

NATIONAL SHEEP ASSOCIATION CONSULTATION RESPONSE

International Trade Select Committee briefing call to submit your views on UK trade negotiations

Who are we?

1. National Sheep Association is an organisation that represents the views and interests of sheep producers throughout the UK. It is funded by its membership of sheep farmers and its activities involve every aspect of the sheep industry.
2. NSA's vision is one of the people involved in keeping sheep being enthusiastic, knowledgeable and aspiring to best practice – and those not keeping sheep being increasingly aware of the contribution sheep make to society and of the core aspects of the sector.
3. NSA (then the National Sheep Breeders Association) was founded in 1892 as a forum for progressive breeders to discuss their respective views and improve the breeding management of sheep, and well as providing a strong and common voice for the industry. Over the next 70 years the association took on a broader role and its title changed to its present form in 1969 to reflect the more comprehensive work of the organisation and its representation of both pedigree and non-pedigree producers in all aspects of the sheep sector. NSA receives no Government funding or levies on meat or wool, relying instead almost entirely on the annual subscription of its farmer-based membership.

General concerns for future FTA:

4. The prospect of our lamb exports being seriously disrupted upon our exit from the EU is high and until new trade agreements are established, the risk intensifies. As with any new trade deals, NSA would expect the Government to fully consider the implications on our own domestic sheep industry before diving in. Sheep farming is a long-established business activity in the UK, keeping rural communities and economies active and maintaining landscape, environments, and natural capital, in particular soils. The future of our sheep industry, with all its social, economic and environmental benefits, should not be put at risk in any attempt to secure a trade agreement that might benefit other UK industries, nor with any thoughts of reducing food costs to UK consumers.
5. In addition, ensuring any trade agreements with other sheep producing nations do not undermine UK animal welfare standards. There is still concern that trade deals will be made with the proviso that 'if the product is safe to eat in that nation, it is safe to eat in the UK'. We should not sacrifice everything our UK farmers have achieved for the sake of a trade deal. It is entirely unreasonable for UK producers to be able to compete on price with other countries. Farm structures are very different, and our UK producers are limited in terms of reducing production costs due to the high environmental and welfare standards that our public expect. Protection of these standards, the contribution to our rural economies and communities, and the protection of grassland environments and their associated benefits though

economically viable sheep farming in the UK also needs to be taken into consideration in new trade agreements.

6. Finally, we consider the application of tariffs on imports to the UK to be crucially important to agriculture to provide protection to sensitive sectors, particularly the sheep sector.

Country specific concerns for FTA:

7. **EU deal/no-deal:** At time of writing, there is still no indication of whether we will leave the EU at the end of December with, or without a free trade deal. We are still faced with trading on WTO tariffs in the case of no deal being agreed and, in this case, sheepmeat will see tariff rates of on average 46% of value. Strategies will need to be employed to retain viability and competitiveness. These include financial intervention to cover the costs of accessing the EU market; or/and a stronger focus on supplying our domestic market along with finding a way to restrict imports of lamb from other trade deals to avoid domestic oversupply. NSAs preference is for a deal to be done with an orderly departure and transition, however it is looking increasingly possible that the UK will leave without a deal. If this occurs, we end up facing a severe tariff and disruption to lamb supplies going into Europe having a devastating impact on our trade and lamb values. Many European processors rely on British lamb and we rely heavily on the EU market. The UK exports 35% of our production and 95% of that volume goes to the EU. That's 88,000 tonnes of product with no other market to take that volume in the time frame. Disrupting this relationship would be senseless and damaging to industry at a time when British businesses will need all the support they can get.
8. Deal or no deal there are a number of areas that are likely to make trade difficult (below), possibly for weeks, or months, or longer.
 - a. The Northern Ireland Protocol risks creating a trade barrier that will reduce competitiveness, and free and unfettered movement of goods is an important way to uphold competitiveness. Sheep trade between GB, Northern Ireland and the Republic of Ireland is completely integrated with store lambs moving regularly across the Irish border, and lambs going for slaughter from the north to the south, with carcasses coming back to NI for further cutting. NI protocols are still not clear and the principle seems to be that a virtual border will exist between the UK mainland and NI with a 'risk based' inspection and possible tariff (in the case of no deal) based on trade trends between north and south Ireland.
 - b. Border Control Points (BCP): NSA are concern about delays at BCP and increased waiting times. In addition, there is no priority product recognition for meat and other perishable products to allow priority access through BCPs. The only products being treated as priority are day old chicks and shellfish. NSA is working with other stakeholders to see these our products included but with little support from government and a reliance on the theory that everything will be OK.

To add further concern, there are currently no sea ports on the northern European coast that accept live animals from a 3rd country. We are working collaboratively with other industries through joint letters and calls with Calais, Zeebrugge and Dunkirk to resolve this. Calais have ruled out live animals. Dunkirk are positive but are not prepared to fund infrastructure and cost implications to cover these changes. P&O

ferries are the only mainstream deep hulled shippers that take live animals and they don't travel to Dunkirk.

