Earlier this year, IBISWorld discussed the problems farmers would face over the summer, with regard to a critical shortage of seasonal workers and the UK’s forthcoming exit from the European Union. With Defra having recently announced a new pilot scheme to bring approximately 2,500 overseas workers to UK farms, the debate has been reenergised. In this special report, IBISWorld analyst Yusuf Allinson examines how these new developments will affect British horticulture.

Despite a balmy summer, UK farmers are apprehensive about the implications of a possible no-deal Brexit, with prevailing uncertainty affecting planning for future harvests. Under the existing Common Agricultural Policy (CAP) framework, direct payments are based on the size of a farm, a system which means that the top 10% of recipients receive half of the £3 billion of available funding. While payments equivalent to the existing CAP system are guaranteed until 2022, funding following this date is expected to be framed by the introduction of the Environment Land Management system. Under the proposed system, farmers that cultivate crops with better air and water quality and higher animal welfare standards will be first in line for crucial funding. The new system is likely to be a more simplified concept co-designed and delivered by farmers to provide specific regional benefits which will benefit smaller farming operations. As, according to the Office for National Statistics, approximately 97% of agricultural enterprises employ fewer than 10 people, the shift away from a focus on scale could be highly beneficial to a broader range of agricultural operators.

As some farmers contend with a potential reduction in future funding, those with more labour-intensive operations are concerned with a significant reduction in the pool of seasonal workers available after the United Kingdom completes its exit from the European Union. IBISWorld estimates that 38% of employees on UK farms are seasonal or
casual labour, mainly required when seeds are planted in early spring and harvested in the summer months. The weakness of the pound, stronger economic conditions in many EU countries and concerns over Brexit have resulted in labour shortages since 2017, causing major concerns on farms across the country, with fresh produce left to rot in fields due to a shortage of pickers. For decades UK farmers have relied on EU migrant labour, and the disruptions in production over the past year, as a result of the shortage of workers, had knock-on effects throughout the supply chain. Fruit such as apples usually sold at premium prices to supermarkets were left to rot in fields or sent for juice production. Delays in deliveries to downstream markets can affect the prices obtained by farmers; for instance, apples sold for juice product usually fetch one-fifth of the price of those sold to supermarkets.

The weaker pound has led to a reduction in average weekly earnings in euro terms. This affected remittances and deterred many EU workers from working on UK farms. The waiting list for seasonal workers declined significantly, to the detriment of revenue and margins for many industries in the agricultural sector, particularly the fruit and vegetable growing industries (see IBISWorld reports A01.200 and A01.130). This prompted repeated calls by the National Farmers’ Union (NFU) for the re-introduction of a seasonal workers scheme, which was scrapped in 2013, after operating for 68 years. Due to the delicate nature of soft fruits, this had a particular effect on the Fruit Growing industry, for which wages absorb 37.4% of revenue, but, as illustrated by the table below, industries throughout the agricultural sector are exposed to fluctuations in the availability of labour.

The NFU welcomed the government’s announcement on 6 September of a pilot scheme to bring 2,500 non-EU workers to UK farms after Brexit. The scheme, which will commence in spring 2019 and run until the end of 2020, will allow non-EU workers to work for up to six months and ease workforce pressures for farmers during peak production periods. However, under the old Seasonal Agricultural Workers Scheme (SAWS), 21,250 workers were allowed to work on UK farms, illustrating the difference in scale. The pilot scheme falls below the 80,000 required, according the NFU, while a focus on restricting the number of low-skilled
Light at the end of the polytunnel?

workers remains a major concern. Nevertheless, the pilot indicates that future policies will be shaped with the input all of stakeholders.

However, as the new scheme is aimed at non-EU workers, the potential pool of cheap seasonal labour could be broadened, providing a light at the end of the polytunnel. This is important because the pool of EU workers could become more limited. According to data from Eurostat, the unemployment rate in countries such as Romania and Bulgaria, key sources of seasonal labour, has fallen rapidly, as people in these countries prefer a full-time job at home to seasonal work in a foreign country. For EU workers, the current Brexit proposals means they will retain the right to come and work for the 21-month period following March 2019 as part of a transitional arrangement. As the UK population grows and demand increases, the NFU estimates that over 95,000 seasonal workers will be required by 2021 if the United Kingdom is to meet its aim of increasing self-sufficiency in food production.

The UK’s exit from the European Union is anticipated to lead to a restriction in immigration from mainland Europe. The UK government recently made an agreement in principle to follow the recommendations of the Migration Advisory Committee (MAC), under which the United Kingdom would move to a system in which all immigration is managed with no preferential treatment to EU citizens and more favourable conditions are offered to high-skilled workers. Although the committee did note that the agricultural sector could be the one sector for which a tailored scheme could be considered, should the government adopt the recommendations of the MAC, farmers may face increased wages regardless as the same body suggested that farmers should pay for this privileged access to labour. The recently announced SAWS pilot scheme is expected to be a short-term arrangement, rather than an easy long-term option to allow the agricultural sector access to low-skilled migrant labour on a permanent basis. Consequently, farmers will have to improve internal operations to boost output because any seasonal workers scheme would only be considered if it would help the horticultural sector thrive in the long run. It is possible that any replacement scheme could be viewed as a transitional measure until requisite technology such as robotic pickers are available to more farmers. Growers must therefore focus on improving productivity because the likelihood of cherry-picked Brexit policies to suit the agricultural sector remains unlikely, especially considering the EU’s refusal of the Chequers plan.

IBISWorld Industry reports used in this special report:
A01.130 - Vegetable Growing in the UK
A01.190 - Flower and Plant Growing in the UK
A01.200 - Fruit Growing in the UK
A01.450 - Sheep Farming in the UK
A01.470 - Poultry Raising in the UK

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