

LEAVE OR REMAIN:

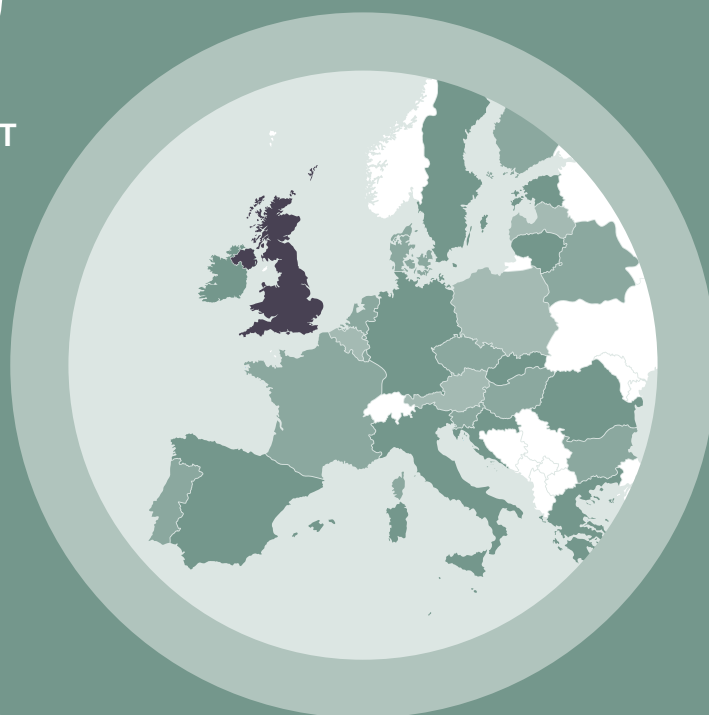
THE DECISIONS THAT POLITICIANS MUST MAKE TO SUPPORT THE RURAL ECONOMY



DIRECT SUPPORT



REGULATION



TRADE



LABOUR MARKET

THE IMPORTANCE OF THE RURAL ECONOMY

The rural economy has been shaped by the agricultural and environmental policies of the EU. Any change to the UK's relationship with the EU has an impact on the rural economy and the way we manage our environment and landscapes. Here is a summary of some of the key facts about the size and scale of the UK rural economy and the contribution it makes:

CONTRIBUTING **£229 BILLION** IN GROSS VALUE ADDED TO THE NATIONAL ECONOMY (England only)

650,000 BUSINESSES → EMPLOYING **3.4 MILLION PEOPLE** IN ENGLAND AND WALES

PROVIDING HIGH QUALITY MANAGEMENT OF THE RURAL ENVIRONMENT AND HERITAGE WITH... **6.5 MILLION HECTARES** OF FARMLAND IN ENGLAND IN ENVIRONMENTAL MANAGEMENT

OVER **£100 BILLION** CONTRIBUTION TO THE UK ECONOMY FROM THE WIDER FOOD CHAIN

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INTRODUCTION FROM OUR PRESIDENT

The importance of the decision facing the British public on the 23rd June in the referendum on the UK's membership of the European Union (EU) cannot be overstated. The economic and political structures of the UK are intertwined with the EU and this is particularly the case for those that live and work in the countryside. The EU is an important market for our products; it provides vital direct financial support to farmers and land managers; and workers from the EU are critical to our agricultural labour force. For more than 40 years the EU has provided the regulatory framework that governs the environment, trading relationships and the way business operates, and is the basis of significant investment decisions.

Leave campaigners are asking voters to embrace "the chance of a generation" for the UK to free itself from an outdated institution that faces fundamental crises and is increasingly unable to help UK business exploit opportunities in global markets. Remain campaigners stress the importance of the EU as a stabilising entity in an uncertain world and that the UK has the opportunity to shape the EU's future. We summarise the arguments of both sides on pages 6 & 7.

This report does not seek to suggest how our members should vote in the referendum. However it will serve to ensure that those leading the debate on both sides are challenged with the right questions about how the rural economy will be sustained in the future whether we leave or remain. To campaign or govern without giving answers to these questions undermines confidence and gives concern as to the future security of the rural economy.

Any future decision to significantly reduce direct economic support to the rural economy could lead to a reduction in private sector investment, lower tax revenues and loss of jobs. The report also stresses the vital role of current EU programmes in making it possible for farmers, land managers and rural businesses to undertake activities that deliver environmental goods and outcomes that we all benefit from. These programmes or equivalent measures, which would benefit from reforms that the CLA has consistently advocated, must continue whether the UK is inside or outside the EU.

Above all, this report lays bare the uncertainty that all those businesses in the rural and associated sectors are faced with as we head towards a historic moment in determining the UK's future. It poses the critical question for ministers in both England and Wales about whether they are prepared for all eventualities. It also provides our members with information on the processes and decisions leading up to the referendum and what might happen afterwards.

ROSS MURRAY
CLA PRESIDENT



The CLA (Country Land and Business Association) is the membership organisation for landowners, farmers and other rural businesses.

UNDERSTANDING THE ISSUES

THIS REPORT HAS TWO OBJECTIVES



To help landowners and other rural businesses understand the issues associated with the debate around the referendum on EU membership and the options for Brexit.



To set out the decisions our political leaders must make to ensure we continue to support the rural economy and deliver investment in our environment, landscape and rural communities whether we leave or remain in the EU.

THE FOUR PRINCIPAL ISSUES FOR THE RURAL ECONOMY

The issues related to UK membership of the EU are many and complex. This report focuses on the four core themes that together make up the main 'EU issues' relevant specifically to rural business and the wider rural economy.