- c. Movement of Products of Animal Origin (POAO): Meat identification / health mark guidance has been issued for use from 1st January 2021, as well as guidance for PGI labels. However, there is still some uncertainty over which meat identification / health marks can be used from 1st January and whether POAO produced before 1st of January need to have current or new identification to allow movement to EU after 1st January 2021. Clarity is still needed to avoid delays at BCP.
 - d. EU Zootechnics challenge: from 1st Jan 2021 UK Breed societies can't include members from outside the UK. If those farmers want to be part of a society (and their breeding programmes) they need to be registered in the EU. The situation on the island of Ireland is that there could be some 500 breeders south of the border with several 10's of thousands of sheep and that trade and breeding is fully integrated. The principle of the Good Friday agreement that both the UK and the EU seem to have signed up to would suggest that farmers on the island of Ireland should be able to work together on breeding policies. Therefore, the border looks likely to be between the mainland and NI. For breed societies there is potential for an office to be set-up in Dublin, with a registration and address in the south that could be a base for a number of breed societies, and then contract the work back to the UK breed society. This office could provide EU Zootech certificates with an EU address. NSA organised and hosted a meeting on 17th November on behalf of all species, involving DEFRA and breed societies to discuss logistics. Suggested that live animals can still travel from both EU Zootech and non-Zootech registered societies but those without Zootech registration are not able to issue an EU Zootech certificate and sheep from EU flocks can't be registered in UK flock book. Clarity is needed to resolve concern over live animal movement and impact on breeding programmes from 1st January 2021.
 - e. Linking in to above... Ear tag identifiers in sheep (and other livestock species): There is concern that any sheep exported live will need to have tags changed to GB tags rather than UK tags. No details are available on this from government and there is great concern for large number of lambs being bought Dec/Jan time which move from GB to NI immediately after sale. There is also concern for pedigree movement of live animals between UK and EU.
9. **Japan FTA:** NSA does not see a trade deal with Japan as a risk to the UK sheep sector, and on the contrary can see many positive benefits for sheep producers and exporters in the UK to sell lamb to Japan. Japan relies on imports of sheepmeat to supply its domestic demand so creating opportunities can only be a positive as it opens up an additional market for British exports. The UK currently exports a very limited amount of sheepmeat to Japan. There is some moderate opportunity for UK exports of sheepmeat and NSA believes it would be a positive to expand that where possible. At this time, the UK doesn't have a specific TRQ for sheep meat with Japan and the new deal allows access to the 'unused' EU quota - agreed that 20,000 tonnes of volume from EU into Japan and UK can pick up shortfall. NSA would embrace a specific TRQ in the future once efficient supply chains have been established. The Japan deal brings new protection for more iconic UK goods with the aim to increase geographical indications from just seven to over 70 in the future, which NSA supports. On the surface the UK-Japan trade deal is welcomed by the

sheep industry, opening new export opportunities and destinations. However, NSA still has reservations over the new and more liberal view on Rules of Origin, which remove certain restrictions contained in the EU-Japan Economic Partnership Agreement. NSA would not want to see the authenticity and value of UK sheep meat and sheep products, undermined by 'substantial transformation'. Clarity is needed, especially on how this relates to sheepmeat and sheep meat products.

10. **NZ FTA & Australia FTA:** Trade deals with New Zealand and Australia present the biggest risks to UK sheep sector. These two countries along with the UK are the world's biggest players in sheepmeat exports. The difference is that due to the size of our population, the UK is the only one that also imports significant volumes of sheepmeat. A free trade deal with either of these countries for sheepmeat simply means one-way trade. The UK exports around 40% of its production annually (circa 95,000 tonnes, and 96% of this currently to the EU) and imports a similar volume of sheepmeat (circa 100,000 tonnes). Around 74% of this imported volume comes from NZ and 15% comes from Australia. Australia are keen to increase their TRQ volumes (only 19,000 tonnes TRQ compared with NZs 238,000 tonnes and is seeking some parity with NZ) which is of huge concern to NSA as UK sheepmeat imports/exports are finely balanced. Any oversupply, especially if EU disruption occurs will result in flooding the market and a price drop for UK farmers. Crucially, a free trade relationship between the UK and NZ or Australia that resulted in any more imported lamb coming into the UK would only damage our sheep industry, with resulting negative economic, social and environmental outcomes.

11. **US FTA:** We believe there are valuable opportunities for both our industry and the US sheep industry, in Britain, getting access for lamb and mutton into the US. The US sheepmeat market is highly underdeveloped with very low lamb consumption across the country, and our genetics and British lamb and mutton are very different products to those produced by most US sheep farmers. This could help stimulate real interest amongst American consumers and in turn help US sheep farmers see some growth. For us, access into the US could create demand for those high-value cuts, particularly sheepmeat with provenance and a story simply because of the close connections between our countries and the huge interest in our culture and heritage – an aspect which sheep farming is engrossed in. NSA has previously expressed concerns about the quality of standards UK producers expect importers to meet. The US could offer opportunities - but only if our standards of food safety, environmental protection, and animal welfare are protected and matched on any US imports.