

Call for evidence – House of Commons International Trade Select Committee

UK - EU Trade Relationship – response from the AIC

The AIC

1. The AIC (Agricultural Industries Confederation) is the trade association which represents the UK agri-supply industry which has a farmgate value of over £8 billion.
2. We represent a wide range of members who supply farmers with the key inputs and advice they require to produce crops and livestock products. AIC also Services manage a range of trade assurance schemes for specific sectors of the UK agri-supply sector. Our industry is therefore an integral part of the agri-food supply chain. The key sectors in which our members operate are shown below.



Response to call for evidence questions

What has been the experience of businesses and other stakeholders in the UK regarding implementation of the trade provisions in the UK-EU Trade and Co-operation Agreement?

3. AIC members are clear that many difficulties remain as a result of the Trade and Cooperation Agreement (TCA) between GB and the EU. These problems are being witnessed as non-tariff barriers across the UK animal feed, fertiliser, seed, crop protection and grain sectors.
4. In June 2021, AIC undertook a survey of its members on issues they have faced since the TCA came into force. Almost all AIC Members involved in import/export trade have experienced at least some degree of friction for a variety of reasons, impacting supplies. This impact has been felt the mostly strongly in the feed sector.
5. The survey revealed that there is no single reason behind the difficulties faced by supply businesses. It is a combination of the TCA, its interpretation by EU member states, and the unwillingness of hauliers/couriers to transport goods. These issues are in addition to the impact of Covid-19 and global availability of products.
6. A summary of the challenges identified during the survey are as follows:

GB to EU trade

- a. 94% of businesses have experienced delays or friction on exports to the EU since 1st January.
- b. Half of AIC Members surveyed said that problems were prevalent in more than 75% of their exports. 61% said at least half of their exports had issues.
- c. Most common problems lie with finding hauliers or couriers, customs or tariff procedures or incorrect documentation such as Export Health Certificates (EHCS) being asked for by importing authorities.
- d. About 20% of Members said they found their exporting issues to be unresolvable.
- e. Whilst most Members felt that information from UK Government was consistent (69%), they stated that EU Member state guidance was inadequate (61%).

EU to GB trade

- f. 25% of AIC Member businesses had noticed issues on importing goods from EU to GB since 1st January.
- g. The main problems cited were physical readiness at ports/points of entry and costs such as tariffs/agent fees/customs (over half of respondents named both).
- h. 61% of AIC Members said they were not confident of what would be expected of them when full inspection checks phase in from October 2021.

How effectively is the UK-EU trade relationship being managed through the mechanisms under the Agreement, including the Partnership Council and the bodies that sit beneath it?

7. AIC has found that existing measures have not been effective. In this respect, the key challenge faced by AIC members lies in the non-harmonised implementation by EU Member States of rules around official controls. This challenge is particularly apparent in the **animal feed** sector, including those containing animal by-products or no animal by-

products. This has led to that a lack of consistency in the way in which rules are being applied on exports of feed to EU countries, adding to considerable costs and challenges on exports.

8. For the **UK seed sector**, from January to March 2021 there was no equivalence granted by the EU to GB, meaning exports could not be physically carried out. In March, the EU then granted this seed equivalence, meaning recognition that field inspections and maintenance of varieties in the UK were equivalent to EU practices. This means that certified fodder plant, cereal, beet and oil and fibre plant seed *can* be exported to the EU. As the UK is now a third country, all seed to the EU requires a phytosanitary certificate as it is a regulated good, and it is necessary for companies to contact the National Plant Protection Organisation of the country of import for information on pre-notification requirement. As well as a phytosanitary certificate seed will also need to be OECD labelled where it is a species in an OECD scheme, be ISTA sampled, and have an Orange International Certificate (OIC). Therefore, whilst exports can take place, there is evidently considerable trace friction to accompany it for UK businesses.
9. Regarding the Partnership Council and other bodies that sit beneath it, AIC believes that they must work more quickly, and act as an effective mechanism in which information can be digested and resolved. At the moment, any discussions or resolutions to the workings of the TCA feel ad-hoc, and individual concerns rely upon direct contact with another EU's member state's authorities, in order to resolve it. This is not a sustainable, long term approach for working through fundamental challenges posed by the TCA. AIC also believes that Domestic Advisory Groups (DAGs) need to be brought together as soon as possible, and made up of businesses and organisations directly affected by the provisions of the TCA.

What impact is the Agreement having, and what might be its future impact, on the UK's wider trade policy – including in relation to trade with non-EU countries?

10. As a result of the ongoing trade difficulties, AIC members are assessing the following strategic decisions:
 - a. Cease exports to EU given that they are now non-competitive – costs and delays mean EU customers go elsewhere. This is particularly relevant for those who have established direct to farm business or direct to end user businesses. Problems with logistics compounds the difficulties – many couriers and groupage operators are refusing to carry these products.
 - b. Move logistics operations to EU. UK businesses are investing in EU based warehousing and logistics in order to reduce number of dispatches from UK. Implications for cashflow, shelf-life and employment law all need managing.
11. It should also be recognised that with regard to third countries, the ongoing challenges over Rules of Origin (ROO) has meant that many third countries are bypassing trade with the UK. This is because in many cases, insufficient processing takes place in the UK in order to bring about a change of 'chapter' of product. This means that tariffs are liable when either routed via the EU or the UK to onward destinations. The combination of having to understand processes for specific products, and then having to pay additional transaction costs has led to considerable challenges to UK based businesses. It is welcome that some provisions under trade deals between the UK and Japan allow

for *rules of origin* trade with the EU, for example, however this is very much the exception and not the norm. AIC would welcome greater understanding about how this will be reviewed both under the TCA, and also with other third country agreements such as Canada, and mutual approaches with the EU.

How is implementation of the Agreement, along with the wider UK-EU trade relationship, likely to evolve?

12. Part of the challenge for AIC and our members, is that the future development of the TCA is very uncertain. We do know that the UK is planning to phase in checks on imported goods over the next year, after a number of delays to this process. It was clear to AIC this summer that authorities across many EU member states, including EU businesses and trade associations were not prepared for new inspections from October 1st. AIC worked with members who were trying to understand differences in approaches between UK Government and EU member state veterinary authorities.
13. Teething issues or human errors happen, especially with new processes in place. What the UK Government must do is ensure that where such errors occur, there is a fast resolution procedure in place to rectify such errors. In January of 2021, there were a number of cases in which an obvious error was identified. However when AIC, or an individual member company, tried to contact the relevant Government Department or statutory body (such as APHA or HMRC) to resolve the issue, it was common for emails to go unanswered or for phone lines to be diverted to voicemail or to ring unanswered. Examples included large vessels of cereals held up in ports. This must not be allowed to repeat itself.
14. Given the uncertainty of other EU member states and their authorities as to what expect from 1st October (but were eventually postponed), AIC is concerned that this may repeat itself when the eventual checks are brought in. As outlined in the response to question 2, it is imperative that formal working groups on SPS matters and Domestic Advisory Groups are set up, to ensure there are formal processes in place to resolve friction to trade. As outlined previously, many problems encountered by AIC businesses are easily resolvable and have largely arisen as a result of misinterpreted legislation or guidance by one or some EU member states. We must move away from resolving problems in an ad-hoc manner and move to a formal mechanism. Failure to do so will continue to undermine confidence of businesses in the effectiveness of the TCA, and will lead to further loss of export opportunities from the UK to EU.

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