1 DIRECT SUPPORT - AGRICULTURAL SECTOR



No country outside of the EU is a member of the EU Common Agricultural Policy (CAP). The CAP provides direct support to farmers and indirect support to the wider food chain. It also supports farmers to undertake environmental and landscape work. In 2014 UK farmers received 54% of their income via direct support.

There are widely different views on whether the CAP should exist at all or if it requires fundamental reform. These divergent views are present in both the leave and remain campaigns.

However few countries in the developed world have no funded support system in place although they vary significantly in size and composition.

3 REGULATION



The CLA undertook an audit of the regulations that affect landowners and rural businesses in May 2015. The details are available here: www.cla.org.uk/eureport

It shows that a number of factors impact on how rural businesses are regulated, for example environmental laws are often based on global agreements that would still apply to the UK; and any trade agreement the UK struck with the EU would require compliance with EU standards in many areas.

The main conclusion of the CLA audit is that any benefits from the UK leaving the EU would not be immediate. The most likely outcome of a vote to leave the EU would be the transposition of most EU regulations into UK law and any change would be incremental and over the long term.

2 TRADE



The EU is a major market place for the products of our rural economy with 62% of UK agri-food exports exported within the EU in 2013. The UK is also a vital trading market for the EU with 70% of the UK's agri-food imports coming from the EU in 2013.

The UK trade relationship with the EU is far from perfect, negotiations have taken place since the first day the EU was established and will continue for as long as it exists.

Most campaigners agree that in the event of the UK leaving the EU, the UK and the EU would want to secure some form of substantial trade agreement. Whether this new relationship would be better or worse for UK business is one of the main issues in the referendum debate.

4 LABOUR MARKET



In the first quarter of 2015 there were 1.9 million citizens from other EU countries employed in the UK labour market. In 2014 the net inflow of EU Migrants into the UK labour force was 268,000 and is an increasing trend.

Ending the free movement of people within the EU is seen as a red line issue for many in the Leave campaign. However even strident critics of free movement tend to concede that some form of 'seasonal worker' scheme may be necessary for the agricultural sector.

THE RENEGOTIATION

In February 2016 the Prime Minister concluded a process of renegotiation on the terms of UK membership of the EU. Issues related to rural economy and agriculture did not feature significantly within the deal agreed by EU and

UK Ministers. There was no specific reference to issues related to UK involvement in the Common Agricultural Policy or discussions of specific regulations or directives that impact on rural business or land management.

THE RENEGOTIATION DEAL IN SUMMARY:

- **Economic governance** – measures include, an agreement that no UK company should be discriminated against because they are not part of the Eurozone, and no requirement on UK to participate in bail outs of Eurozone countries;
- **Competitiveness** – an agreement to reduce EU regulation in key sectors especially where it impacts on small businesses, a commitment to extend the single market and pursue trade deals that open up new markets for EU based companies;

- **Sovereignty** – exclusion of the UK from commitment to 'ever closer Union', a new system whereby national Parliaments can combine to block unwanted EU legislation;
- **Welfare and free movement** – an 'emergency brake' allowing the UK to limit access to 'in-work benefits' for up to 4 years. This emergency brake can be put in place for a maximum of seven years at a time.

The UK Government summary of the agreement is available at www.cla.org.uk/EUresearch

WHAT HAPPENS IF WE VOTE TO LEAVE?

There is no precedent for a member state leaving the EU. However the rules on exiting the EU were set out in the Treaty of Lisbon as follows:

- Once the UK gives formal notice to leave it has two years in which to negotiate a reformed relationship unless there is unanimous agreement to extend the negotiation process. Failure to extend or agree a deal within two years would mean the UK leaving with no deal in place.
- The two year notice period could be extended but only by unanimous agreement of the EU Council.

The EU Budget has been agreed through to the end of 2020. Core programmes, such as funding for the Common Agricultural Policy, operate within the same timeframe. Politicians may agree that a UK exit in 2020 would remove layers of complexity and be the most logical. However achieving unanimous support to change the negotiation period in the Council would not be straight forward.

- The UK voting to leave is not formal notice – this can only be given by the Prime Minister.

The UK Government could delay giving formal notice to leave until 2018 as a way to extend the negotiation period. However this is likely to be politically unpopular.

- The UK would remain a member of the EU through to the agreed exit date but would not have a vote on whether the EU accepts any new agreement with the UK and would not participate in discussions on its withdrawal.

- A vote to leave would apply to all parts of the UK. Speculation about what would happen in terms of a vote to leave the EU triggering a new referendum on Scottish independence is based on political rather than constitutional dynamics. After exit the UK Government will have to establish clarity on which decisions would be made at the UK level and which would be a matter for the devolved Governments in Wales, Scotland and Northern Ireland.

THE REFERENDUM DECISION

INTRODUCING THE TWO CAMPAIGNS



As the referendum moves closer the two 'campaigns' are setting out their case to voters. Below the CLA sets out a summary of the position put forward by both campaigns focused on the four principal issues relevant to the rural landowners and other businesses – trade, financial support provided under the Common Agricultural Policy, freedom of movement and the burden of regulation.

LEAVE

1 DIRECT SUPPORT - AGRICULTURAL SECTOR



Leave campaigners argue that it's better for directly elected UK ministers to make decisions on what to do with public money. They also argue that the Common Agricultural Policy (CAP) is inefficient and burdensome on UK farmers and that the UK

could make better decisions on how to support farmers, pay for environmental services and otherwise invest in rural economy. However there are differing opinions on how much a policy of direct financial support, like the CAP, is necessary or beneficial.

