

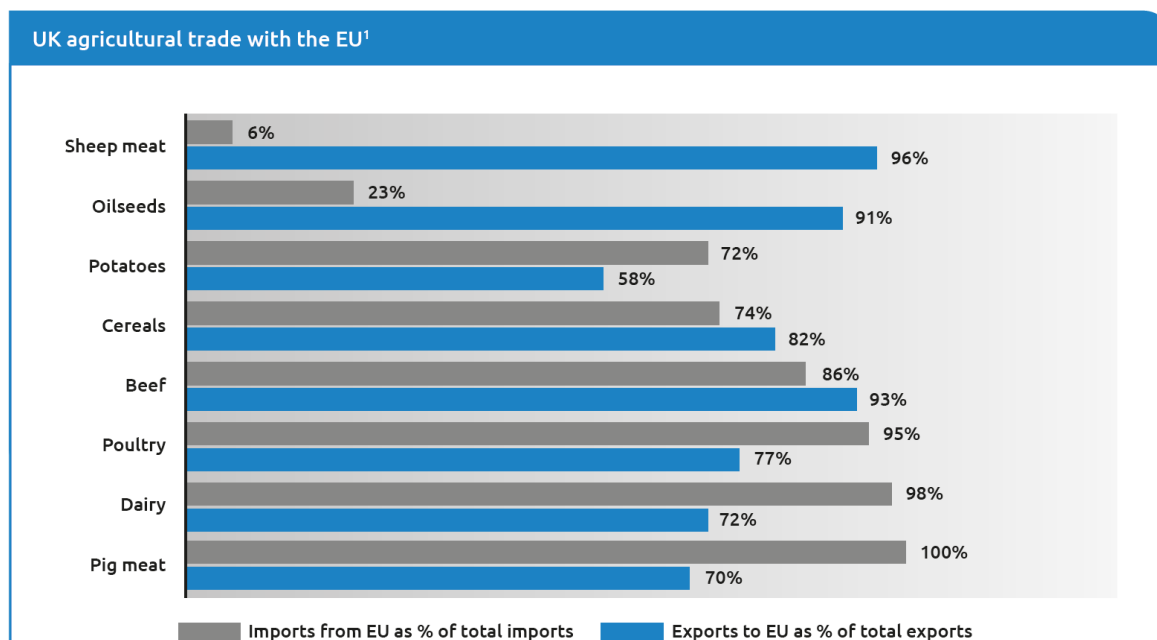
NFU (Supplementary) (ABR0042)

As requested by the Committee on 20 February, the following briefing from the NFU provides supplementary evidence following oral evidence provided by Guy Smith, Vice President of the NFU, to the 'Brexit: Agriculture' inquiry provided on 9 February.

Questions that were not asked (in full):

What value and volume of your members' trade is with the EU? Does this vary between sectors? Are there potential significant or new markets for your members that are non-EU?

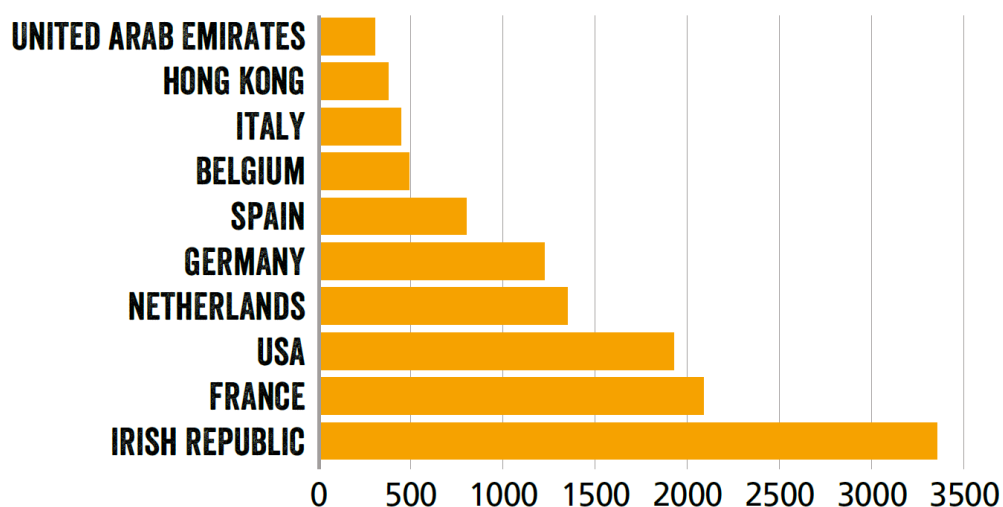
We do not have specific trade stats on the NFU's members. However, AHDB has produced the following chart which provides a useful summary of UK agriculture's trade with the EU, sub-divided by sector.



