

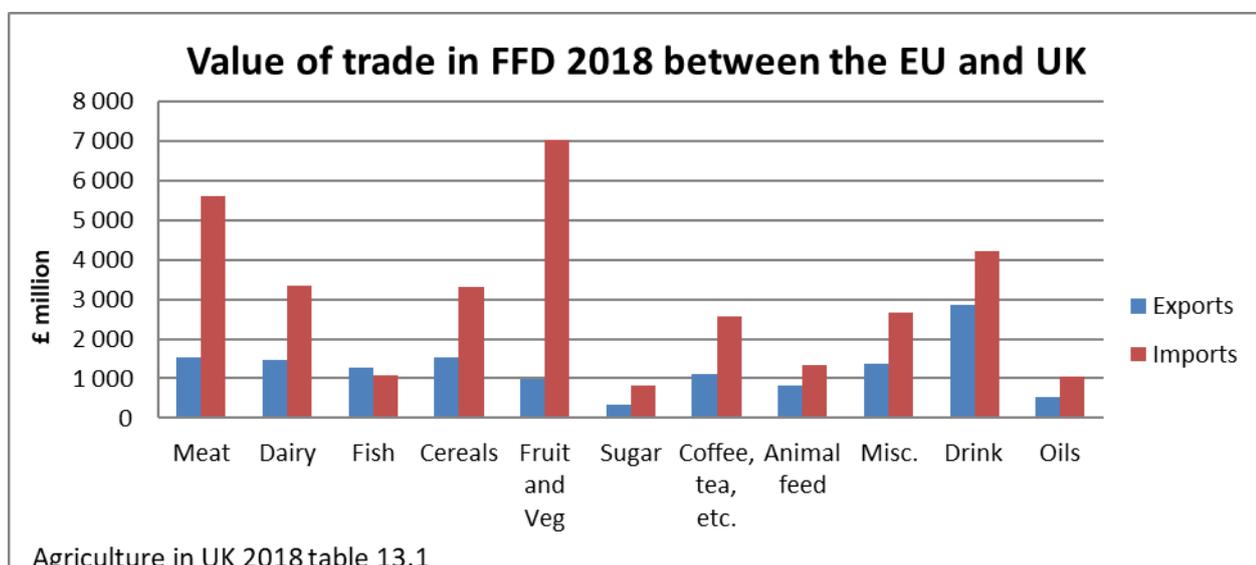
Written evidence submitted by the National Farmers' Union (FRE0082)

The NFU represents 47,000 farm businesses in England and Wales involving an estimated 55,000 farmers, managers and partners in the business. In addition, we have 55,000 countryside members with an interest in farming and the country.

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?

The UK is a net importer of food and agri-food products; in 2018 the UK was 61% self-sufficient in all food and 75% for indigenous type food. The EU is the key source of imported food to the UK, with 28% of food consumed in the UK in 2018 coming from the EU.

