Culture, Tourism, Europe and External Affairs Committee
Inquiry - Article 50: Preparedness
Written submission from NFU Scotland

Article 50 Preparedness – NFU Scotland Response

- Since the outcome of the EU referendum, NFU Scotland (NFUS) has argued strongly for free and frictionless trade to continue with the EU after Brexit. Without membership of the Single Market, NFUS has also advocated maintained membership of a Customs Union which would protect the UK’s extremely high standards of production, and the delicate balance of trade flows. Maintained movement of people is also a key priority for NFUS, as the agricultural and food processing sectors rely heavily on non-UK nationals coming to work in vacancies in our sector.

- What has become known as the ‘Chequers’ agreement does not deliver on all these points, but in the absence of any better alternative, NFUS and the other UK farming unions welcomed the negotiating position as the most sensible way forward – in particular, the specific commitment to seek to achieve a free trade area for agri-food.

NFU Scotland position on Article 50 negotiations

1. As the largest organisation representing farmers and crofters in Scotland, NFUS has been involved in a range of industry and stakeholder groups that have received updates from UK and Scottish government on the progress of the negotiations. The Brexit Livestock Group, convened by the Livestock Auctioneers Association Limited, and the Brexit Arable Group, convened by the National Association of British and Irish Millers, are two examples of these groups that have received regular, sector-specific updates on progress with input from both governments.

2. Through its Brussels representation (the Brussels Agricultural Bureau – BAB), NFUS has also been party to regular updates from colleagues in Brussels on progress with negotiations from the EU side. This has run alongside the intensive engagement which NFUS has undertaken with both UK and Scottish governments in order to promote the Brexit priorities of its 8,500 members.

3. NFUS welcomed the agreement between the UK and EU negotiators for a time-limited implementation period expiring on 31 December 2020. Agricultural businesses plan over many years and business decisions on animal rearing and planting are being taken now that will have an impact in three or four years’ time. A smooth transitional period is therefore vital for the agricultural industry, as is continuity after the expiry of the transition period is also vitally important. NFUS has consistently argued that free and frictionless trade with the EU must be a first priority in the negotiation of the future UK/EU relationship so that farmers and crofters don’t face a ‘cliff edge’ scenario in March 2019, December 2020 or at some undefined date after transition.

4. NFUS agrees that the government, like any responsible business, should rightfully should plan for any outcome. However, NFUS continues to have grave concerns about the lack of time left to achieve a deal that is meaningful on both sides. Whilst it was
hoped that the Chequers declaration in July 2018 was indicative of some progress, the subsequent politicisation of the agreement has been very damaging to the confidence of the agricultural businesses which NFUS represents. NFUS is growing increasingly concerned that continued stagnation of the UK Government’s approach towards its Brexit negotiating stance, and the obstructive position taken by EU negotiators at the September Saltsburg summit, could lead to ‘no deal’ as an inevitability.

**The impact of ‘no deal’**

5. To be clear about what a ‘no deal’ Brexit would look like for the agricultural sector, it would mean no transition period between March 2019 and December 2020, which would be hugely destabilising for the farming industry. It would also mean the UK becoming a third country overnight, bringing in hard borders and the World Trade Organization (WTO) default being imposed. That runs completely contrary to NFUS’ desire for trade to be as friction-free as possible.

6. ‘No deal’ would also end freedom of movement overnight. Whilst NFUS recognises that it is an ambition of the UK Government to control migration – a position which NFUS does not support regardless of whether or not there is a deal – such an outcome would result in huge uncertainty for the vast amount of EU nationals who come to work on Scottish farms and in the food processing industry on a seasonal and a permanent basis. This could result in significant supply chain disruption.

7. Third country status would put the UK on the same trading basis with Europe as any other country in the world. If Scotland did not have free access to the European Union, then exporters of red meat would face tariff rates of 92 percent on exports of whole beef carcases; 45 percent on a lamb carcase and 53 percent on a pig carcase. These tariffs don’t include any additional cost of export certification and any costs associated with potentially lengthy delays at ports. This is simply unacceptable to NFUS, particularly as the livestock industry is such an iconic part of the Scottish agricultural industry.

8. There is also the threat that a ‘no deal’ with Europe may see a knee-jerk reaction from the UK Government that bring in "panic deals" with Third Countries like the US, Mercosur, Canada and the Antipodes.

