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Dear Chair

Follow-up Questions from Welsh Affairs Committee Session on 4th June 2025

Our President Aled Jones was pleased to be able to appear before the Welsh Affairs Committee earlier this month in order to give evidence on *'Farming in Wales in 2025: Challenges and Opportunities'*. Following that session you wrote with three follow up questions on matters which you were unable to cover on the 4th due to time constraints. Aled has asked that I reply on his behalf, and I am happy to be able to provide you with the following responses.

***Did the checks and certificates that Welsh exporters needed to obtain, before the UK-EU reset deal, make Welsh goods less attractive to international markets?
o Could this have contributed to the decrease in the overall quantity of Welsh export goods since 2019?***

Welsh food and drink exports to the EU were worth £813m in 2023, the highest yearly value recorded by HMRC, with meat and meat products accounting for £280m of this. Compared to the rest of the UK, Wales has been and is more reliant on the EU as an export destination, with 75% of our food and drink going to the EU versus 57% of food and drink exports from the UK.

Although our goods exports to the EU are not subject to tariffs, the UK's exit from the EU single market did inevitably introduce new frictions to trade where none existed before. These new frictions to trade will have made our goods less attractive and competitive in the EU market-place not only on grounds of additional cost associated with these new processes, but also on grounds of the time delays now involved in importing goods to the EU from the UK.

Although the EU remains the UK's largest export market (accounting for 68% of exports in 2024) UK exports of agricultural products have struggled in the face of significant headwinds following Brexit. Agri-food exports, worth £15.774 billion in 2019, declined significantly following the UK's exit from the EU single market, reaching a low of £13.282 billion in 2021. Whilst exports of agri-food have since rebounded to £15.8 billion in 2023, this figure is of course skewed by the impact of significant inflation in the intervening period.

If we consider instead the volume of products moving into the EU from the UK since 2019, then these show a significant decline. Meat and meat preparations have declined 33%, whilst dairy products and eggs have fallen by 20%. There are multiple contributing factors to this decline but the imposition of third country checks on products entering the EU, from the UK has unquestionably contributed to a challenging period for UK agri-food exports.

Unlike tariffs which are relatively clear and easy to understand and calculate, non-tariff barriers add cost to the export of goods and are complex and hard to calculate. They can be viewed as a friction to trade or simply the cost of doing businesses when sending goods to a particular market. Non-tariff barriers include customs controls, Sanitary and Phytosanitary (SPS) checks and other regulatory controls which products must pass to access a market, and for example exporters will need to pay veterinarians up to £185 per consignment for inspection and paperwork.

These costs and delays particular damaging when it comes to trade in agri-food products which are subject to a sanitary and phytosanitary controls, especially when we consider that agri-food products are typically perishable and need to reach their market in peak condition.

Whilst many EU buyers will have continued to buy Welsh agri-food products and accepted the new reality and trade friction costs associated with importing from the UK, others will have pivoted away from Welsh products and sought to source their requirements from within the EU from suppliers who carry less risk, particularly where 'just in time' supply is critical

It is unknowable how the volume of Welsh exports to the EU might have fared had the UK remained in the EU, particularly as there have been a number of factors in play over recent years which have impacted on trade and trade flows, including Covid and the Russian invasion of Ukraine. That said the cost of these new non-tariff barriers to trade will inevitably have had a chilling effect on Welsh-EU export growth.

What is your assessment of the recent SPS agreement the UK has agreed with the EU?

o Has this deal completely removed all the barriers to trade Welsh exporters are currently facing?

o What should the next step in these negotiations be?

NFU Cymru gave a cautious welcome to the outcome of the 19th May UK-EU summit which should now chart a course to reducing trade friction between the UK and its largest trading partner, when it comes to the export of agri-food products.

We have called on both the previous and current government to pursue a better relationship with the EU, with the aim of reducing trade costs and friction. An ambitious SPS agreement with the EU is one of the ways which will help to reduce friction at the border, and we welcome the steps that were taken towards this objective last month.

With the scope to remove Export Health Certificates and cumbersome controls at the border, our view is that this deal will deliver many benefits for agri-food exports to the EU. This should mean that in future our goods will be able to reach the markets of the EU 27 without the current costs and complexities which undoubtedly have impeded trade flows.

It is still early to say how effective this agreement has been in terms of removing all the barriers to trade. NFU Cymru will be scrutinising the specifics of this deal as they become available in the coming weeks, and as a Union we stand ready to work with the UK Government to help ensure that the needs of Welsh agriculture are properly reflected in the finalised agreement.

What are the challenges and opportunities of the potential alignment with EU food standards for the Welsh agri-food export market?

o Which, if any, EU rules could Welsh farmers find problematic?

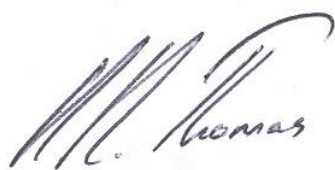
The starting point is that the UK, by dint of almost 50 years of EU membership, is still largely in full alignment with EU food standards, with both the UK and EU adhering to similar, high food productions standards.

Dynamic alignment essentially means there will be a single rule book on the agreed areas of law that are within the scope of the agreement. The UK has agreed to dynamically align on sanitary, phytosanitary, food safety, general consumer protection rules applicable to the production, distribution and consumption of agri-food products, the regulation of live animals and pesticides, the rules on organics as well as marketing standards applicable to certain sectors or products.

The UK will make a financial contribution in return for having access to decision making committees, databases, and data, but it will not have the right to vote as any other Member State. We are still awaiting the specifics of this deal including which areas are within the scope of dynamic alignment, and where current rules and regulations do differ, if there will be any exclusions from the requirement to dynamically align. At this stage it is therefore difficult to fully understand the challenges and implications of potential alignment with EU food standards.

We have always argued that trade with the EU must be based on equivalency, whereby the counterparties (the UK and EU) accept one another's legislation as being 'equivalent.' Despite the benefits this deal brings, full dynamic alignment comes at a significant cost of the UK committing to future EU rules, in which we will have little say. NFU Cymru will therefore be taking a particular interest in what limited exceptions there might be to dynamic alignment and urging the UK government to protect our ability to make crucial regulatory decisions domestically.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Huw Thomas'. The signature is fluid and cursive, with the first name 'Huw' written in a stylized, overlapping manner.

Huw Thomas
Political Adviser
NFU Cymru