

## **House of Commons International Trade Committee**

### **NFU Scotland submission**

**Date:** 10 November 2021

**From:** Beatrice Morrice, NFU Scotland

#### **Agreement in Principle**

- 1) NFU Scotland believes that the UK Government's Agreement in Principle (AiP) regarding a free trade deal between the UK and New Zealand fails to provide assurances to Scottish farmers and crofters.
  
- 2) Recent announcements for both Australia and New Zealand are significant for our sector as they are big agricultural exporters. Large farms in both countries have production systems that differ from those in the Scotland which means that farm costs of production tend to be much lower than those in the UK. The differing production systems and compliance costs mean that red meat and dairy products in particular can be produced at a significantly lower cost than in Scotland to the point where shipping such production half-way around the world still makes it financially viable.

#### **Temporary tariff rate quotas**

- 3) Under the New Zealand deal, there will be a cap on tariff-free imports for a set number of years. This is similar to the agreement with Australia. It will be in the form of tariff rate quotas and other safeguards that decrease year on year.
  
- 4) The detail as to how the quota volumes, that will be in place for the first few years of the agreement, will be administered has not yet been provided. In addition to long term issues once the quotas have been removed, it could lead to significant challenges for the Scottish red meat and dairy supply chain in the short term also.
  
- 5) Going forward, there is a risk that any deterioration in relations between New Zealand and China could impact our sector. Changes to accessing the Chinese market would necessitate New Zealand to develop new markets. With free access to the UK, this would severely impact our sector and without long term tariff rate quotas, there would be nothing we could do to protect our home grown produce.

### **Culminative impact**

- 6) Equally worrying for the Scottish industry is the potential that the UK Government goes on to approach other trade negotiations with countries like USA, Canada and Mexico on the same basis. The cumulative impact of all such trade deals on extremely vulnerable sectors such as farming and food and drink could be hugely destructive. It may become impossible for some of our family farming businesses to continue to compete. Our members provide and support thousands of jobs across rural communities which would be impacted should the sector be forced to decrease in size.

### **Lack of scrutiny**

- 7) NFU Scotland is disappointed at the lack of consultation with the UK Government. We believe that the deal has not been afforded the appropriate level of scrutiny and consultation.
- 8) We welcome the recent announcement that the Statutory Trade and Agriculture Commission has now been established. However, we have been urging the UK Government to set up the group for months and were disappointed at the delay. It is now key for this group to be involved in the negotiation stage of future trade deals, carry out effective analysis and for its findings to hold weight going forward.
- 9) NFU Scotland calls on the UK Government to carry out detailed impact assessments for future deals to identify what they may do to the agriculture and food sectors across the UK.

### **Ambition**

- 10) Processing capacity across the country needs to be increased so that the sector can export more of our products overseas. The current infrastructure in place cannot deliver expedited growth. Greater investment is essential in order for our sector to take forward opportunities to increase exports.

### **Animal health**

- 11) NFU Scotland would welcome additional information in respect of animal welfare. The AiP states that both countries agree to respect each other's differences and accept equivalence of standards. We would welcome mechanisms to be included that provide the ability to check or question this area. We are proud of our reputation

for high quality animal welfare and are keen for it to be maintained and protected going forward.

### **Red meat**

12) Of primary concern is how the overall temporary tariff rate quota volume will be allocated between different categories of meat and between fresh and frozen categories. How this will be determined is key as it could severely impact the domestic market.

13) Figures for Australis show that over the next decade, it is estimated that 25 per cent of UK sheepmeat production would be under threat as would associated jobs in the red meat supply chain. Adding the impact of New Zealand would deliver a greater figure and impact.

### **Combinable crops, potatoes, and horticulture in Scotland.**

14) We believe that the impact of this deal on the combinable crops, potatoes, and horticulture sectors in Scotland will be minimal. New Zealand exports comparatively low volumes of cereals, seed potatoes and daffodil bulbs. Apples are exported in significant quantities, and UK apple producers will be affected by this deal. There is not currently a commercial dessert apple sector in Scotland.

### **Dairy**

15) For the dairy sector, there appears to be little opportunity to take advantage of the New Zealand market. New Zealand dairy production is considerable and much of the milk production in New Zealand is made into milk powders, butter and cheese and around 95 per cent is exported.

16) Without tariffs, British farmers, especially livestock and dairy farmers, will not be able to compete. The cost of producing these commodities in New Zealand is lower which means they can accept a lower price on the market compared to the equivalent British product. Therefore, there is a risk that New Zealand product could undercut domestic UK production.

17) There are fears the UK could become overly dependent on imports as a result of a shrinking agricultural industry, with domestic food production undermined. Trade deals of this nature could be very damaging in the long term. There is no guarantee that these products would enter the country as branded produce, removing choice for

the consumer as they enter the food processing sector. This will undermine already fragile supply chains. Dairy processing in Scotland is already at a minimum with limited butter production and no processing of milk powder or UHT products. A deal which could lead to the additional import of dairy products into Scotland will not help this position.

18) In 2020, the UK had a negative trade balance in butter and cheese but a positive in trade balance in milk and cream. Figures suggest that to increase market share of existing imports on cheese and butter, they will need to enter at a market competitive price, pulling down the total value added of dairy products in the UK.

### **Conclusion**

19) The farming sector is ambitious. We are keen to identify and grasp opportunities to build our industry and the wider economy. We implore the UK Government to work more collaboratively with the sector in Scotland to ensure the impacts on domestic food production and British businesses are fully understood.

20) Scottish farmers are proud of what they produce. In the global marketplace they can compete on quality, but not always on price. This works well for premium export markets but is more challenging in some cost-sensitive domestic markets, despite consumers' best intentions to support animal welfare and environmentally sound production. If UK products are being sold alongside cheaper imports, price can take precedence over the best intentions of consumers, and our sector will continue to struggle.

21) The economic importance of our sector is key for rural and urban communities across Scotland. We are committed to sustainable food production to help to tackle climate change and enhance biodiversity. The country cannot address climate change by exporting food production.