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French agri-food exports vs. Brexit



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Short historic context

There are a lot of studies on the effects of trade integration; on the contrary, disintegration is far less analyzed. Brexit is a pertinent and topical illustration of this phenomenon. UK's decision to leave the EU in June 2016 marks a turning point in European history and raises many questions on future economic relationships between the UK and its partners.

Research aims, hypotheses, data, methods

Aim: We are here interested in the effects of Brexit on French agri-food trade.

We identify the products most sensitive to the post-Brexit policy and destination markets most likely to incur trade diversion effects.

Assumption: The products traded the most with the UK are expected to bear the largest effects.

Method: Descriptive statistics by product groups for all France + 2 case studies (Brittany region and Ireland).

Data : Comext database (year 2015); ABC The 2017 figures edition of the regional Chambers of Agriculture of Brittany, France; French Customs data.

Key words : Brexit, agricultural trade, France.

Agri-food sector : a major component of French exports

With € 57 bn, agri-food exports represent 13 % of total French exports. 9 % of this amount goes to the UK, 54 % to the rest of the EU.

UK is the 3rd destination of French agri-food exports (after Germany and Belgium). UK is highly dependent on agri-food EU imports: 69 %.

France accounts for 10 % of UK's agri-food imports (3rd supplier, after Netherlands and Ireland).

French exports concentrated in few products

Figure 1 presents the Lorentz curves, pointing out the concentration of French exports on a narrow range of products.

Figure 2 shows the main exported agricultural and food products by destination (UK, EU26 and the rest of world).