Former Secretary of State for Environment, Food & Rural Affairs and prominent leave campaigner the Rt Hon Owen Paterson MP speaking at the 2016 Oxford Farming Conference set out reassurances: *"The EU currently contributes £2.9 billion to the UK via the CAP and related subsidies. Yet, the UK's estimated net contribution to the EU budget is more than three times that figure at £9.8 billion. If appropriate, a sovereign UK Government, no longer constrained by EU rules, could actually increase rural payments."*

However, the prominent 'Business for Britain' campaign group highlights the opportunity for a rethink and reduction in a system of agricultural support payments: *"The UK could instead step away from protectionism and gradually adopt a less subsidised model, or a more focused and targeted form of subsidy dependent on rural and farming needs, with the objective of making food much more affordable to families and UK farming globally competitive."*

2 TRADE



Freeing the UK to establish its own trade relationships in the world and to take a seat in its own right on international bodies and in global trade negotiations is set out as one of the main advantages for the UK outside of the EU.

Leave campaigners argue that the UK is the EU's largest market and that referendum voters should be confident that the UK will reach a trade agreement that is as good if not better than our current trade relationship as an EU member (see pages 8 & 9 for more details). They also suggest that the UK would be able to negotiate new and better bilateral trade agreements with countries outside of the EU, starting with replacing existing agreements other nations have with the EU and then moving on to new trade partners.

3 REGULATION



The leave campaigners are heavily critical of the burden of EU rules holding back UK business. A good example is the following extract from the UKIP 2015 General Election Manifesto:

"While we will abolish excessive and unnecessary regulations and directives, keeping those necessary to protect our environment, or replacing them with more appropriate controls, administered at national or local government level, will be a priority for us. We will take as our guide in these and all other farming matters relevant scientific and/or professional veterinary advice."

4 LABOUR MARKET



Taking control of the UK's borders and ending freedom of movement for EU citizens entering the UK is seen as one of the main advantages of leaving the EU

'Business for Britain' suggests that a UK Government could establish a specific labour market exemption for seasonal agricultural workers. They say: *"This could perhaps copy the Seasonal Agricultural Workers Scheme (SAWS), which covered seasonal workers from Romania and Bulgaria fruit-picking in the UK before those workers gained full free movement rights in 2014."*

Farming Minister George Eustice has declared his support for Leave citing frustration with compliance with common agricultural policy rules. Writing in Daily Telegraph he said: *"the reality of working within EU law is that trying to do the simplest of things becomes curiously complicated and often impossible."* He argues that risks of fines, called disallowance, prevent DEFRA from implementing CAP rules in a way that suits UK agriculture.

i MORE INFORMATION

For more information on the leave campaigns visit:
www.voteleavetakecontrol.org
www.grassrootsout.org
www.leave.eu

REMAIN

1 DIRECT SUPPORT - AGRICULTURAL SECTOR



At the 2016 Oxford Farming Conference EU Agriculture Commissioner Hogan set out the case for the current CAP: *"I remain adamant that the stability brought by the CAP has provided, and is providing, the foundation for economic growth and jobs in rural areas and all along the food chain. In particular, the policy is vital to farmers."*

He also sought to reassure farmers about the CAP being burdensome and inefficient: *"It is in the nature of things that new legislation is more complicated than it needs to be, and, for everybody's benefit, we need to make things simpler. This is one of my main objectives over the next few years – reducing administrative burdens while making sure that all interests are defended."*

It is important to note that there are strong advocates of UK remaining in the EU that would also support radical reform and a significant reduction in the CAP budget.

2 TRADE



Remain campaigners stress the UK's trade links to the EU and argue that the UK is unlikely to secure an advantageous trade agreement that equates to existing single market access. This is especially the case for agricultural produce with the likelihood of high trade costs resulting from customs controls and possible import tariffs.

EU Agriculture Commissioner Phil Hogan recently disagreed with claims by the leave campaigners that the UK would take a seat on global trade talks outside the EU. He cited the December 2015 'Nairobi Trade Talks' on removing export subsidies. He said, that whilst all countries took part in initial discussions, *"an endgame emerges – five players at the table in a small, poky room. The United States, China, Brazil, India and the European Union... No Japan – population 120m and a one trillion pound economy; no Canada, no Australia, no Turkey, no Switzerland, no Norway...no anyone else."*

3 REGULATION



The remain campaign argument focuses on the extent to which countries like Norway and Switzerland are either directly bound by EU law as a result of the terms of their trade agreements, or they choose to mirror EU laws in order to ensure

their businesses operate on a level playing field. They also stress the extent to which regulations in areas like environmental policy tend to be based in international agreements that would still apply to the UK.

The core of their argument is that UK businesses and citizens would be bound by a large percentage of EU law but have no representation in ministerial negotiations or votes in the EU Parliament.

Secretary of State for Environment, Food and Rural Affairs, Liz Truss has set out the case for Remain, she said: *"I believe that by voting to remain we can work within a reformed EU to reduce bureaucracy and secure further reform, while still enjoying the benefits of the single market."*

4 LABOUR MARKET



Remain campaigners tend to acknowledge significant public concern about the scale of immigration into the UK from the EU. Imposing restrictions on freedom of movement, primarily linked to qualifications for 'in-work' benefits, has formed a central part of the Prime Minister's renegotiation.