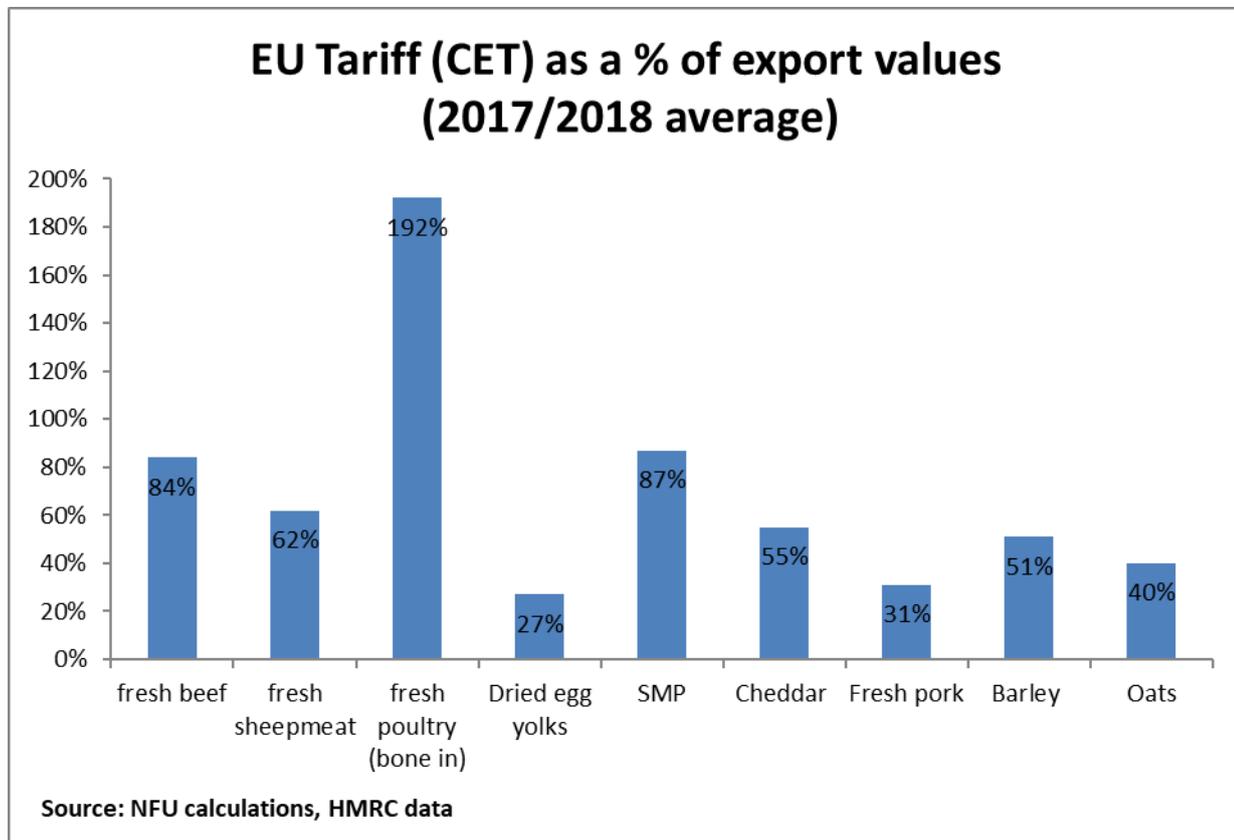
The EU, as a single trading bloc, is the most important international trading partner for UK farming and given its size and proximity will continue to be so in the future. In 2018, 62% of UK Food Feed and Drink (FFD) exports were to the EU (rising to 74% when alcoholic beverages are excluded) and 70% UK FFD imports (71% excluding alcoholic beverages) were from the EU. This is why the NFU continues to call for a future trading relationship between the UK and the EU which is free of tariffs and quotas and which is as frictionless as possible. The NFU supports the UK Government's and the EU's common objective of securing a free trade agreement that involves no tariffs, fees, charges and quantitative restrictions on each other's goods.



Without a trade agreement in place between the EU and the UK at the end of 2020, trade between the EU and UK will revert to very unsatisfactory default WTO terms, including application of the EU's full common external tariff (CET) on UK agri-food products destined for the EU market. This would be a new tax equivalent to at least £1.36bn* on exports of UK beef, lamb, pork, dairy products, poultry meat, arable crops, flour, malt. (*based on value of trade in 2017) and place considerable strain on the viability of certain sectors heavily geared towards the EU market, or reliant on that market for carcass balance. If EU consumers are not to pay more to continue enjoying those Great British products, this additional cost will ultimately come off UK farmers' bottom line in order to maintain sales. In the

extreme, tariffs could mean British product simply no longer being sold to EU customers as it is priced out of the market.

Examples of EU tariffs that would apply to UK products exported to the EU market without a negotiated outcome on the future relationship:



The NFU believes that if a negotiated agreement between the EU and UK is not agreed by the end of the year, there must be no delay in implementing the UK Global Tariff in full as announced in May 2020 as of January 1st 2021 and apply it on imports from the EU. The NFU disagreed profoundly with the approach of the Temporary Tariff Regime (TTR) proposed last year that would have created an uneven playing field with regard to the tariffs to be applied on trade between the UK and the EU. Government policy in the absence of a negotiated agreement must ensure such an imbalance does not arise.

Priorities for the Future Relationship – tariff free access and fair competition

The NFU supports the UK Government's and the EU's common objective of securing a free trade agreement that involves no tariffs, fees, duties and quantitative restrictions on each other's goods. It is welcome that in their opening offers both the EU and UK are aiming to maintain tariff free, quota free access for each other's goods. This objective is strongly shared by our counterparts in the European farmers' organisations whose farmer members benefit from a positive trade balance in agri-food products with the UK. If tariff free, quota free trade is realised, this would achieve one part of the NFU ambition for "free and as frictionless trade as possible with the EU." Unfortunately, even with "free" trade there is still scope for "friction" and this too must be addressed by negotiators. However, the EU conditions this privileged access to the Single Market on the implementation of level-playing field provisions in the areas of competition, state aid, climate change, Sanitary and Phytosanitary issues

(SPS), labour standards and taxation. The UK Government has made clear repeatedly that it will not accept conditions that interfere on its sovereign right to take its own decisions on these issues after the Transition Period.