Figure 1 – The concentration of French agri-food exports

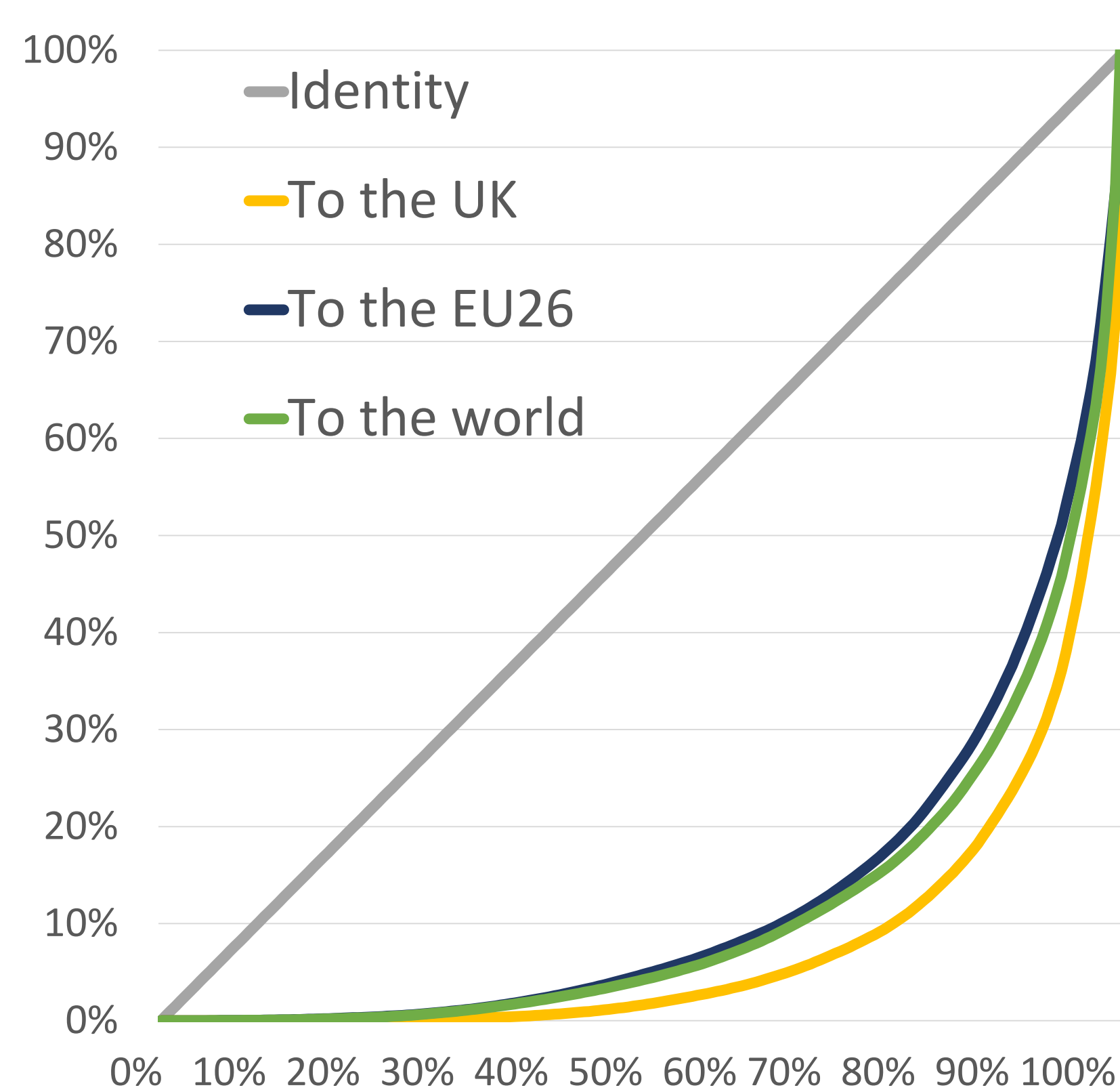
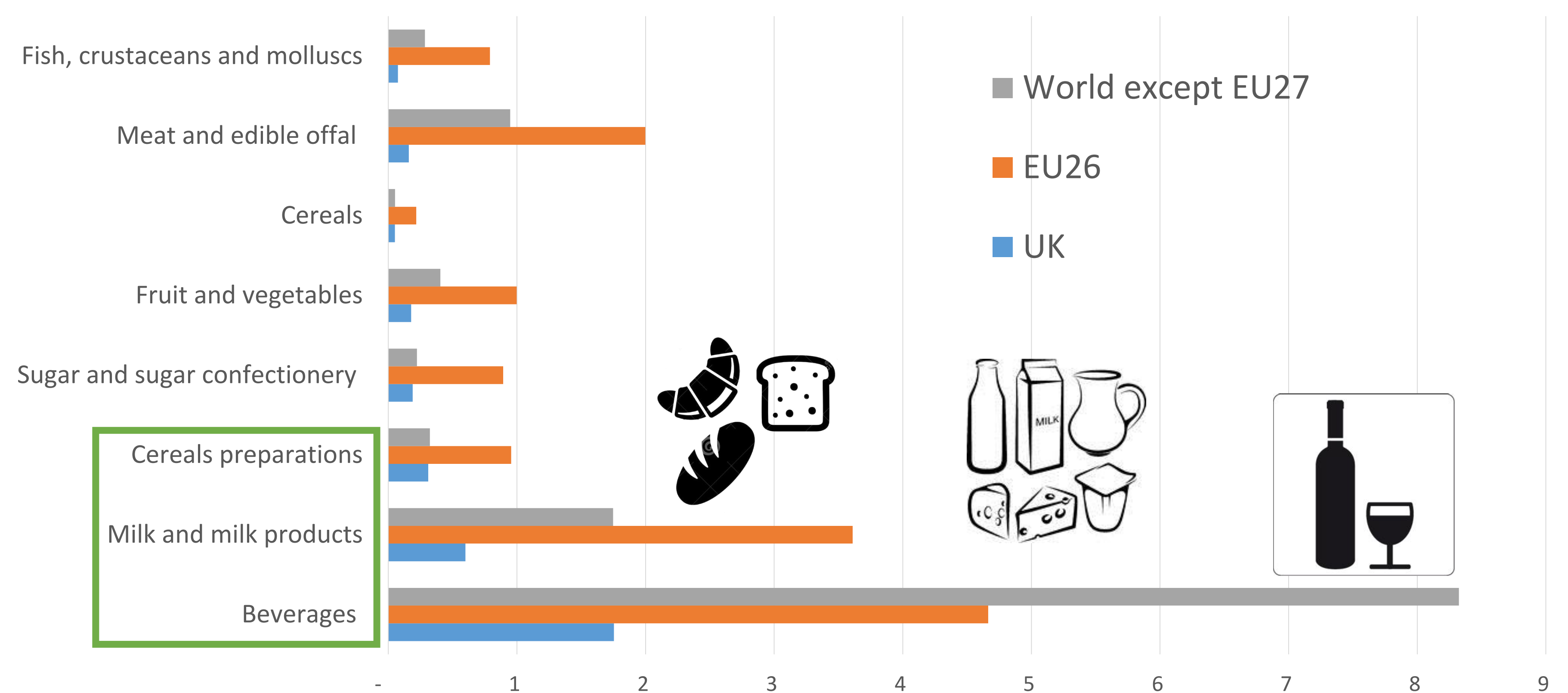