Remain campaigners also stress the extent to which the EU could make continuing freedom of movement a condition of a new trade agreement with the UK. Switzerland, for example, despite a recent referendum in favour of imposing immigration quotas is seeking a resolution with the EU that allows them to continue to be bound by the freedom of movement terms they signed up to under the European Free Trade Association (EFTA).

i MORE INFORMATION

For more information on the remain campaigns visit:
www.strongerin.co.uk
www.labour.org.uk/index.php/inforbritain
www.conservatives.in

UNDERSTANDING 'BREXIT'

WHAT TYPE OF EU RELATIONSHIP?



Politicians and other campaigners often talk about different ways in which the UK outside the EU could establish a new trade relationship with the EU, provide support to farmers, manage its borders and labour market and the extent to which an independent regulatory framework could be established. This chapter summarises the four most common models that are highlighted as the relationship that the UK could have with the EU as a non member.

NORWEGIAN MODEL

DIRECT SUPPORT - AGRICULTURAL SECTOR

- Agriculture constitutes a relatively small share of GDP (1.5%) and given the climate and topography only a small fraction of the land is suitable for cultivation.
 - In 2014 the %PSE was 60%, down from 70% in 1988.
 - The National Environment Programme (NEP) includes payments for some environmental measures undertaken by landowners.
- i** For the definition of PSE see the bottom of page 9.

TRADE

- Norway is a member of European Economic Area (EEA). This currently includes the EU states plus Iceland, Liechtenstein and Norway.
- EEA members that are not EU members have unrestricted access to the EU market, except in the case of agriculture.
- EEA members make a significant contribution to the EU Budget, the exact amount is a subject of significant argument between the campaigns. Norway also makes a separate contribution to efforts to reduce social and economic disparities in the European Economic Area.

REGULATION

- EEA members agree to implement all EU laws relating to the EU market.

LABOUR MARKET

- Free movement of people between non EU EEA members and the EU states is a fundamental tenant of the EEA agreement with the EU.

SWISS MODEL

DIRECT SUPPORT - AGRICULTURAL SECTOR

- The share of agriculture in GDP is small at around 1%.
- In 2014 the %PSE was 55% down from 78% in 1988, three times higher than the OECD average of 18%.
- The support system includes payments related to biodiversity, landscape quality and farming practices.

TRADE

- Switzerland is a member of the European Free Trade Association (EFTA) alongside Iceland, Liechtenstein and Norway.
- EFTA has a trading agreement with the EU and 25 other free trade agreements.
- EFTA members contribute to the EU budget, but at a lower rate than under the Norwegian model.
- EFTA members do not have free market access for agricultural products.

REGULATION

- EFTA members agree regulatory compliance with EU law on a case by case basis but nonetheless they adopt the vast majority of regulations related to trade with the EU.

LABOUR MARKET

- Free movement of people between EFTA members and the EU states is a fundamental tenant of the EFTA agreement with the EU.

TURKISH MODEL

DIRECT SUPPORT - AGRICULTURAL SECTOR

- Agriculture is a growing sector and Turkey is a significant agricultural exporter.
- In 2014 the %PSE was 21% up from 20% in 1988.
- Support is provided for land set aside for environmental schemes as part of the 10th development plan (2014-2018). The plan includes the strategic aim of an environmentally friendly agricultural sector.

TRADE

- Turkey has a Customs Union with the EU. This does not cover agricultural products although some concessions are in place.
- They must align laws with EU legislation and court decisions in some but not all areas.
- Turkey has signed Free Trade Agreements with EFTA, Israel, and a range of eastern European and Middle Eastern states.

REGULATION

- As part of the Customs Union agreement, Turkey is committed to removing 'technical barriers to trade' which essentially means ensuring their regulations are consistent with EU.

LABOUR MARKET

- There is no free movement agreement in place between Turkey and the EU.

NEW ZEALAND MODEL

DIRECT SUPPORT - AGRICULTURAL SECTOR

- New Zealand's agricultural sector is focused on exports.
- New Zealand moved to a model of minimal support in the 1980s as part of a wider reform package in response to difficult economic circumstances. In 2014 the %PSE was 1%.
- The Sustainable Farming Fund supports projects aimed at improving the productive and environmental performance of farming while the Resource Management Act promotes the sustainable management of natural and physical resources.

TRADE

- New Zealand is relatively small (€7.9bn) trading partner for the EU. Traditionally New Zealand's exports to the EU are largely dominated by agricultural products.
- In October 2015 New Zealand and the EU agreed to begin 'swift' negotiations to establish a deep and comprehensive high-quality Free Trade Agreement.
- New Zealand has a range of bilateral agreements and they are all different and can include removal of some or all agricultural tariffs.

REGULATION

- New Zealand decides its own regulatory framework, although it has to decide regulation in the context of its bilateral free trade agreements.

LABOUR MARKET

- New Zealand has no free movement rules with any international body. However they attract a high level of net migration 63,700 in the 12 months to November 2015.

CLA EXPLAINS: THE SIZE OF THE UK AS AN EU TRADING PARTNER

The UK economy is significantly larger than these four countries. The EU is a vital market for the UK across all sectors and in agriculture (in 2013) 63% of the total agri-food exports went to the EU, while 70% of UK agri-food imports came from the EU. The UK is also a vital market for the EU. If the UK was to leave it would immediately become the single largest export and import market for the EU.