The NFU accepts that the terms of the future relationship should acknowledge the UK as an independent, sovereign nation that has control of its own rules and regulations. Attempting to restrict the UK by requiring it to agree to regulatory alignment and specific non-regression clauses, but at the same time excluding the UK from the decision making process, restrains the UK from determining its own domestic policies and priorities. However, the NFU believes that there is a balance to be struck between:

- maintaining the high levels of environmental, climate change, social and employment protection we currently enjoy, alongside appropriate levels of regulatory equivalence with trading partners in the EU to maintain the smooth flow of trade in agri-food products, and
- ensuring a degree of regulatory autonomy so that our regulations are designed to take into account the specific conditions and challenges of the UK's unique circumstances, which may in some instances mean that priorities differ to those which are applied at EU level.

The UK is presently enacting a number of pieces of domestic legislation and other policy commitments that will at least maintain our high levels of protection in these areas, including:

- 1) An Agriculture Bill that puts the concept of public money for public goods at the heart of our domestic agricultural support policy.
- 2) An Environment Bill that incorporates a number of important environmental principles into UK law and the creation of an Office for Environmental Protection. This powerful regulator will hold Ministers, and others, to account on environmental matters and will ensure that Ministers do apply the environmental principles when exercising their functions.
- 3) In June 2019, the UK became the first major economy in the world to pass laws to end its contribution to global warming by 2050. The target requires the UK to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels. The NFU supports the UK government's ambition to be global leaders in climate friendly farming and has proposed that the UK agriculture sector be net zero by 2040, i.e. 10 years ahead of the government commitment.
- 4) Proposed animal welfare legislation that address limits on journey times for animals going for slaughter or further fattening.

The UK Government has underlined that it has no intention of entering a race to the bottom on UK domestic standards for its farmers. What is vital to the NFU is that the government does not simply reserve the right to diverge on regulations with the EU in order to make space for greater imports of food from elsewhere in the world produced to lower standards than those required of our own farmers.

Managing divergence over time

From an agriculture perspective, our concerns revolve around the impact of potential regulatory divergence when it comes to SPS and Technical Barriers to Trade (TBT) issues. We accept that the government does not wish the UK to remain fully aligned to all EU rules and regulations once we leave the current transition period and that it has categorically rejected any arrangements requiring the UK to remain aligned with EU. However, the reality is that on day 1 post the transition period, and until such time as the UK Parliament or the EU institutions decide to legislate change, the UK rule book will continue to be aligned with the EU acquis. If divergence does occur over time (following a full economic assessment of the consequences) - then and only then - should any additional arrangements that might increase friction come into effect, for instance additional checks and documentary requirements.

We therefore urge the government (and the EU) to recognise the unique starting point between the UK and EU, and commit to keeping friction as minimal as possible by negotiating advanced equivalence mechanisms that allow for the recognition of each other's standards and continued close alignment to keep trade flowing as freely as possible from administrative burdens.

Existing SPS agreements based on precedent do not provide the right template for the UK-EU relationship and a bespoke solution must be developed which covers all food made of animal products and controlled plant materials, ensuring the least level of friction achievable and reduces the costs associated with compliance. The challenge for the future lies in minimizing the negative effect on trade if regulatory standards were to start to diverge and/or if the UK signs up to trade deals that allow imported product of a non-equivalent standard to domestic production to circulate on the UK market. We believe negotiators should agree an up-front process and set of principles on how to deal with the potential divergence of standards over time, for example through an FTA committee structure and, if necessary, by dispute settlement.

The parties should observe the following key principles for minimising friction:

1. In the first instance maintain the existing "EU retained legislation" in the areas of SPS – with mutual recognition of each-others rules and adapt to reflect acceptable technical changes.
2. If, and where divergence occurs – manage this on a case by case basis through enhanced equivalence agreements.
3. Where enhanced equivalence is not granted, the exporting country should provide additional guarantees in order to meet the standards of the importing country (for example as per the EU / New Zealand Veterinary Agreement).
4. Where additional guarantees are not granted, trade could revert to a non-preferential basis.
5. Recognition of limitations to established equivalence models, for example in the area of processed agricultural products and with phytosanitary measures where negotiators will need to develop bespoke solutions to minimise friction and damage to UK / EU integrated supply chains.

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?