Figure 2 - Main French exports (€ bn)



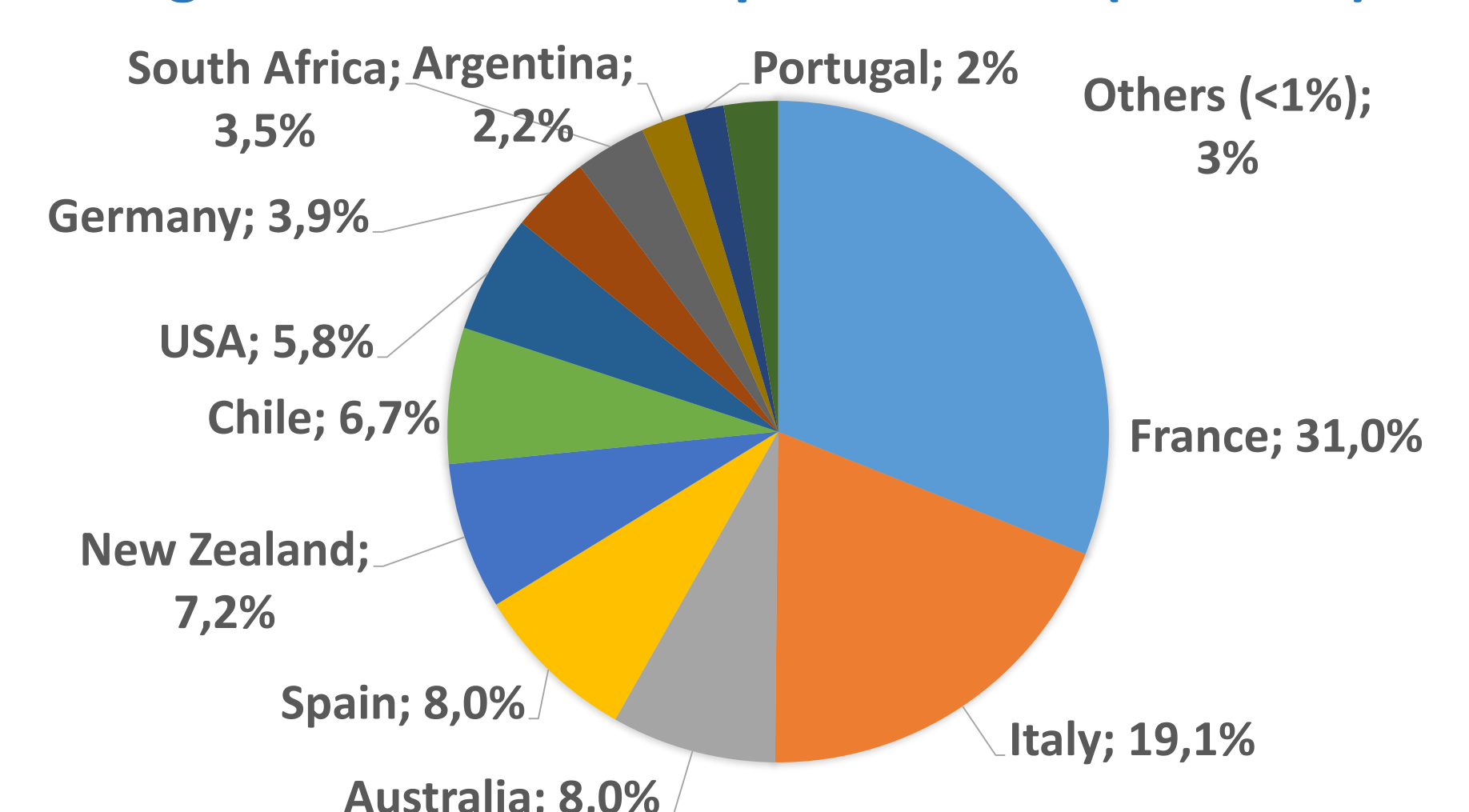
An illustration: the case of wines

Wines are, by far, the 1st export position in French agri-food exports to the UK (22 %). The British market is the 2nd destination of French wines (after USA).

