

QMS Briefing

Purpose: *To provide evidence for the International Trade Committee's UK trade negotiations: Agreement with New Zealand inquiry*

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Quality Meat Scotland is a Non-Departmental Public Body. This advice is provided under the Quality Meat Scotland Order 2008 Schedule 1 point 18 'Advising on any matters relating to the red meat sector (other than remuneration or conditions of employment) as to which the Scottish Ministers may request Quality Meat Scotland to advise, and undertaking inquiry for the purpose of enabling Quality Meat Scotland to advise on such matters'. This advice is freely available and further information can be provided by the designated contact above.

1. To what extent has the Government achieved its stated negotiating objectives or delivered on the Agreement in Principle?

n/a

2. How might the UK-New Zealand FTA affect you, your business or organisation, or those that you represent? If possible, please describe the current situation and what you expect to change as a result of this agreement.

2.1 The Department for International Trade's (DIT) impact assessment document notes that increased competition will be felt most by UK beef and sheep producers, due to the fact that New Zealand is a "competitive producer of agricultural products". It notes that "there is a risk that any adjustment costs which do arise are borne by firms facing competition from foreign imports in areas with highly concentrated production"¹.

2.2 This statement appears to contradict other messaging issued by DIT, where efforts have been made to include paragraphs outlining measures taken to 'safeguard our farmers'². Overall, this results in confusing messaging and uncertainty over what the impact of the FTA will be on the UK's red meat sector in reality.

2.3 The Tariff Rate Quotas (TRQs) put in place ostensibly to apply higher tariffs to imports above a certain volume threshold appear negligible, as it is very unlikely that these volume thresholds will ever be reached as they have been set so high. Meanwhile, New Zealand is free to export beef and sheep meat at the favourable tariff rate without restriction.

2.4 For sheep meat, the TRQs have been expressed in carcase weight equivalent (CWE) but for beef it is expressed in volumes. This is a concern for the UK beef market, as higher-value boneless cuts drive the overall domestic price and therefore this irregularity may have a disproportionate effect on farmgate prices.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057311/uk-new-zealand-free-trade-agreement-impact-assessment.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057605/uk-new-zealand-free-trade-agreement-agri-foods-explainer.pdf

- 2.5 Modelling undertaken by DIT in 2020 suggested that UK imports of sheep meat from New Zealand could increase by 40%³.
- 2.6 We are extremely concerned about the effect that this extra competition will have on Scotland's already struggling red meat sector, for beef producers in particular.
- 2.7 Analysis by Quality Meat Scotland has concluded that New Zealand beef farmgate prices are 25-30% lower than Scottish farmgate prices. Likewise, New Zealand sheep meat farmgate prices are 10% lower than their Scottish counterparts.
- 2.8 The impact of continued high input costs across energy, red diesel, fertiliser and feed is one that will be felt long term by beef producers. The red meat supply chain is already under an inordinate amount of pressure with margins being squeezed into non-existence and some producers already putting off their animals.
- 2.9 In a time where food security has not been more vital for decades, this deal could severely impact the UK's domestic red meat supply chain and cause the nation to be increasingly reliant on imports.

3. What opportunities or potential costs does this agreement present for:

3.1 The UK as a whole?

n/a

3.2 Particular sectors of the UK economy?

- 3.2.1 It is clear that the priority of this deal has been to benefit the UK services and manufacturing (machinery and motor) sectors and in order to achieve this, it has been to the detriment of the UK agriculture, forestry and fishing industries. The DIT's impact assessment document states that "part of the gains result from a reallocation of resources" of around -£48 million from the latter sector⁴.
- 3.2.2 DIT has stated that "as other UK sectors expand, resources may move from agriculture and the semi-processed food sector" predicting that "capital and labour which was used in agriculture and semi processed food may, in the long run, be reallocated to expanding sectors"⁵.
- 3.2.3 As a sector that is already suffering as a result of extreme labour shortages, this is extremely worrying.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901870/uk-strategy-uk-nz-free-trade-agreement.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057311/uk-new-zealand-free-trade-agreement-impact-assessment.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901870/uk-strategy-uk-nz-free-trade-agreement.pdf

3.3 The UK's devolved nations and English regions?

n/a

3.4 UK consumers?

UK consumers will have access to cheaper meat, which undercuts that of British origin.

4. Are there any opportunities which have been missed, or could have been taken further?

4.1 It is stated that this deal “could see a wide range of iconic UK products given protected Geographical Indication (GI) status in New Zealand in the future”⁶ It is disappointing that this has not been established from the outset of the FTA, and that it could be up to two years before this is considered - even then, it will be a ‘review’ of the situation, not a guarantee that GIs will be introduced.

4.2 For a review to be launched to amend the GI provisions in this FTA prior to two years, New Zealand must introduce a GI scheme for agri-foods. It seems unreasonable for the GI status of UK products to be dependent on the decisions of New Zealand around its products, rather than in the control of the UK Government.

4.3 Animal welfare has been highlighted as an area that will benefit from this deal. In actuality, it seems that no steps to increase the standard of animal welfare will be taken, only commitments made to non-regression and non-derogation on current standards.

4.4 It is stated that “the UK and New Zealand will work together on a range of environmental issues, including commitments to:... promote biodiversity, sustainable agriculture, and the transition to a circular economy”⁷. This is a positive message, but more detail is needed to understand what this means in practice.

4.5 The document then notes that “these commitments will be enforceable through the trade deal’s dispute settlement function, demonstrating our shared commitment to stand behind our high environmental standards”⁸ which indicates it is not so much a case that proactive steps will be taken to improve biodiversity and sustainability, but more a matter of maintaining what is already in place.

4.6 Therefore, more could be done to progress the GI status of UK products, animal welfare standards and green recovery.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057662/uk-new-zealand-free-trade-agreement-benefits-for-sectors-of-the-uk-economy.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057637/uk-new-zealand-free-trade-agreement-environment-climate-change-and-sustainability-explainer.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057637/uk-new-zealand-free-trade-agreement-environment-climate-change-and-sustainability-explainer.pdf

5. **Are there any barriers which you anticipate would prevent you, your business or organisation, or those you represent from taking full advantage of the agreement? If so, what might help you overcome these barriers?**

n/a

6. **Has the Government got the right balance overall in terms of any trade-offs it has made, and how do you expect these will affect you, your business or organisation, or those you represent?**

6.1 Any benefits made to the 'UK agriculture, food and drink' category have been focussed on processed products such as biscuits and confectionary, particularly concerning rules of origin to allow products access to new tariffs even if they use imported wheat or sugar.

6.2 It is disappointing that the FTA neglected the UK's semi-processed and agriculture sectors.

7. **How well has the Government communicated its progress in negotiations – and how much has it listened to stakeholders during those negotiations?**

7.1 It is disappointing that there was not a full role for all devolved nations in this trade negotiations, in order for the Scottish Government to represent the concerns of Scottish industries and businesses.

8. **How well has the Government communicated the likely impacts of this agreement for you, your business or organisation, or those you represent?**

8.1 As mentioned above, the messaging around the impact of the FTA on the UK's red meat supply chain has been confused, with statements outlining the brunt that UK red meat businesses will have to bare so that other sectors can benefit, being in contradiction to other statements made explaining the safeguards in place to ensure that UK farmers do not suffer.

9. **What lessons and inferences for other current and future negotiations can be drawn from how the Government approached, and what it secured in, the FTA with New Zealand?**

9.1 In all future FTAs, the UK red meat sector needs to be able to significantly benefit in order to offset the disadvantages the sector will suffer as a result of the Australia and New Zealand FTAs so far.