

Written evidence submitted by National Farmers Union (England and Wales) (NZT0010)

The NFU represents over 45,000 members across England and Wales. In addition, we have 20,000 NFU Countryside members with an interest in farming and rural life. Our trade association is the largest farming organisation in the UK, providing a strong and respected voice for the industry and employing hundreds of staff to support the needs of NFU members locally, nationally and internationally. The NFU champions British agriculture and horticulture, to campaign for a stable and sustainable future for our farmers and growers.

1. How can trade help in the pursuit of net zero?

The NFU welcomes the opportunity to respond to this Call for Evidence on behalf of our members. British farmers are directly impacted by changes to the climate and environment. The NFU strongly believes that the UK Government's policies, particularly agricultural, net zero and trade policies, must be aligned in order to ensure that the UK can be a global leader in addressing the challenges with climate change.

The UK agricultural industry, comprising 70% of land use in the UK, is uniquely placed to deliver environmental targets set out in the government's 25-year environment plan. Farming is unique in its position to deliver environmental benefits such as avoided carbon emissions, carbon storage (both nature-based and engineered), enhancing biodiversity, soil health and water management, all whilst producing food for the nation.

International trade policy offers a range of mechanisms to facilitate and encourage both the UK and partner countries in their journey towards net zero climate emissions. The NFU has set the ambitious goal of reaching net zero greenhouse gas (GHG) emissions across the whole of agriculture in England and Wales by 2040. UK agriculture is well placed to pursue this goal, with its maritime climate making it an ideal location for production of agri-food and associated products, together with delivery of ecosystem services.

The NFU believes that the UK's international trade policy should support this ambition by ensuring that British farmers can remain competitive and are not undermined by imports of agri-food goods which are produced to different environmental and climate standards. Doing so would simply offshore the climate impact of food production and could risk the ability of domestic farmers to implement these sustainable food production systems while remaining economically viable. Ultimately, a key aspect of all policy, including trade policy in respect to net zero, must be that it ensures that domestic priorities are not undermined in the pursuit of international agreements.

Free Trade Agreements

Since the UK has left the EU, the government has agreed FTAs with over 70 countries. Most of them roll-over agreements with countries with whom the EU has FTAs, but including new agreements with Australia and New Zealand, as well as accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The government has an ambitious trade agreement programme and is actively negotiating enhanced agreements with India, the Gulf Cooperation Council, Canada, Mexico, Switzerland, and Israel, as well as seeking to renegotiate deeper relationships with South Korea and Turkey. The approach to net zero and climate change varies between these countries and the NFU urges the government to ensure that British farmers' and growers' economic and environmental sustainability is not undermined as a result of these negotiations. We call on the government to establish and uphold core standards in international agreements to which British farmers and growers are proud to produce.

The inclusion of strong environmental and climate change provisions within trade agreements is welcomed, alongside the non-regression clauses as seen in agreements with Australia and New Zealand. However, we note that this does not reflect the different, and often higher, base which the UK

starts from, compared to partner countries. The government should use the international trade levers at its disposal to advocate for robust climate and net zero provisions within trade agreements. With the UK Government currently negotiating FTAs with partners such as India, the GCC and Mexico we call for the inclusion of these provisions, including reaffirming commitments to relevant international climate agreements and non-regression clauses which ensure countries do not intentionally lower domestic standards to gain a greater comparative trade advantage.

Memorandum of Understanding

Memorandums of Understanding (MoU) are one policy lever which the government can use in its pursuit of net zero. An MoU allows two parties to show a commitment outside of a formal FTA process to work together and address shared issues. The UK Government has used MoUs to strengthen cooperation on climate action, for example with Bolivia¹ to reduce GHG emissions by sharing knowledge and experience, and Washington State to support global decarbonisation and the pathway to net zero². The NFU welcomes the commitment of the government to influence and work collaboratively with international trading partners. However, we note concerns over the degree to which MoUs are subject to parliamentary scrutiny and how the use of MoUs fit within the UK's wider trade strategy.