The implementation of the Withdrawal Agreement covers key issues regarding the UK and EU future relationship. Therefore, progress on issues like the implementation of the Northern Ireland Protocol are essential to the establishment of a new and stable relationship between the UK and the EU. Prior to the Protocol between Northern Ireland and Ireland entering into force, the UK Government should undertake an assessment of the economic consequences and administrative barriers that could arise within the UK's internal market and set out mitigating measures to assist businesses in adjusting to these additional burdens. These may arise, for instance, as a result of checks and additional costs on trade between Great Britain and Northern Ireland, and will be particularly important to mitigate bearing in mind the importance of this trade route for producers and consumers in NI and GB. The NFU is also very concerned that goods that move from the Republic of Ireland to Northern Ireland without checks or tariffs being applied could move on undetected to the GB market, representing a back door entry into the UK market that undermines the notion of fair terms of trade and acts for the benefit of non-UK businesses while harming UK farmers.

The UK and the EU have chosen a different format for the structure of the agreement on their future relationship. The UK wants a Comprehensive Free Trade Agreement (CFTA) covering substantially all trade to be supplemented by nine international agreements covering, principally, fisheries, law enforcement and judicial cooperation in criminal matters, transport, and energy. The UK's position is that all these agreements should have their own appropriate governance arrangements, with no role for the EU Court of Justice. On the other hand, the EU wants a single package formed of:

- General agreements (governance)
- Economic arrangements (trade and level playing field)
- Security arrangements (law enforcement, foreign policy, security and defence)

Should a dispute raise a question of interpretation of Union law, the EU suggests that the arbitration panel should refer the question to the CJEU as the sole arbiter of Union law, for a binding ruling. The arbitration panel should decide the dispute in accordance with the ruling given by the CJEU.

The NFU accepts that any role for the CJEU presents a significant issue in the UK with respect to sovereignty which threatens to derail progress on the future relationship and urges both sides to find an acceptable compromise.

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?

The NFU believes that the negotiations to arrive at an agreement on the terms of the UK-EU future relationship should be given as much time as necessary to secure a comprehensive deal that maintains free trade which is as frictionless as possible between the UK and the EU. The implications of leaving the arrangements established during the transition period without reaching an agreement on the future relationship could be hugely damaging for British farming and the broader agri-food sector, and would be comparable to the harmful impacts that would have arisen in a "no-deal" Brexit scenario in March, April or October 2019. It would mean reverting to WTO terms of trade, potentially as soon as January 2021, and would involve the overnight introduction of significant tariffs and non-tariff

measures on exports of UK products to the EU and significant disruption for imports of product from the EU. Furthermore, if the UK has not established its new immigration system in sufficient time for the industry to make the necessary preparations by the time we exit the transition period, the abrupt end of freedom of movement could have severe implications for labour supply.

In light of the Covid-19 outbreak, the NFU has serious concerns about the implications of rigidly sticking to the current timetable which will see the transition period end on 31st December 2020. Firstly, because of the lack of “bandwidth” over the remainder of this year within government, industry groups and individual businesses, to manage both the fallout of the Covid-19 outbreak and the UK-EU negotiations, and to prepare for the impact of a new relationship coming into force in January 2021; secondly, due to the ability of businesses to manage the economic hit from Brexit from January next year, especially in the event of no-deal, alongside the ongoing negative impacts of Covid-19; and thirdly, because it would be prudent to take some time to assess the economic impacts of Covid-19, and to adjust policy priorities accordingly and if necessary, especially regarding the nature of the UK-EU relationship, the timing and form of future agricultural policy, the UK’s new immigration system, and the UK’s future trade policy. Given these challenges and the slow progress in making any tangible progress in the months since 31 January 2020, at the very least the government should indicate it is open to seeking ways to minimise the negative effects of reverting to hugely unsatisfactory WTO terms from 1st January, even if it remains its intention to conclude negotiations with the EU by the end of the year.

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

The EU Withdrawal Agreement Act 2020 has considerably weakened Parliamentary oversight of the Brexit process from the role which was originally envisaged by the Bill introduced to Parliament in October 2019. This makes meaningful engagement and consultation with businesses, stakeholders and the devolved institutions in order to inform the UK negotiating position, all the more important.

The NFU is member of the government’s Expert Trade Advisory Group (ETAG) for Agri-food and is also a member of the “F4”, a group of 4 leading stakeholder organisations representing the interests of the agri-food sector. The formal structure of engagement is also complemented by regular contact with officials and Ministerial team. Engagement with government has been positive, but it is not entirely clear that subsequent decision making is based on sound, evidenced based, economic rationale. For example, the overriding objective for most parties seeking to negotiate enhanced trade relations is to minimise friction, yet the government does not appear to be making the most of our unique starting point of alignment to seek bespoke solutions with the EU, rather relying on existing precedents offered to more distant trading partners, such as New Zealand or Canada to inform negotiating positions. It would be useful for government to be more transparent about relevant cost/benefit analysis and publish impact assessments to accompany policy decisions.

