300 | Boneless Sheep Meat | 59% | - |
| 04069021 | Cheddar | 58% | - |
| 04051019 | Butter | 46% | - |
| 10019900 | Wheat and Meslin | - | 50% |
| 10039000 | Barley | - | 47% |

Note: UK Global Tariff AVE calculated using UK imports from all sources for 2019
 EU MFN Tariff AVE calculated using IE imports from UK for 2019