The legal and binding status of an MoU varies by the provisions contained within it; nevertheless, MoUs can still contain substantive obligations on parties to the agreement. The process for parliamentary scrutiny of MoUs is subject to dispute³, with many failing to meet the threshold for CRaG, being non-binding in their nature. As such there is no central repository for MoUs and transparency of the process is subject to the government of the day.⁴ The NFU reiterates its calls for better parliamentary scrutiny of government trade agreements and international agreements such as the current cohort of Memorandums of Understandings being pursued and agreed by the government.

2. Is the UK's trade policy consistent with its goals for net zero?

Overarching trade strategy

The NFU reiterates its call for an overarching UK trade strategy and to ensure that this aligns with the UK's commitment to the transition to net zero. The UK government is negotiating new agreements with India, the Gulf Cooperation Council, Canada, Mexico, Switzerland, and Israel, as well as seeking to renegotiate deeper relationships with South Korea and Turkey. The agreements with Australia and New Zealand have now entered into force, with the CPTPP Act recently receiving royal assent. As such, the UK landscape for market access concessions has changed considerably since the UK left the EU. The impact assessments which were conducted at the outset of negotiations with these countries/ blocs should be updated to reflect the increased market access concessions granted under Australia, New Zealand and CPTPP. We understand that the effects of previous deals, such as Australia and New Zealand are only entered into the modelling baseline once those agreements enter into force. As such modelling on current negotiations should be updated to reflect this change in baseline.

The NFU is concerned that the pace at which the government is embarking on trade liberalisation with significant global agricultural producers is not sustainable for our market. Each of those partners will be seeking a share of the UK's sought-after market. To ensure that FTAs bring benefits to the parties involved, they should be assessed annually to provide a clear picture of its impact on imports, exports, farmgate and consumer food prices, and the UK's ability to feed itself. This would allow the government

¹ <https://www.gov.uk/government/news/vice-president-of-bolivia-visits-the-uk-to-advance-bilateral-climate-action>

² <https://www.gov.uk/government/publications/uk-and-washington-state-trade-cooperation-innovation-and-clean-energy-memorandum-of-understanding/memorandum-of-understanding-on-trade-co-operation-innovation-and-clean-energy-between-the-washington-state-and-the-united-kingdom>

³ <https://lordslibrary.parliament.uk/uk-rwanda-asylum-agreement-why-is-it-a-memorandum-of-understanding-and-not-a-treaty/#heading-4>

⁴ [file:///C:/Users/rspeed/Downloads/CITP-Briefing-Paper-9_Treaty-scrutiny%20\(1\).pdf](file:///C:/Users/rspeed/Downloads/CITP-Briefing-Paper-9_Treaty-scrutiny%20(1).pdf)

to frame domestic policy to enable British businesses to adapt and benefit from the new arrangements. It would also provide a clear picture of whether further liberalisation would be sustainable and ultimately beneficial for UK consumers. If trade agreements result in the offshoring of food production from the UK to potentially higher emitting countries, this will ultimately have an impact on the UK's ability to meet its net zero ambitions.

3. How can the UK's trade policy further help with its goals for net zero?

Trade Standards

The NFU has long championed an approach to imports that upholds product and production standards in the destination market. We believe the government should ensure that domestic production standards, in terms of environmental and climate change policy, is at the heart of its trade policy, and that liberalised market access through FTAs is contingent on goods meeting the UK's standards. This also aligns with the recommendations given by the Trade and Agriculture Commission in its final report, published in March 2021, whereby liberalised market access is contingent on goods meeting domestic agricultural production standards, including welfare and environmental standards.

Since leaving the EU, the UK has had the opportunity to launch a new domestic agricultural policy which holds sustainable farming and the environment at its core. This is most evident in the Environmental Land Management Scheme (ELMS) and Sustainable Farming Incentive (SFI) which give public funding to land managers for delivering public goods. While the NFU believes that improved productivity is a key element of this, such sustainable incentives are an important tool in moving industry towards methods of production which help tackle climate change. This must be coupled with wider policy which ensures access to not only government funding, but also private sector funding to support climate friendly food production.