Source: AHDB/Horizon report, 'What will an UK/EU trade relationship look like post-Brexit?', 8 July 2016

The NFU has no analysis at present on non-EU markets which offer potential. However, the chart below from a recent NFU report shows that the USA, Hong Kong and the United Arab Emirates constitute three of the top 10 countries to which we currently export food, drink and feed.

7 OF TOP 10 COUNTRIES WE EXPORT FOOD, DRINK AND FEED TO ARE IN THE EU



Source: NFU report, 'EU Referendum: UK farming's relationship with the EU', 7 January 2016

How would divergence in standards for agricultural goods, food safety, animal welfare, pesticides and plant protections etc. impact your members and their ability to trade with the EU and third countries?

Unfortunately it has not been possible to answer this question at present.

To what extent are agricultural products processed in the UK only? To what extent and how will food and agriculture supply chains be affected by Brexit? How could any adverse impact be mitigated?

The food manufacturing sector is the largest manufacturing sector in the UK, and relies heavily on domestic production. Any reduction in domestic production, coupled with disruption in trade flows from the near markets of the EU, would raise the possibility of important businesses relocating production capacity offshore, nearer to raw materials. Supply chains are likely to be affected in particular by the need to access a flexible, skilled workforce post-Brexit, and the need for trade arrangements that focus on food as one of Britain's great exports, maintain the best possible access to the EU Single Market, and the signing of equitable trade agreements with markets around the world.

What impact would new or higher tariffs and non-tariff barriers for exports have on your members? Is the impact the same for imported goods and agri-supplies?

The EU single market is farming's biggest export destination by far, and is crucial for some sectors. 71.4% of our agriculture exports are sold to the EU, of food and drink exceeded £20bn for the first time in 2016, up 10.5% on 2015 (Source: FDEA/FDF Exports Snapshot 2016). We therefore need to ensure that any

volatility that could hamper this, or negatively affect levels of investment in the UK, is limited as much as possible.

In addition, because of the quality and global recognition of British produce, we recognise that we also have an opportunity outside Europe to grow our exports to new markets around the world. But the future terms of access to the UK market matter. A potential unilateral lowering of British tariffs would be damaging, especially but not exclusively for our livestock sectors. Likewise, bilateral free trade arrangements with countries like New Zealand or Brazil must be entered into in full knowledge of the potential impact on UK producers. The economic message is clear – many UK farm businesses would be put at significant competitive disadvantage if current tariff barriers were removed or slashed without great care being taken to ensure a level playing field.

Trade with the rest of the world must be balanced – with the same conditions applying to imports and exports. As a part of the Government's bespoke approach to securing a trade deal with the EU for Britain, we must ensure that our access is not constrained by tariff or non-tariff barriers, such as burdensome inspections at our borders.

Questions arising from the session:

From your point of view, should a trade deal be agreed before decisions are taken about funding and agriculture policy in the UK? What, if any, should the sequencing be?

Because of the opportunity presented by boosting British agriculture exports around the world, food and farming must be a part of our future trade talks from day one.

Many of the issues flowing from Brexit that impact farming are interrelated. The sort of trade deal we secure with the EU, future trade deals outside the EU, access to sufficient labour and future agricultural policy will all inform the policy direction of each other. For this reason, we think that, rather than prioritising issues, it is vital that transitional arrangements across all of them are agreed as a priority, to ensure minimal disruption at Brexit, and allowing time to secure optimal long-term arrangements on each.

Guy stated in the evidence session that UK farmers export £60 billion of agricultural produce to the EU and get £40 billion back, "so we are *primarily importers rather than exporters*". Would those numbers not make the UK a net exporter?

Unfortunately, this figure may have been mis-recorded. It is actually €16bn in exports (and €40bn for imports), so we are indeed net importers.

Guy said that *"The amount of regulation that tied them up and prevented them from farming and getting on with the business they enjoy doing was one of the main reasons why farmers voted to leave the European Union."* Could you provide any examples of regulation here?

Some examples of burdensome regulations include the following:

Habitats and Birds Directives - The drafting has led to an unnecessarily restrictive interpretation of the application of the legislation (for example, the precautionary principle), creating an onerous and burdensome regime making practical farming virtually impossible in some instances. It dictates when farmers can trim hedges, and greater flexibility is required to ensure it works for everybody.

