Written evidence submitted by the Provision Trade Federation (PTF) (FRE0032)

Introduction

1. This response is submitted on behalf of the Provision Trade Federation (PTF).

2. PTF is a food trade association representing processors and traders in a range of staple dairy, meat and fishery products, sourced from the UK, the EU and international supply chains. It also provides the Secretariat for the UK Seafood Industry Alliance (SIA), on whose behalf a separate submission is being made in respect of the purely fisheries aspects of the negotiations.

3. Collectively the sectors PTF represents account for roughly **20% of UK household expenditure on food** (around **£24 billion a year)** and directly support some **130,000** jobs across the whole country.

4. PTF's broad priorities for a new Parliament following the December 2019 Election were set out in our Changing for the Better manifesto, which includes a section on the importance of getting trade right, given the extent to which we are a deficit market for most of the products our members make.

5. We are also part of a wider coalition of food trade bodies which recently produced a Global Britain trade policy paper setting out the UK food industry's vision for a future trade policy which will drive growth, support value addition and jobs in all parts of the UK, promote efficient and sustainable food production and stimulate innovation, while providing consumers and shoppers with even greater choice and better value.

Executive summary

- Safe and secure supplies of nutritious, sustainable and affordable food are essential to the economic and physical health and well-being of the nation and a key part of critical national infrastructure – and affordability is likely to become an even higher priority as a result of the economic impacts of Covid-19.
- But the UK is only around 60% self-sufficient in the foods we consume, meaning that trade is vital to the balance of supply and demand on our market.
- The current Covid-19 pandemic has demonstrated the vital importance of keeping trade routes as free and frictionless as possible, especially from the EU, which is by far our largest single supplier.
- Our top priority for negotiations on the UK's future relationship with the EU – and for talks on potential free trade agreements with other partners – is to secure the best possible trading terms with the widest range of markets.
- We also need to ensure that we have the labour, skills and investment we need to promote innovation and growth and meet the challenges of delivering healthier and more sustainable products against a background of climate change and other risks to future food security. Again Covid-19 has brought out importance of non-UK nationals as key workers in our most essential services.

General comments

6. The UK is currently only around 60% self-sufficient in terms of food production. A significant proportion of what we import consists of ingredients or raw materials which cannot be farmed or grown here, or of finished products offering a range of choice or value with which we cannot compete from domestic supply.

7. At the same time, we export products where we enjoy a comparative advantage, or which are surplus to our own requirements. In many cases, these are premium foods where we enjoy an international reputation for quality and provenance, and which form an essential part of the profitability of many existing business models.

8. A lot of the equipment used in food production is also imported, along with packaging and other essentials. Many of the companies involved have operations based in other countries which form part of their own internal supply chains. In short, our food system relies heavily on integrated operations which form part of complex international trading systems – in both directions.

9. It is one of the more remarkable features of the current COVID-19 crisis that these complex supply chains have held up so well – and a tribute to all involved in the food industry that continuity and resilience have been maintained to such an extraordinarily high degree in these circumstances. Up to now, such shortages as have occurred, have largely been the result of surges in demand rather than lack of supply.

10. But this does not necessarily mean that this situation will continue, either as emergency measures to restrict transmission of disease begin to be eased, or as the wider economic consequences of the pandemic begin to become apparent – in terms of reduced consumer spending power, increases in unemployment or actual business failures as a result of damage incurred during lockdown. Covid-19 has exposed real fault lines in terms of equality of access to food, which risk being exacerbated if we are unable to secure the best possible terms of trade after transition.

11. The overnight closure of restaurants, pubs, coffee shops, sandwich bars and the wider foodservice sector In the UK removed routes to market for around a third of UK production, severely impacting businesses specialising in those sectors rather than retail sales. It also had the effect of depressing farmgate prices as not all of this excess supply could be repurposed for retail sale or converted into products capable of being stored – partly as a result of lack of spare processing capacity.