There are two important contexts to a Brexit negotiation – firstly the EU has never negotiated an exit agreement with an existing member before and secondly the size of the trade relationship on both sides is so large. It is therefore likely that any deal agreed would be unprecedented and unique in its characteristics.



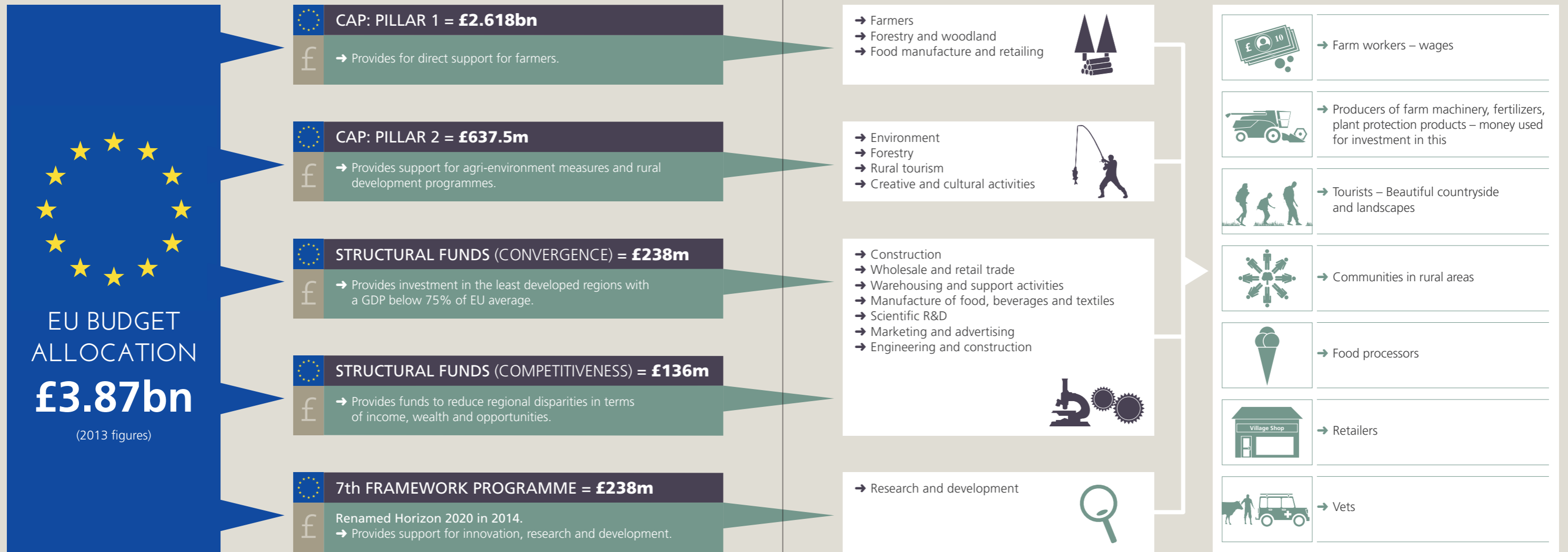
i DIRECT SUPPORT (DEFINITION OF PSE)

Most developed countries support their farmers, so it is useful to compare how some of them compare with the EU. Every year the Organisation for Economic Co-operation and Development (OECD) reports on the extent of support given by each country. It does so by reference to the level of Producer Support Estimate (PSE) expressed as a proportion of gross farm receipts. The PSE is the total value of support given to agriculture by consumers and taxpayers as a result of government policies. The ratio is generally expressed as a percentage (%PSE).

The OECD average level of support is 18%. The EU has gradually reduced its support to agriculture since the mid-1990s. In 2014 the %PSE was 19% down from 39% in 1988.

HOW THE EU SUPPORTS RURAL BUSINESSES, COMMUNITIES AND THE ENVIRONMENT

The EU allocates funding to the UK through a number of programmes that are agreed by the Member States. This flow chart explains how the money is allocated and the types of businesses or organisations that benefit. The figures in this diagram represent the amount of money allocated under the CAP in 2013.



CLA EXPLAINS: COMMON AGRICULTURAL POLICY

The CAP which is subject to significant renegotiation every five years has witnessed three main phases, first it focused on moving Europe from food shortage to surplus; it then sought to meet new challenges linked to sustainability and the environment; and has now expanded to support the role of farmers in rural development beyond just food production. It does attract significant criticism for being overly complex, and as a contributor to inflated consumer prices. While there has been significant improvement in the performance of the CAP in delivering positive environmental outcomes there is more to be done.

The CLA has been an active voice arguing for reform in the past and is already contributing towards discussions regarding the next CAP agreement. There is no expectation that the next CAP agreement will mirror the current framework in either structure, size or objectives and the CLA will continue to make the case for a policy that works. If the UK leaves the EU there are two major policy decisions to be made – the first is will the rural economy continue to receive the current level of support from either the CAP or UK Government through to the end of 2020 to respect the commitments made for the current CAP period (2014-2020)? The second is how will the Governments of the UK develop a structure of support for farming, other rural businesses and the environment?

WHY SUPPORT MATTERS - ECONOMY

CLA EXPLAINS: EU SUPPORT

In 2013 the EU allocated £3.87bn of support for the rural economy in the UK which was 61% of the total budget allocation to the UK. Research conducted for the CLA estimates this support resulted in a £10bn contribution to the UK economy, including more than 350,000 jobs and £3.5 billion in taxation revenue to the Treasury.