Water Framework Directive - The legislation is complex and can impose quality aspirations that are too costly for communities to achieve without restrictions on growth, including an issue with 'arbitrary/non-health based' residue thresholds for pesticides in drinking water. The "one out all out" approach to assessing water body status masks progress that has been made by agricultural businesses and others. The "no deterioration" requirement creates a restrictive approach to abstraction within some catchments.

Nitrates Directive - The Nitrates Directive is overly prescriptive and inflexible, imposing high costs to agriculture - particularly the livestock sector. The scientific basis of the 50 mg/l limit for identification of 'polluted waters' is questionable and implementation of the Action Programme requirements reduces farmers' scope to make decisions based upon their own knowledge of the land and weather conditions.

EU Plant Protection Legislation - Emergency Authorisations - The legislation adopts a hazard-based approach rather than a risk and evidence-based approach. This is to the detriment of farmers whose livelihoods depend upon the availability of plant protection products, whose availability are increasingly restricted even when there is no demonstrable threat to human health or the environment.

Innovation and technology in agriculture - GMO legislation is not fit for purpose, particularly the decision-making process, which is based on politics rather than sound science. The anti-technology approach also impacts cloning, nanotechnology and new breeding techniques.

Neonicotinoid restrictions - The Commission's decision to impose restrictions on the use of neonicotinoid seed treatments was not based on sound scientific evidence of risk to pollinators, but was a result of mounting pressure from NGOs.

Waste Framework Directive - This legislation is currently being reviewed as part of the Circular Economy package. Its definitions of "by-product" and "waste" have been particularly unhelpful to members. We have also found that competent authorities often hide behind this Directive when creating environmental waste regulations - for example End-of-Waste status, waste exemption registration and waste permits.

Veterinary medicines – The current rules are overly complex and costly and, as such, are currently under review in the EU. Whilst reducing the administrative burden on farmers is important, the review is also aiming to reduce antibiotic usage and encourage responsible use of medicines. However, some suggestions in the proposed legislation could restrict the use of medicines such as anticoccidials, which would add significant veterinary costs to production. We also need the review of Veterinary Medicines legislation to preserve and enhance the range and availability of vet meds to the UK post Brexit.

Sheep EID – The costs of these regulations are not proportionate to the benefits. The system does not allow a batch-based approach, which is how sheep are handled on farm. A batch-based system for farm to farm movement would be a better approach and would still achieve the benefits of EID through the auction markets and abattoirs. We also would want to see a level of tolerance incorporated into the UK system so that minor levels mis-reads of EID tags are not considered as a breach in an otherwise compliant holding.

TSE – Current TSE legislation does not reflect the risks posed and is in need of review. EFSA has been slow to bring requirements in line with OIE requirements and the Commission has been slow to engage with the OIE on a review of the definition of “negligible” BSE status. The current system appears to put nations with larger herds of cattle at a disadvantage.

CPC Training – The requirement for CPC training puts an unnecessary burden and cost on farmers which is not warranted by time actually spent on road.

Guys also said *"We should be gearing up for a transition or phased period post-2019 so this is not rushed into in an unseemly manner."* Could you elaborate on what such a transition period should look like from your perspective, e.g. how long should it be and what should it cover?

The NFU has not formally set out its position on what a transitional period should look like. The NFU has not undertaken a detailed assessment of what a transition period should look like, but it should ensure we avoid a ‘cliff-edge’ and minimise disruption at the point of Brexit as much as possible, while putting in place mechanisms to move at an acceptable pace to new arrangements.

Guy noted that: *"The CAP within the EU is in a permanent transition and, because of the leaving of the UK, I imagine the next CAP reform post-2020 will be quite radical. It makes sense for us in the UK to keep a mindful eye on what is policy within the EU before we decide where we are going to go."* Could you elaborate on why that is?

A new CAP will come into existence in 2020, which will govern our neighbours and competitors in the EU. We obviously need to observe this process and be as closely involved as possible to ensure we do not end up with something so different it either obstructs trade or puts us at a competitive disadvantage.

Furthermore, as the EU loses the UK net budget contribution, there will be less money available under the CAP going forward.

The Chairman requested supplementary written evidence in the session regarding migrant labour. The exchange is set out below:

Guy Smith: It is. I have not got figures as I am here to represent farmers but I am very conscious that the rest of the food chain, including abattoirs and vets, is very dependent on migrant labour, so indirectly our industry would be damaged if we did not have access to that skill set. I am mindful of that but I do not have detailed figures as to how many people we are talking of here.

The Chairman: You would be very welcome to offer that as supplementary evidence if you wish.

Unfortunately, the NFU does not have statistics with which to provide supplementary evidence to this question.

6 March 2017