Government’s “No-deal preparations for the possibility of a non-negotiated outcome at the end of the time limited transition period have continued to be developed. However, many of the decisions and information that businesses and trade associations will require to prepare members for such an outcome is still not available. With just less than 6 months to the end of the transition period, it is essential that government is clear what will be required of businesses and that the information is made available to allow time for adequate preparation.

NFU would stress the importance of maintaining good lines of communication between the UK and the devolved governments with respect to the UK negotiation position, not least because many of the obligations that a concluded trade deal will give rise to, will need to be delivered, implemented and overseen at a devolved level. This is particularly true in relation to agricultural and environmental matters.

The UK economy is not of course homogenous. For example the Welsh economy differs from the wider UK economy in that trade with the EU accounts for 60.7% of its exports, compared to 49.5% of the UK's exports¹, and so getting the right sort of future relationship with the EU27 is therefore particularly important. Ensuring that devolved interests help inform the UK negotiating position should help identify, avert and minimise negative impacts that could stem from proposed trade deals as regards their impact on Wales.

Although there is no formal role for the devolved institutions in the Brexit negotiations, the Joint Ministerial Committee (EU Negotiations) provides a forum by which Welsh interest may be represented by the Welsh Government to UK Government as far as negotiations with the EU27 are concerned. NFU welcomes this provision and going forward we would suggest that a similar intergovernmental forum needs to be founded in order to cover trade negotiations with entities and countries other than the EU27, a Joint Ministerial Committee on International Trade.

July 2020



Committee on the Future Relationship with the European Union

House of Commons, London, SW1A 0AA

Email: freucom@parliament.uk Website: <https://committees.parliament.uk/committee/366/committee-on-the-future-relationship-with-the-european-union/>

16 July 2020

Ms Minette Batters
President
National Farmers Union

Dear Ms Batters,

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.

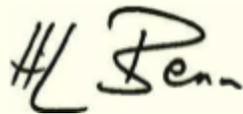
- What are the key priorities of the agri-food sector in the negotiations?
- To what extent did the UK Government consult the agri-food sector before publishing its negotiating aims and draft texts? How well does what the Government has proposed meet their needs? What further provisions would you have advised the Government to seek?
- How do the UK and the EU's positions in the negotiations on the future relationship compare regarding agricultural products and food? What is your assessment of the level of technical detail the negotiators have grappled with on this topic to date? How might they impact on the agri-food sector? Could you sketch out a possible compromise in this area?
- How do the UK and the EU's positions in the negotiations on the future relationship compare regarding geographical indications and plant varieties? How do they compare to the provisions already in the Withdrawal Agreement? How might they impact on the agri-food sector? Could you sketch out a possible compromise in this area?
- How do the UK and EU's positions in the negotiations on the future relationship compare regarding the transportation of goods? To what extent are they linked with the wider discussions on the level-playing field? How might they impact on the agri-food sector? Could you sketch out a possible compromise in this area?
- How do the UK and EU's positions in the negotiations on the future relationship compare regarding Rules of Origin? How might they impact on the agri-food sector? Could you sketch out a possible compromise in this area?
- How do the UK and EU's positions in the negotiations on the future relationship compare regarding labour mobility? How might they impact on the agri-food sector? How might any concerns from the agri-food sector be addressed by the new immigration regime?
- How would the Northern Ireland Protocol interact with any free trade agreement covering agricultural products and food? What are the risks and opportunities to GB and

NI agri-food producers and retailers of the potential difference in the agri-food regime across the Irish Sea?

- Based on the parameters set out by the UK and EU draft legal texts, could reaching an agreement with the EU restrict the UK's ability to pursue a free trade agreement covering agricultural products and food with third countries? If so, how? Do you anticipate the Trade and Agriculture Commission examining this topic?
- What would happen if agreement was not reached between the UK and the EU on agricultural products and food? What would be the impact on UK farmers of having to pay tariffs?
- If there was no agreement, what would be the international legal baseline they would fall back on?
- How might the Border Operating Model assist the agri-food sector in adjusting to a scenario whereby the Transition Period ends without a trade agreement in place?
- Is it clear what the agri-food sector must do to prepare for the end of the Transition Period? How much progress have been made on preparations so far? Do SMEs face any additional challenges?
- What has been the impact of Covid-19 on the agri-food sector? What lessons can be learned from this that could assist in preparations for a new regime after the Transition Period ends?

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,

A handwritten signature in black ink, appearing to read 'H. Benn'.

Hilary Benn
Chair of the Committee