12. This has resulted in a loss of value across supply chains, despite strong retail demand, which may prejudice the ability of many businesses to recover, despite the Government support which has been available for loan finance and through the furloughing scheme. Many of these measures have not been available to primary producers who have had to continue operations because agricultural systems cannot simply be paused in response to falling demand as animals in particular need to continue to be fed and cared for and crops still need to be harvested.

13. There have also been particular difficulties for the supply of fish from the UK fleet, the vast majority of which was previously sold through export or out of home channels, with domestic demand met by EU and third country imports. The price of UK caught fish effectively collapsed, with large parts of the fleet tied up. The spot price for UK milk also fell below the cost of production, though is now beginning to recover to more normal levels, partly as a result of the drought stunting grass growth and hot weather leading to increased demand for products like ice cream. The loss of foodservice outlooks and consequent focus on retail sales has resulted in the loss of 'carcase balance; in the meat sector, reducing returns per head, especially for beef animals.

14. Throughout the crisis, however, we have continued to benefit from totally free and frictionless trade in food with the EU, which is by far our single largest supplier and customer. Even necessary restrictions on the movement of people and consequent impacts on road, rail, air and sea freight, have had only marginal effects on food supply, including for fresh fruit and vegetables from southern Europe, essential to meet market demand before our own crops are ready for harvest.

15. But it would be wrong to conclude from this the food supplies would be similarly maintained in the absence of a Free Trade Agreement (FTA) with the EU or in the event of additional customs and regulatory checks impeding trade flows. There is also a risk of wider international moves towards protectionism in the event of a global recession. Much will also depend on the extent to which other countries introduce trade distorting domestic subsidies for food production or export restrictions to control prices or prioritise supplies to their own consumers.

16. Pre-Covid-19 assumptions about the competitiveness of UK agriculture and the potential for export growth may therefore need to be revisited in the light of these developments, along with other aspects of future food policy. If the combined effects of Covid-19 and future trading relationships weaken our domestic production base we will simply not be in a position to take advantage of any new opportunities which may become available.

Specific Questions

What are the priorities for the UK, and for the EU, in the negotiations on the future relationship? How should the interests of different sectors of the economy and parts of the UK be balanced?

17. Both sides have committed to work towards a comprehensive free trade agreement and a future relationship framework which reflects shared values and history as well as common aims in relation to future challenges such as climate change.

18. The UK's latest update to its policy approach set out to Parliament on 19 May reiterates that this should be based on the principles of friendly cooperation between sovereign equals, enabling both sides to have full control of their respective legal autonomies, notably in respect of borders, immigration and taxation.

19. This was accompanied by publication of a series of draft negotiating texts, including a Free trade Agreement (FTA) covering substantially all trade in goods and closely modelled

on other recent EU agreements, notably that with Canada. The aim would be to have a ‘zero for zero’ deal but without other provisions relating to competition policy or regulatory alignment.

20. Fisheries would be subject to a separate agreement dealing only with access to waters and quotas and not covering tariffs or trade and modelled on the EU’s current agreement with Norway.

21. There are a further eight separate agreements covering issues such as aviation, energy, nuclear, social security and law enforcement and judicial cooperation.

22. For its part, the EU envisages a single overarching agreement, which would contain governance rules and dispute settlement measures in addition to a range of specific chapters.

23. It also argues that geographical proximity and economic inter-dependence require additional safeguards to ensure that future competition remains open and fair, particularly in respect of standards relating to social, environmental, tax and state aid rules constituting a so-called ‘level playing field’.

24. In short it sees the UK as wanting to retain many of the benefits of Single Market membership, without any of the accompanying obligations – and that this is simply non-negotiable.

How will the implementation of the Withdrawal Agreement interact with the negotiations on the future relationship? What is the role of the Joint Committee, and what other mechanisms will be available for the UK and EU to resolve disagreements?

25. The Withdrawal Agreement is already law and relates primarily to the so-called divorce issues around the rights of citizens, the need to avoid a hard border on the island of Ireland and the UK’s financial obligations to the EU accrued before departure. The EU also interprets the Agreement as affording protection to its Single Market in terms of certain level playing commitments.