The CLA commissioned respected economic consultancy Europe Economics to undertake a modelling analysis to provide estimates of the economic multiplier benefits of the money allocated under the common agricultural policy the UK economy. The Europe Economics report is available at www.cla.org.uk/EUresearch

This research provides an estimate of the direct, indirect and induced benefits using the Leontief Input-Output model commonly applied when measuring whole economy impacts of economic activity. It measures direct, indirect and induced effects.

- Direct effects come from expenditures made by businesses such as farms that are direct beneficiaries of investment funding.
- Indirect effects result from the expenditures made by businesses that supply or perform services for those businesses that receive investment funding.
- Induced effects are expenditures made by people that are employed in the businesses that receive investment at the household level.

These figures are based on the year 2013 which was the final year of payments made under the previous Common Agricultural Policy.

DIRECT EFFECTS



INDIRECT EFFECTS



INDUCED EFFECTS



Top 15 sectors where economic impact is experienced	Value added (£m)	Employment (People 000s)
Products of agriculture and related services	598	75,000
Construction	395	12,000
Wholesale and retail trade and repair services of motor vehicles and motorcycles	289	19,000
Wholesale trade services, except of motor vehicles and motorcycles	134	6,000
Financial services, except insurance and pension funding	113	2,000
Scientific research and development services	110	8,000
Services of head offices; management consulting services	78	7,000
Products of forestry, logging and related services	76	8,000
Accommodation services	65	7,000
Food and beverage serving services	52	6,000
Land transport services and transport services via pipelines, excluding rail transport	47	2,000
Computer programming, consultancy and related services	45	2,000
Retail trade services, except of motor vehicles and motorcycles	44	5,000
Alcoholic beverages	42	1,000
Architectural and engineering services; technical testing and analysis services	42	2,000

DIRECT AND INDIRECT EFFECTS

- Increased production of £6.9bn.
- 234,000 jobs.
- £1bn in tax revenue.

TOTAL EFFECTS

- Circa £10bn contribution to GDP.
- 350,740 jobs.
- £3.5 billion in taxation revenue.

INDUCED EFFECTS

- £3bn in added value.
- 116,740 jobs.
- £2.5bn in tax revenue.

WHY SUPPORT MATTERS - ENVIRONMENTAL AND SOCIAL ISSUES

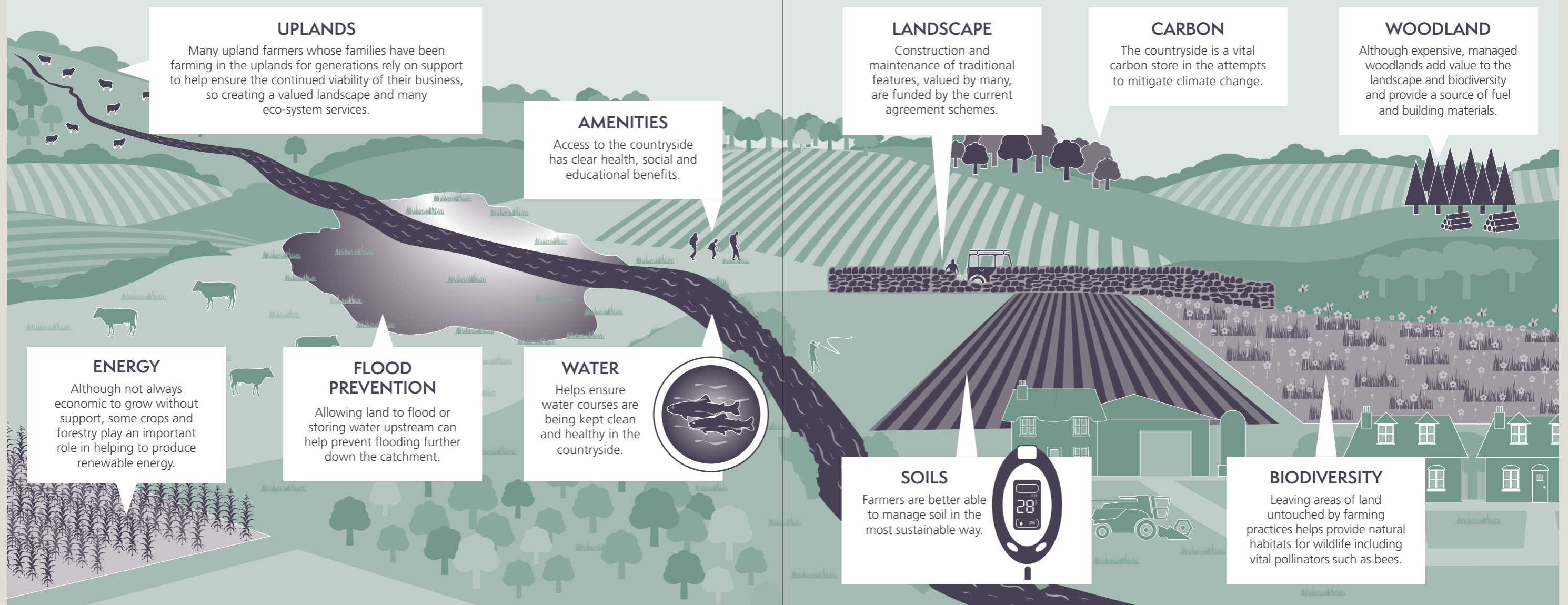
CLA EXPLAINS: WIDER BENEFITS AND PUBLIC VALUE

The current support system provided to the rural economy allows landowners and farmers to provide many of the environmental and social benefits that the wider public value, support and expect from the countryside. In 2013 UK farmers were provided with over £630 million of support to help provide these benefits which also provide a range of employment opportunities, for example in tourism, that would otherwise not be available in rural areas.

