

House of Commons:

**COMMITTEE ON THE FUTURE RELATIONSHIP WITH THE
EUROPEAN UNION**

Progress of the negotiations on the UK's Future Relationship with the EU

Call for written evidence:

**Submission from the Agriculture and Horticulture Development Board
(AHDB)**

29 July 2020

Executive summary

AHDB's inquiry submission details:

- The significance of UK /EU trade in the agri-food sector and future potential implications of the UK leaving the EU
- Tariffs, State Aid and the role of access to labour for the agri-food sector
- The potential implications of a no-deal scenario
- The impact of Covid-19 and revised analysis on prospects for the agri-food sector over the next 12 to 18 months

AHDB

The Agriculture & Horticulture Development Board (AHDB) is a statutory levy board funded by farmers, growers and others in the supply chain. Its purpose is to make our agriculture and horticulture industries more competitive and sustainable through factual, evidence-based advice, information and activity. It is a Non-Departmental Public Body (NDPB) and supports the following industries: meat and livestock (cattle, sheep and pigs) in England; horticulture, milk and potatoes in Great Britain; and cereals and oilseeds in the UK. Our remit covers 72 per cent of total UK agricultural output.

Please note: As an evidence-based NDPB, AHDB is not in a position to comment/speculate on all questions relating to this inquiry.

AHDB welcomes the opportunity to provide written evidence to the committee and would be happy to provide a witness to give further information at future oral evidence sessions.

Inquiry questions and AHDB's response

1. ***What are the key priorities of the agri-food sector in the negotiations?***
2. Trade with the EU is important to the UK agri-food sector. AHDB has published a detailed report, [Brexiteers prospects for UK agri-food trade](#), on how the sector could be affected. The report highlights that the UK is a big net importer of food from the EU, although there are some sectors where the UK is a net exporter. Ensuring tariff-free and as frictionless as possible trade with the EU would be a key priority.
3. It is important to note that as well as exporting to and importing from the EU is important there is often movement of food products between the two as part of the manufacturing process. For instance the UK exports cow beef to the Republic of Ireland and to the Netherlands for processing before it returns as a processed product. This carousel trade is particularly important between Northern Ireland and the Republic of Ireland, where supply chains have evolved which cross the border.
4. ***How do the UK and the EU's positions in the negotiations on the future relationship compare regarding agricultural products and food?***
5. It appears that both the UK and EU want tariff-free access to each other's markets. The key difference is how each party intends to deliver this. The EU appears focused on protecting itself from possible unfair competition by ensuring there is a level playing field, where both parties are committed to operating with the same standards. The UK aims to use equivalence in this area to enable the development of different rules and regulations over time.
6. There are also differences around the level of autonomy the UK would have around setting its own State Aid rules. The EU also wants to establish special agricultural safeguards which could be used to limit trade in special circumstances.
7. ***How do the UK and the EU's positions in the negotiations on the future relationship compare regarding geographical indications and plant varieties? How might they impact on the agri-food sector?***
8. This is another area where the EU wants complete alignment, but the UK is seeking autonomy. For instance on Geographic Indications (GIs) the UK has said it will recognise existing EU GIs, but will not guarantee to recognise all future GIs. Instead, it may seek to review this in the future.
9. On plant varieties the UK aims to establish a domestic system which will require plant variety rights to be approved in the UK and the EU separately (if the breeder was seeking to export to the EU). There will be additional costs to go through two regulatory approval processes, which will ultimately need to be recovered from the supply chain. While this will add cost, it will enable the UK to diverge from the EU position, should it so choose.
10. ***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?***
11. It is worth noting that enhanced customs processes between the UK and EU and vice versa will add cost to trade. Non-tariff measures (NTMs) are particularly high for more sensitive products, such as livestock products, as customs requirements, inspections and load rejections will add costs to the supply chain.
12. There have been a variety of modelling studies around the impact of the UK leaving the EU, and these show that trade friction costs can be around 10% for livestock products even in the event of a trade deal being agreed. AHDB commissioned a detailed study, the [Red Meat Route to Market Project Report](#), on these costs for red meat products in partnership with the other levy boards Quality Meat Scotland (QMS) and Hybu Cig Cymru – Meat promotion Wales (HCC). This report concluded that in a no-trade deal outcome, exports of beef and sheep meat to the EU would fall by 92.5%.