26. The provisions of the Protocol on Ireland/Northern Ireland will apply irrespective of whether any wider FTA is possible. Their implementation is a matter for a separate Joint Committee which is meeting independently of the wider negotiations, with specific terms of reference reflecting the text of the Agreement.

27. In theory, all these issues are sui generis and should not interact with negotiations on the future relationship. They are also subject to separate dispute resolution procedures. There is, however, clearly scope for one or both sides to view the actions of the other as inconsistent with commitments previously agreed to – and for this to have a read across to the prospects of success in other discussions.

How prepared is the UK Government to negotiate and implement the future relationship with the EU, including in the event a free trade agreement is not secured? Which aspects of the future relationship could be negotiated after the transition period?

28. Both sides are clear that once transition ends each will treat the other as subject to normal third country rules in respect of customs and other regulatory checks, irrespective of what may be agreed in respect of tariffs. In other words, there will inevitably be more friction than at present for goods (and people) crossing borders (subject to the provisions of the Ireland/Northern Ireland Protocol).

29. A number of these issues were foreseen and worked on in the context of the UK leaving without any deal. But it is widely accepted that these preparations would not have been complete in the event of an earlier breakdown in talks and a number of contingency measures, such as the operation of a temporary UK external tariff schedule, temporary derogations on certain inward checks and measures to ease pressures at pinch points like the short straits (as set out in Operation Yellowhammer)

30. There were, however, a significant number of unresolved questions in relation to issues like health marks and food business approval listings for exporters of products of animal origin, export certification (and inspection) requirements, for both exports to the EU and to third countries, and rules on the combining and mixing of loads (groupage) for freight transport and EU recognition of UK organic status.

31. It had been the Government's intention to continue engagement with industry on these issues and to roll out communications and guidance on what businesses themselves would need to do to 'Get Ready for Brexit'.

32. The Covid-19 emergency has, however, seriously disrupted this work, both within Government and on the part of businesses themselves. Food companies have been completely dedicated to maintaining supplies to consumers and have had to pause all other activity, including preparations for what may emerge from the current negotiations.

33. Although we understand that a number of Government officials have now been reassigned to preparing for the end of transition, there has as yet been no return to former levels of engagement with business, even if were businesses in a position to do so. The prospects of companies being able to divert resources to address the many outstanding issues seem extremely remote while the current Covid-19 crisis continues.

34. This strongly suggests that it may be necessary for there to be an actual *implementation period* – as distinct from an extension to transition – to allow both sides to put in place the necessary practical arrangements for an agreement to enter into force should a deal be concluded before the end of the year.

35. Whether such a standstill provision could also form part of any termination of negotiations would be a matter of political appreciation for both parties in the light of the then prevailing circumstances, including in respect of Covid-19 and the need for food supplies to continue without interruption over the Christmas and New Year holiday periods.

How effectively is the Government consulting with businesses, stakeholders, and the devolved institutions to inform the UK negotiating position?

36. The broad lines of the Government's approach to the negotiations have been in the public domain for many months, most notably in the Prime Minister's speech in Greenwich at the beginning of February. The subsequent Approach to Negotiations published on 27 February articulated these in significantly more detail. But, partly no doubt as a result of Covid-19, it was not until 19 May that industry had any sight of the detailed negotiating texts conveyed to the EU at that time.

37. As a smaller trade association, dealing only with food, PTF would not necessarily have been party to any high-level stakeholder consultations that may have taken place in the course of these texts being prepared. Although we have made our views known to Government through a variety of channels, and do participate in some discussions with officials, this has not been an open and transparent process consistent with previous examples of consultation on policy developments of such magnitude.

38. There is now a clear need for a step change in engagement – Covid-19 notwithstanding – to ensure that whatever may agreed can be implemented with the minimum of disruption (and cost) to business at a time of totally unprecedented trading and economic challenge.

