

House of Commons:

INTERNATIONAL TRADE COMMITTEE

UK Trade Negotiations: Agreement with Australia

Call for written evidence:

Submission from the Agriculture and Horticulture Development Board (AHDB)

15 February 2022

AHDB

We are a levy funded organisation and the independent go-to source within British agriculture of trustworthy information and evidence-based research.

Our vision is to deliver world class evidence, analysis and services that enable our farmers, growers & industry to succeed in a rapidly changing world. We equip the industry with easy to use, practical know-how which they can apply straight away to make better decisions and improve their performance. Through deepening our technical, commercial and market insight, and making this available where, when and how the industry needs it, we aim to enable British agriculture to become truly world class

Please note: As an evidence-based non-departmental public body (NDPB) AHDB is not in a position to comment/speculate on all questions relating to this inquiry.

AHDB welcomes the opportunity to provide written evidence to the committee and would be happy to provide a witness to give further information at future oral evidence sessions.

Summary

AHDB's inquiry submission details:

- The wider implications of the FTA in supporting accession to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)
- Tariff Rate Quotas (TRQs) and potential implications for the beef and sheep meat sector
- The benefit of increased flexibility on Rules of Origin (RoO)

Inquiry questions and AHDB's response

1. ***How good a deal is the UK-Australia FTA for the UK?***
2. Importantly, the deal marks another milestone in the government's global vision following the exit from the EU. The agreement creates a gateway to acceding to the [Comprehensive and Progressive Trans-Pacific Partnership \(CPTPP\)](#), which would gain the UK access to a rapidly expanding middle class of consumer. The CPTPP collaborative trading bloc of 11 Pacific nations including Australia, New Zealand, Canada and Japan was worth £8.4 trillion in 2020. With two-thirds of the middle classes in Asia by 2030, it will drive demand for high-quality products including meat and dairy in the region. Its significance is clear - this rapidly-expanding demand will dominate trade patterns and access to these markets will therefore be crucial for the UK in pursuing its global trade ambitions.
3. The benefits of joining this bloc would include securing free trade deals with a group of countries, rather than having to negotiate separate bilateral trade deals. Given the deal with Australia and negotiations with New Zealand, the only free trade relationships the UK would gain on CPTPP accession would be with Malaysia and Brunei.
4. ***How are the terms of the FTA between the UK and Australia likely to affect you, your business or organisation, or those that you represent?***
5. Further to the signing of the FTA between the UK and Australia, there are a number of key implications for UK farmers and agri-food producers. Specifically, Tariff Rate Quotas (TRQs) on beef and sheep-meat imports have been set at 35,000t for beef and 25,000t for sheep meat. These will increase at regular annual increments over 10 years to reach 110,000t for beef and 75,000t for sheep-meat by year 10. Any product exceeding this quantity will be subject to the UK Most Favoured Nation (MFN) tariffs.
6. From years 10 to 15 there will be product-specific safeguards, which in effect increase the tariff-free beef imports incrementally to 170,000t and sheep-meat to 125,000t by Year 15, with a 20 per cent tariff on any imports that exceed this quantity.
7. The general bilateral safeguard, which runs concurrently with TRQs stipulates that if a domestic industry suffers injury due to the FTA, trade can be suspended immediately for an initial period of 200 days, while the extent of injury is investigated. Agreement needs to be reached between the parties regarding the extent of injury before trade is resumed. This applies to all products covered in the FTA and remains in force for 15 years.
8. However, pork sits outside the parameters of the FTA. Consequently, Australian pork exports will attract UK MFN tariffs. Australia is a net importer of pork and the UK can still export to Australia tariff free as it does currently.
9. Increased flexibility on Rules of Origin (RoO) will benefit UK exporters in terms of the percentage of ingredients in processed food that must be of UK origin. The focus will be more on where the value is added rather than on the list of ingredients. Biscuits made from imported flour and sugar, for example, will qualify for tariff-free access under the FTA. A simpler and quicker customs process for perishable goods will ensure faster clearance and avoid loss of value of product.
10. It is important to note that while a more open, globalised UK market may not impact dramatically on domestic producers immediately, changes to trade partners' markets could do so in the future. If, for example, Australia, was to lose its preferential trading arrangements with China for lamb, the UK could be seen as a very attractive market as a destination for increased amounts of product. An anticipated expansion of the Australian cattle herd could present a risk with an over supplied Australian market resulting in far more imports to the UK. Conversely, Australia is a net importer of cheese and there is an opportunity for UK exporters to benefit from this when prices are favourable.
11. Implications of a UK-Australia FTA are detailed further in the [AHDB Horizon report: The impact of a UK-Australia free trade agreement on UK agriculture](#).

12. ***Further information***

13. Any queries relating to this submission should, in the first instance, be directed to Andy Hutson, AHDB Senior Public Affairs and PR Manager, Agriculture and Horticulture Development Board.