13. ***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?***
14. Access to a skilled and motivated workforce is critical to the competitiveness of the agri-food sector. Currently, a number of sectors of the industry (notably horticultural production and food packing and processing) are dependent on the use of EU migrant workers. Within agriculture alone there are over 22,000 EU-born workers, against a total workforce (excluding seasonal and casual labour) of around 115,000. EU migrants are also important in filling seasonal roles with estimates of around 50-60,000 roles being taken predominantly by EU workers. This is detailed further in our report [The impact of Brexit on the UK agricultural workforce](#).
15. AHDB modelled the potential impact of a more restrictive approach on labour within our Brexit impact assessment work (conducted April 2019) [Understanding Brexit: An impact assessment for England farm types](#). This work concluded that labour costs may rise in agriculture and horticulture by around 50% over a two-year horizon.
16. The Government's points-based immigration system prioritises qualifications, those with specific technical skills and with higher earnings. Most migrants working in agriculture, horticulture and the food processing industry would not meet the criteria as currently constructed.
17. ***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?***
18. The main opportunity from the protocol is that it will eliminate tariff and non-tariff barriers between north and south. As outlined earlier there is a significant carousel trade as supply chains have emerged which cross the border.
19. There are also risks that the cost to trade between GB and NI will increase as a result of an increased regulatory burden on business. For instance companies in Northern Ireland exporting to GB via Dublin Port will need to deal with customs paperwork going into the Republic of Ireland and then onto GB. On the flip side to this point, if paperwork requirements and checks are minimised there is a risk that Northern Ireland could be used as a backdoor for tariff-free access into GB for trade from the EU.
20. ***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?***
21. The UK Government has recently published a revised set of tariffs which it would apply to countries which it does not have a trade agreement with from 1 January 2021. This UK Global Tariff (UKGT) is broadly a similar level to the EU common external tariff – which is significantly higher than the temporary no-deal tariffs' which were proposed ahead of the original deadline for the UK to leave the EU.
22. We are not aware of any published impact assessment on the impact of the new UK tariffs. AHDB has commissioned modelling of the impact of the previous tariffs which can be found in our [Understanding Brexit: An impact assessment for England farm types](#)
23. Based on this work and our understanding of agricultural markets we would expect the farming industry to be significantly impacted by the imposition of tariffs. Where the UK is a net exporter to the EU – such as for lamb and barley we would expect UK domestic prices to fall by 25% and 12% respectively.
24. Where the UK is a net importer we would expect prices to rise, this would benefit food producers in the UK in the short term, but would result in higher food prices for consumers, if all other things were to remain equal. However, it is important to note that the UK Government is discussing future trade deals with other countries around the world, and would have the power to reduce tariffs in the future or take other steps to enable imports to come in below this tariff level.

25. ***If there was no agreement, what would be the international legal baseline they would fall back on?***
26. The World Trade Organisation (WTO) set the legal baseline in this area. This would involve both the UK and EU applying their respective most favoured nation (MFN) tariff rates. As previously discussed these tariffs are high in the area of food products and would significantly restrict trade between the UK and EU. In addition, the UK has negotiated a number of continuity trade deals with other countries around the world.
27. ***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?***
28. AHDB conducted a representative survey of more than 2,000 farmers in the sectors we collect levy in November and December 2019. This survey found that the majority of farmers (54%) were adopting a 'wait and see' approach to EU exit. This is to say that had not taken steps to prepare or had put any plans in place to make changes in the future.
29. ***What has been the impact of Covid-19 on the agri-food sector?***
30. Over recent months the food industry and AHDB itself has had to focus on the Covid-19 crisis. In short, Covid-19 has caused disruption to the food supply chain. The main impact on food has been on the demand side, notably with the closure the closure of cafes, tea rooms, restaurants and pubs and other foodservice outlets resulting in fundamental shifts in the types of food products consumers are buying and the channels they are buying from.
31. The ability for different supply chains to respond to this has been variable, with the dairy sector an example of one where supply chains set up to service the eating out market have struggled to divert supply to the retail channel. Impact on demand side – knock on to supply chains. AHDB analysis showed that in April, May and June, the financial impact on GB Dairy farmers as a result of COVID-19 was £41.08m with the largest financial impact to farmers would have been as a result of the reduction in milk price. Further analysis on the financial impacts is detailed in [*'The financial impact of COVID-19 market disruption and production reduction measures on dairy farmers'*](#), published on the AHDB website
32. AHDB has published a significant amount of intelligence and resources to support the industry in this area which can be accessed on our website here <https://ahdb.org.uk/coronavirus>. In addition, we have conducted detailed analysis in our latest [*Agri Market Outlook*](#) on our website which reviews sector prospects for the coming 12-18 months and explores the longer term impact of economic and policy drivers on our industry, including the potential fallout of the coronavirus pandemic
33. ***Further information***
34. Any queries relating to this submission should, in the first instance, be directed to Andy Hutson, AHDB Public Affairs Manager, Agriculture and Horticulture Development Board, Stoneleigh Park, Kenilworth, Warwickshire CV8 2TL. T: 024 7647 8822 E: andy.hutson@ahdb.org.uk