June 2020

Committee on the Future Relationship with the European Union

House of Commons, London, SWIA OAA

Email: freucom@parliament.uk Website: www.parliament.uk/freucom

22 May 2020

Andrew Kuyk
Director General
UK Seafood Industry Alliance

Dear Mr Kuyk,

The House of Commons Committee on the Future Relationship with the European Union is inquiring into the progress of the negotiations between the UK and the EU. Under normal circumstances, the Committee holds regular oral evidence sessions in Westminster. However, measures to prevent the spread of the coronavirus make this difficult.

The Committee is keen to gather as much evidence as possible to inform its deliberations so I am writing to you to ask whether you would be willing to help us with our work by making a written submission. We welcome general responses to our call for evidence, which was published on 4 March. We also hope that you would be willing to answer some of the more specific questions set out below on issues that fall within your area of expertise. Submissions need not address every bullet point and can include other matters that you think are relevant to the negotiations and should be drawn to the attention of the Committee.

- What are the UK and EU fisheries industries' priorities for the future relationship negotiations? How do these priorities vary between different parts of the fishing, aquaculture and processing industries and by product, region and nation? Has the Covid-19 pandemic changed any of these priorities? What might be the consequences of a deal which does not meet these priorities?
- To what extent did the UK Government consult the industry before publishing its negotiating aims? How well does what the Government has published meet the needs of different parts of the UK fisheries industry? What are your views on the EU's negotiating mandate and draft legal text?
- How is the UK Government keeping the UK fisheries industry informed of developments in the negotiations? Has the sector been given the opportunity to comment on any of the UK draft legal texts?
- On which aspects of a future fisheries agreement are the UK and EU's aims farthest apart? Where do their positions align? On which areas does each side have the most leverage? Is there a workable compromise between the UK and EU's positions and, if so, what is it? What trade-offs must each side make? How might different resolutions to these trade-offs affect different parts of the UK and EU fisheries industries? If you see room for the EU's position on fisheries to move towards that of the UK, which Member States might support that change and why?
- How much progress has been made so far in negotiations on fisheries? What effect has the Covid-19 pandemic had on the negotiations? Can an agreement be ratified by 1 July? What happens if nothing has been agreed by this date?
- What evidence is there that the UK and EU have considered how any agreement will be monitored and enforced? What preparatory work is needed to ensure the UK can monitor and enforce any agreement? To what extent will such enforcement require cooperation with the EU and other nations to be effective?
- Are the EU's fisheries agreements with countries such as Norway and Iceland suitable models for any deal with the UK? How does the deal the EU is proposing with the UK differ from such existing agreements? Is the EU correct to argue that annual negotiations with the UK would be impractical? How might a system of annual negotiation work?
- How would a system based on zonal attachment differ from one based on relative stability? What steps must the UK Government and other stakeholders take to put such a system in place? How long might this take?

- What fisheries agreements does the UK also need to reach with other European countries such as Norway and Iceland? How much progress has been made to date? How would these agreements interact with any future UK/EU agreement?
- How important is access to the EU market for the UK fisheries industry? What additional customs, regulatory and sanitary/phytosanitary barriers might the UK fisheries industry face under any future relationship with the EU? How might these barriers be reduced? What barriers would exist if no trade deal is reached before the UK leaves the Transition Period?
- What obligations concerning fisheries does the Ireland/Northern Ireland Protocol place on the UK, EU and EU member states and their respective industries? What elements of the Protocol's implementation concerning fisheries remain to be decided by the Joint Committee or are otherwise unclear, for example: the conditions under which fisheries and aquaculture products landed by NI vessels will be exempt from EU duties? How might these issues be resolved?
- If no fisheries agreement is reached by the end of the year, what obligations remain on the UK and EU under international law, for example: access to fishing waters and landing rights? Would you be concerned about the sustainability of fish stocks if the UK and EU do not manage to reach agreement?
- What would be the social and economic consequences if no UK/EU fisheries deal has been reached by the end of the year? How might these vary across different parts of the fisheries industry? How might these effects be mitigated?

The Committee staff will be happy to discuss the inquiry, any issues raised, or the process for submitting written evidence. You can contact them at freucom@parliament.uk.

Yours sincerely,

Hilary Benn
Chair of the Committee