However, providing these benefits comes at a cost to farmers in time, money and business efficiency. Farmers **cannot and should not** be expected to meet those costs entirely from their own resources. Providing they meet regulatory standards farmers and landowners need to continue to receive this support. Here are some examples of environmental and social benefits currently supported from funds originating from the support given to UK landowners and farmers.

None of the issues associated with the wider social and environmental benefits of the CAP are straightforward and require significant debate and discussion. If the UK remains in the EU these debates will continue up to the post 2020 settlement and beyond. If the UK leaves the EU then it is vital that this support continues to be funded.

The CLA will continue to make the case for farmers and landowners to have the reassurance that the sustainable investment required to secure these environmental and social benefits for the long term will continue.



THE DECISION TIMELINE

CLA EXPLAINS: THE RISKS OF UNCERTAINTY

The impact of a reduction in funding for the rural economy regardless of whether we leave or remain within the EU should not be underestimated. There is greater uncertainty over future support for the rural economy in the event the UK chooses to leave the EU. However, what is true of both scenarios is that the longer any uncertainty continues, either through a delay in negotiations around the next CAP or decisions about a new UK based support system, the greater the risks to the rural economy. Any prolonged period of uncertainty or a failure to provide sufficient support will result in:

- Rural businesses failing to invest for fear of what a future scheme will look like.
- Farm businesses closing as farmers decide the uncertainty is not worth the risk of continuing to farm.
- Rural communities declining as the population leave to find work in urban areas.
- The environment suffering as landowners and farmers are unable to undertake much of the environmental management they currently do for fear about the viability of their business.
- Reduced asset values and barriers to accessing finance for many businesses.

LEAVE

DECISION
Ministers must confirm that payments to farmers and landowners will continue until the end of the current budget period (2020).

TIMEFRAME
Day after referendum.

WHY THIS IS IMPORTANT
Rural businesses require certainty over the level of funding they will receive to have the confidence to expand and invest in their business. Without this guarantee rural businesses are likely to be less willing to commit to projects or investment for fear of significantly reduced funding affecting the viability of their business.



DECISION
Ministers in Westminster and Cardiff to confirm details of a new 'UK Agricultural Policy' (UKAP) to replace CAP.

TIMEFRAME
By the end of 2018.

WHY THIS IS IMPORTANT
Current funding is split into direct payments and rural development. The UK Government would need to confirm the precise format of any replacement scheme to allow landowners and farmers time to plan any investments they wish to make and ensure environmental schemes under the current scheme can continue without interruption.

DECISION
Chancellor to confirm precise level of funding for UKAP post 2020.

TIMEFRAME
By Budget 2019.

WHY THIS IS IMPORTANT
With the new scheme starting on 1st January 2021 the Chancellor will need to set out the precise amount of funding the new scheme will receive in each of its first five years to provide rural businesses with the certainty about the amount of funding that will be available and allow them to make investment decisions. The Autumn Financial Statement of 2019 is too late.



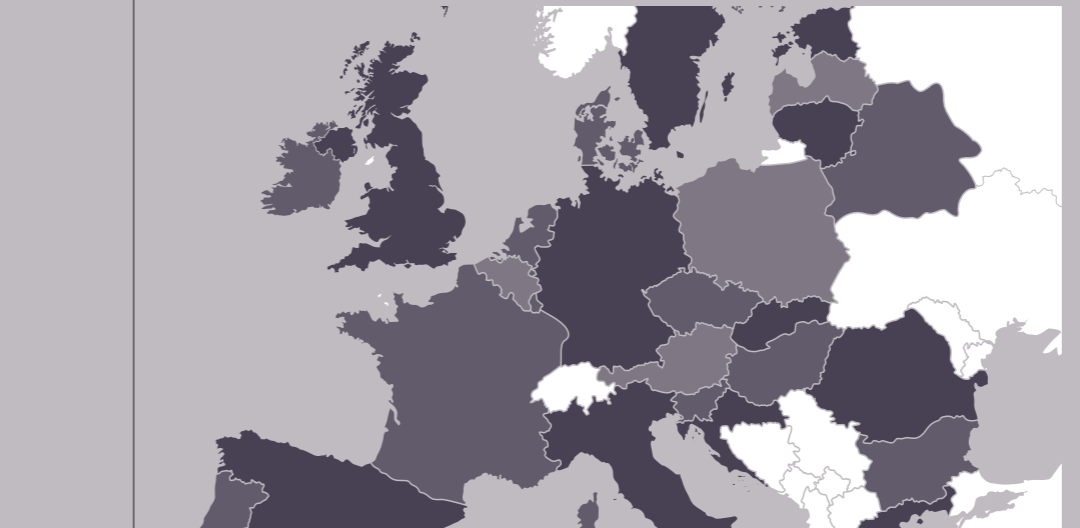
REMAIN



DECISION
EU Commission to bring forward proposal for a budget and structure for CAP post 2020.

TIMEFRAME
No definitive timeframe is set but it is expected in 2017.

WHY THIS IS IMPORTANT
This proposal will frame the terms of the negotiation that will take place up to the final agreement. If there is to be significant restructuring of the CAP it will be set out in this proposal.



DECISION
The CAP regulations and CAP budget to be agreed by Council of Ministers and EU Parliament.

TIMEFRAME
By the end of the current CAP period (2020).