Figure 3 highlights that British wine imports are dominated by France, Italy, Spain and “New World” countries (Australia, New Zealand, Chile...). French market shares in UK wine imports have been steady since 2015. How will the French market share evolve after Brexit?

Depending on the trade agreements UK will negotiate with EU and with third countries, “New World” markets shares could increase. Still, French wines are viewed as top-quality products by British consumers, and less substitutable with wines from other origins.

Figure 3 – UK wine import sources (HS 2204)

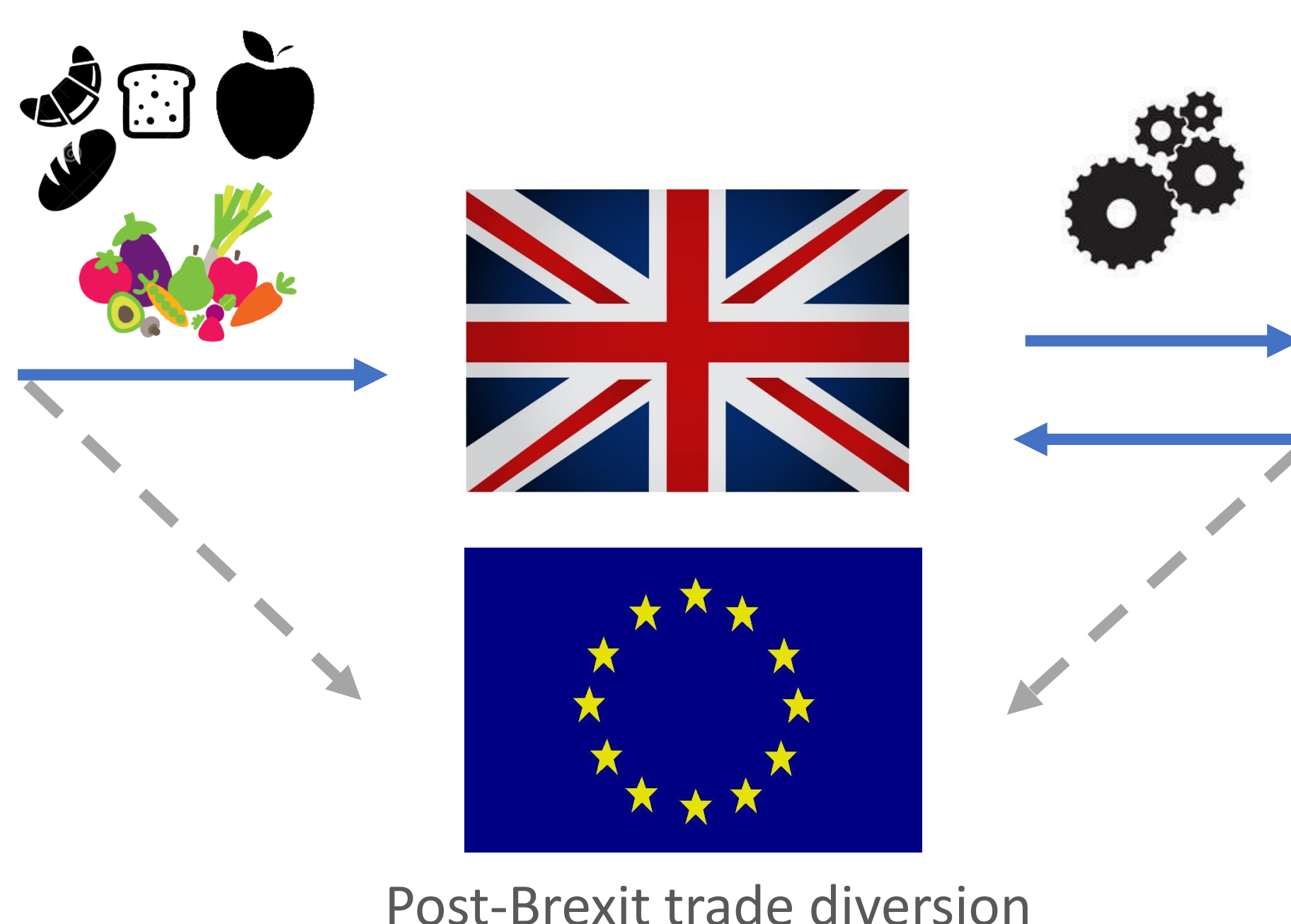
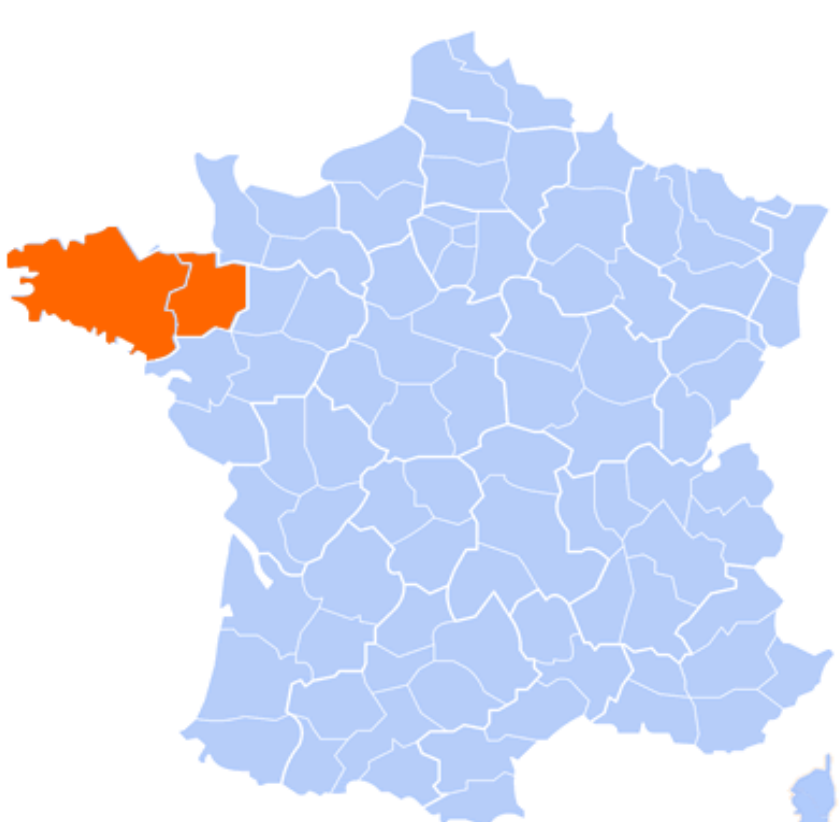