Sustainable and climate friendly food production initiatives are to be welcomed but can also add to the cost of production. British farmers are proud of their high standards, but farming must be both economically and environmentally sustainable. This means ensuring that British farmers can remain competitive and are not undercut by imports of agri-food goods which are not produced to the same environmental standards. Offshoring the environmental impact of food production would risk the ability of domestic farmers to remain economically viable while implementing sustainable food production systems. Ultimately, a key aspect of all policy including trade policy must be that domestic opportunities are not undermined in the pursuit of international agreements.

Labelling

We understand that the UK government is currently consulting on country of origin and method of production labelling. Whilst some aspects of this consultation are to be welcomed, labelling is not a 'silver bullet' to protect UK farmers from being undercut by imports of agri-food and drink goods produced to lower standards. Whilst labelling has a role to play providing information to consumers, the NFU believes applying core standards to imports is a more effective way of ensuring that all food consumed in the UK meets the standard legally required of British farmers and growers.

Carbon Border Adjustment Mechanism

The UK Government has announced its intention to implement a UK CBAM on imports of some products, including fertiliser, into the UK from 2027. UK carbon leakage measures applied to the fertiliser sector are likely to increase the cost of imported and domestically produced fertiliser for the agricultural sector where fertiliser is one of the primary inputs for production. Export orientated agricultural producing nations could well gain a competitive advantage over domestic producers, as they will benefit from lower fertiliser costs which are not subject to carbon pricing unlike in the UK.

The importance of fertiliser is well evidenced. As an input to both crop and pasture growth, manufactured fertiliser makes up a significant proportion of total input costs for many farmers and growers, representing on average 8% of all intermediate consumption in the agriculture sector and 13% of agricultural variable costs between 2018-2022. For cereals farms, fertiliser is the most significant variable cost representing around a quarter of variable costs, 38% of crop specific costs (include seeds, fertilisers, crop protection and other costs) and 12% of total costs incurred on a typical farm. Similarly for dairy and lowland grazing livestock farms, fertilisers represent over half of the crop specific cost incurred on farm. Fertiliser also features prominently in the cost profile of potato and field veg production. As such, the economic viability of domestic agricultural production is highly sensitive to movements in the prices of key inputs such as fertiliser.

The drive for decarbonisation means that agriculture must have a new approach to crop nutrition to remain competitive as well as reduce the GHG footprint of production. There is a huge opportunity for industry and government to work together to drive nutrient use efficiency, independently assess new products, target research and grow industry knowledge to become world leading. This includes improving farm resource use efficiency and alternative resources to reduce costs and carbon footprint. For example, alternative ways to produce AN fertilizer, without the use of natural gas, e.g., using green hydrogen and/or carbon capture. However, these projects are much longer term and require substantial investment. The need to understand crop nutrient markets, risks and opportunities is vital to drive commercial and sustainability performance. The need is akin to business benchmarking and risk management which were both supported in the early 2000's through the DEFRA Agriculture Development Scheme (ADS) and catalysed a self-help mentality for the businesses involved.

Whilst effective carbon leakage measures have an important role to play in decarbonising the UK economy, the potential downstream leakage and competitiveness impacts on the agriculture sector must be carefully managed and mitigated if we are to ensure UK food systems are to remain resilient and secure. The NFU believes that consideration needs to be given to the indirect leakage impacts on agriculture as a highly trade exposed downstream sector when designing the appropriate use of a carbon border adjustment mechanism (CBAM) or mandatory product standards (MPS) for fertiliser markets.

Conclusion

In conclusion, international trade can contribute to the UK's transition to net zero through a variety of mechanisms such as reaffirming commitments to international climate agreements in FTAs. The NFU is confident in the role UK Agriculture can play to deliver on the UK's commitments to net zero. However, we call for the establishment of a process for establishing core animal welfare and environmental standards and applying them to agri-food imports, so the UK can position itself as a global leader in championing core standards and ensuring that domestic farmers are not undercut by imports of products produced to lower standards.

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