9. Farmers and crofters in Scotland are proud to produce food and drink to some of the highest standards in the world. High standards of production come at a cost – but one that pays dividends in giving Scottish produce high value in foreign markets which recognise this provenance and Unique Selling Point. NFUS has set out its grave concerns to the UK Government that the excellent standards of production adhered to in Scotland must be met by any agricultural and food imports. If this is not written in to any future trade deal with third countries, domestic producers could be undercut by cheaper produce produced to much lower standards. This is a red line for farmers and crofters in Scotland.

10. In contrast, a deal on the UK’s withdrawal gives the agricultural industry a clear opportunity to manage change and establish a clear operating and trading environment. That offers a degree of certainty that businesses need. With confidence increasingly fragile, industry needs clear and positive signals from governments in this regard.
NFUS position on UK Government’s technical notices

11. As outlined, it is important that the UK Government prepares for any outcome however NFUS reiterates its position as regards the possibility of a ‘No Deal’. A large number of the UK Government’s technical notices concern issues directly involving, or connected to, agriculture and the food and drink supply chain.

12. Without commenting on every relevant technical notice, in general NFUS wishes to highlight that the technical notices regarding trade with the EU and future support are a reiteration of previous statements from the UK Government rather than substituting any solid plan for businesses. As such, it is very difficult for the agricultural businesses that NFUS represents to plan accordingly.

13. The technical notice on farm payments¹ states that: “The government has pledged to continue to commit the same cash total in funds for farm support until the end of this parliament, expected in 2022: this includes all funding provided for farm support under both Pillar 1 and Pillar 2 of the current CAP. This commitment applies to the whole UK.”

14. This statement is in line with previous statements made by the UK Government (see Annex). NFUS had previously welcomed the guarantees, which provide at least some stability and certainty but it is clear that this stability and certainty can only be in the very immediate short term after Brexit.

15. Agricultural businesses plan over many years. Whilst NFUS understands that governments cannot make commitments beyond their lifetime, without confidence about the future of farm payments beyond 2022, Scottish farm and croft businesses have no clear steer on how they should prepare beyond this time – particularly if, in the wake of a ‘no deal’ Brexit, trade flows are significantly disrupted.

16. In addition to this, NFUS has repeatedly asked the UK Government to clarify its statements regarding “farm support” up to 2022. UK Government has not defined which schemes under the Common Agricultural Policy Pillars 1 and 2 would be funded up to 2022. This is particularly concerning in terms of Pillar 2 schemes. Pillar 2 support covers multi-annual agreements such as Agri-Environment Climate Schemes, the Beef Efficiency Scheme, and advisory support via the Farm Advisory Service. Pillar 2 also encompasses lifeline payments such as the Less Favoured Area Support Scheme.

17. NFUS also has significant concerns about the content of the technical notice regarding ‘producing and processing organic food if there’s no Brexit deal²’, which suggests that organic agri-food products would not be allowed into the EU until UK organic certification bodies are officially recognised by EU Commission. As this stand, this approval could take up to nine months. NFUS is concerned this could effectively result in a trade embargo on organic exports to the EU – a hugely destabilising outcome for organic producers.

18. In the UK Government’s paper ‘producing food products protected by a geographical indication if there’s no Brexit deal³’ the UK Government sets out its intention to establish

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a new, UK scheme for Geographical Indications whether or not the UK leaves the EU with a deal. NFUS has numerous concerns with this approach, over and above the possibility of a 'no deal' outcome.

19. NFUS has set out in writing to the Secretary of States at the Department for Exiting the EU, Department for Food, Environment and Rural Affairs, and the Department for International Trade\(^4\), its preference that the UK seeks accession to the existing EU scheme for protected food names and geographical indications. It is concerning to NFUS that the UK Government’s position would have UK producers that are seeking protected food name status apply to a domestic UK scheme and a separate EU scheme, due to the added bureaucracy. Clearly, it is also of great concern to NFUS that the food name protections that Scottish products currently have could be lost under new trade deals if the existing system of mutual recognition with the EU is not maintained.

Annex

Since the referendum the UK Government set out that:

- The UK agriculture sector will receive the same level of funding that it would receive under Pilar 1 (direct support) of the Common Agricultural Policy (CAP) until the end of the EU’s Multi-annual Financial Framework (MFF) in 2020 (13 August 2016)

- CAP Pillar 2 (rural development support) projects signed before the UK leaves the EU will be honoured (3 October 2016)

- Less Favoured Area Support Scheme (LFASS) applications made in 2019 will be honoured (31 August 2017)

These statements are in addition to the Conservative Party Manifesto commitment in 2017 which said the party, if elected, would deliver “the same cash total in funds for farm support” until the end of the parliament, which is in 2022.