WHY THIS IS IMPORTANT
The final agreement reached on the budget and structure of the CAP post 2020 will have a significant impact on the ability of farmers and wider rural businesses to maintain and invest in their business. Any major reduction in the amount of money made available to farmers will cause significant economic, environmental and social harm.

THE DECISIONS THAT MUST BE MADE

CONCLUSION

This report has highlighted the specific rural considerations that people will have to weigh up when they consider the implications of leaving or remaining in the EU and cast their vote in the referendum. They are not the only issues and as this report has made clear there are positives and negatives on both sides.

What is clear is that a vote to leave will mean substantial change to the way things work now. The 'leave' campaign is strident in their optimism about the potential that this brings, the 'remain' campaign stresses the scale of the unknown and the uncertainty.

This report has set out the four principal issues for rural business. It is how policy develops in these four areas that will determine the future prospects of the rural economy. This is the case whether we leave or remain in the EU.

If the UK votes to leave the questions that our politicians have to answer are extensive and immediate. The CLA is ready to help shape these critical decisions. If the UK votes to remain it must not be seen as a vote for the status quo. The CLA will continue to make the case for improvements to ensure that EU and UK policy is delivering for our rural economy.

THE DECISIONS OUR POLITICIANS MUST MAKE

IF WE LEAVE UK MINISTERS MUST

TRADE

- Commit to securing tariff-free access to the EU for all UK agricultural and other products.
- Confirm they intend to replace all trade agreements that currently exist between the EU and other nations before the UK exits.

£ DIRECT SUPPORT - AGRICULTURAL SECTOR

- Give immediate reassurance that the level of CAP payments farmers rely on will continue through to the end of 2020.
- Confirm they will develop a 'UK Agricultural Policy' that ensures that the necessary investment in farming and land management continues outside the Common Agricultural Policy.

REGULATION

- Confirm they will set out a framework for reviewing EU regulation and the opportunities for reform.

LABOUR MARKET

- Ensure that rural businesses, especially farms, will have access to the critically important labour force that is drawn predominately from EU member states.

IF WE REMAIN UK MINISTERS, THE EU COMMISSION AND OTHER COUNCIL MEMBERS MUST

TRADE

- Deliver on commitments to develop opportunities for UK businesses for trade outside the EU.

£ DIRECT SUPPORT - AGRICULTURAL SECTOR

- Confirm that next CAP agreement will continue to provide a balanced and well funded support system that addresses market volatility, climate change, resource depletion and environmental pressures.

REGULATION

- Confirm how the simplification promises in the renegotiation deal will be delivered.

LABOUR MARKET

- Ensure that measures to limit movement within the EU, for example linked to in-work benefit reforms, will not impact negatively on the availability of labour in agricultural sector.

ABOUT THE CLA

We represent diverse and successful businesses located at the heart of rural communities.

We help landowners work in the best interest of the land, wildlife and the environment.

Our purpose is to ensure that our members have the security, certainty and support they need to make investments in their land and business.

The CLA (Country Land and Business Association) is the membership organisation for landowners, farmers and other rural businesses. We have over 33,000 members, together our members own around half of the rural land in England and Wales.

REFERENCES:

- Page 3 – Statistics are taken from:
 - The Department for Environment Food & Rural Affairs publication *Statistical Digest of Rural England – January 2016 edition*.
 - Observatory Monitoring Framework Indicator Data Sheet A3 2015 edition: *Uptake of Agri-Environment Schemes*.
 - The Secretary of State for Environment, Food & Rural Affairs' speech to the 2015 Oxford Farming Conference.
 - The Stats Wales portal.
- Data for businesses in rural Wales is not available to the same extent or in the same form as for England. To identify the rural statistics CLA used the Welsh Government official Local Authority groupings which classify the following as rural Local Authorities – Isle of Anglesey, Gwynedd, Conwy, Denbighshire, Powys, Ceredigion, Pembrokeshire, Carmarthenshire, Monmouthshire. The resulting statistics included in the document were reached in consultation with Welsh Government statisticians.*
- Page 4 – The statistic relating to the percentage of their income UK farmers receive in direct support was taken from DEFRA publication 2014 Total Income from Farming Statistics.
- Page 4 and Pages 8 & 9 – Data on the percentage of UK agri-food imports and exports in 2013 was sourced from capreform.eu (Article: *Agricultural implications of British EU withdrawal for rest of the EU*).
- Page 4 – Statistics on the Labour Market were taken from The Migration Observatory Briefing. *EU Migration to & From the UK (October 2015)*.
- Pages 6 & 7 – The quotes attributed to various individuals and organisations are sourced from:
 - Speeches made at the 2016 Oxford Farming Conference.
 - UKIP's 2015 General Election Manifesto.
 - Business for Britain's Report *Change Or Go*.
 - The Daily Telegraph (23rd February 2016), The Guardian (23rd February 2016).
- Pages 8 & 9 – The data on PSE and other agricultural support information is taken from the Organisation for Economic Development (OECD) publication *Agricultural Policy Monitoring and Evaluation 2015*.
- Page 9
 - The data on New Zealand's level of migration was originally published on stats.govt.nz
 - The data on the amount of trade New Zealand and the EU undertake was taken from ec.europa.eu
- Page 10 – The figures for how the EU budget was allocated within the rural economy were taken from the EU Budget 2013 and relevant calculations undertaken by the CLA Economics Team.
- Pages 12 & 13 – The information on the UK's contribution to the EU budget was taken from page 14 of the Treasury document *European Union Finances 2014* (December 2014).

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