The case of Brittany (French region)

UK is the 4th largest recipient of Brittany's agri-food exports (9 %).

Main exported products (all recipients): meat and dairy.

Products most sensitive to Brexit: UK's market shares in Brittany's exports are > 20 % for cereal products, bakery products and fruit & vegetables products.



The case of Ireland

Irish global chain values are strongly integrated in UK trade; impacts will probably be strong.

Ireland's share on the UK market is similar to that of France for dairy and bakery products. After Brexit, Irish products in these sectors will strongly compete with French products on all export markets (due to trade diversion).



Discussion and conclusion

Highlighting the main trade flows permits to anticipate post-Brexit trade diversions. The analysis indicates to which markets French producers may reorient the products that they will no longer be able to export to UK (or will export in smaller quantities), and the new competitors they will meet on these markets. Lots of uncertainty hangs over the outcome of UK's trade negotiations. Future trade agreements will affect the costs of trading with UK (higher for EU countries, possibly lower for some non-EU countries), and will strengthen the competition on the UK market, as well as on all markets to which trade will be diverted. Results permit to guide French decision-makers in the ongoing negotiations, and to anticipate the negative effects for France. The depreciation of the pound against the euro and a British policy of import substitution may also decrease the competitiveness of French exports on the UK market.

In an extension of this work, we estimate the post-Brexit changes in French agri-food trade patterns under three scenarios on the future trade policies governing UK's trade with EU and third partners, using a structural gravity model.

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