NFU SCOTLAND’S BREXIT GOALS FOR A SUSTAINABLE AND PROFITABLE AGRICULTURAL SECTOR

- As the triggering of Article 50 is imminent, this briefing sets out the very clear goals of NFU Scotland (NFUS) on the key issues that must be addressed in order to ensure a more certain future for Scottish (and UK) agriculture and a more productive and profitable future for all farming businesses.

TRADE

The UK Government has signalled that it will seek to leave the EU Single Market and the Customs Union. It will seek to create a “bold and ambitious” Free Trade Agreement (FTA) with the EU and a new customs tariff. Whilst the UK does not need to reapply to the World Trade Organization (WTO) on leaving the EU, on Brexit, the UK will need to have its own, new schedules covering trade in goods and services at the WTO certified by other WTO members.

The Scottish Government’s paper, *Scotland’s Place in Europe*, sets out various options which would effectively retain Single Market membership via the European Economic Area (EEA) and European Free Trade Area (EFTA) for Scotland regardless of the rest of the UK leaving.

Trade with the EU

FTAs take multi-tasking to the limit. Recent experience has seen global FTAs stall, with bilateral deals taking centre stage. Negotiators must understand what different sectors of the agricultural industry will need and want from any trade deal.
Barriers to trade in the form of tariffs or regulation and the level at which these are set will be key to the continued competitiveness of the UK’s farming and growing sectors.

Across all sectors, trade with the EU will be changed radically if the UK loses tariff-free access to the Single Market and imposes tariffs on EU imports. Whether these will represent an opportunity or threat depends on each sector’s reliance on imports and exports, both within and without the EU.

As yet, it is unknown how the European Commission will adjust tariffs and tariff-rate quotas when a member state leaves the EU. The most significant concern for NFUS is the impact of imposed tariffs for red meat exports into the EU – in excess of 90 per cent of the UK’s beef and lamb exports currently go to the EU.

It is possible that interim measures may need to be put in place before we reach the end goal of the FTA. However, NFUS is clear that that interim measures must not be unilateral trade liberalisation, or the WTO default.

A further dimension to these considerations is the options set out in the Scottish Government’s paper, *Scotland’s Place in Europe*, which would effectively retain membership of the European Economic Area (EEA) and European Free Trade Area (EFTA) for Scotland regardless of the rest of the UK leaving.

NFUS considers the paper to be a valuable contribution to the debate that is worthy of careful consideration. However, it is technically and politically challenging. Moving to a EEA – EFTA model similar to that currently held by Norway, would exclude most agricultural products – requiring the sector to secure a special deal that would allow tariff-free movement of agricultural products. As yet, the capability to negotiate such deals is unknown, as is the amount of time such deals would take to ratify.

- **NFUS wants to continue tariff-free trade with the EU and for no regulatory barriers to trade to be put in place.**
- **NFUS asks that UK Government secure a transition agreement with EU negotiators, to ensure that existing trading arrangements continue until an FTA is reached.**
- **NFUS asks when UK Government will respond to the Scottish Government’s options paper.**
Trade with the Rest of the World

‘Scottish is premium British’, and it is on this reputation of provenance and high production standards that NFUS sees opportunities in new export markets elsewhere in the world.

With the Prime Minister indicating that the UK will leave the Customs Union in order to set our own schedule, NFUS seeks pragmatism in recognising the amount of time it will take to secure future trade deals with new international partners as well as the possibility that the UK may be required to pay the same external tariffs.

Any Brexit outcome that results in the UK importing cheaper food would be hugely damaging to the farming, food and drinks sectors of Scotland and the UK. Sucking in food imports also means exporting jobs and incomes in the domestic farming and food supply chain, as well as animal welfare and environmental responsibilities beyond our shores.

- Food production and consumption should never be based on price alone, but also provenance, quality and exacting standards. NFUS calls on UK Government to set out a clear signal that any FTA will protect the UK market from cheap imported produce.
- NFUS calls on UK Government to prioritise international trade deals in those markets that offer the best opportunity for export – Canada, USA and the United Arab Emirates being three examples.

FTAs and Equivalence

In terms of what the Scottish food and farming sector would look to government to achieve in agreeing FTAs, NFUS considers it must meet the following:

- Equivalent standards across the board – a consistent approach must be adopted which requires potential trade partners to produce to certain standards so that the UK’s very high animal welfare and traceability standards are not undermined.
- In terms of the EU FTA, limited regulatory divergence so that no non-tariff barriers are introduced.
- Introduction of robust rules of origin requirements on produce being exported out of the UK to avoid customs tariffs.
LABOUR REQUIREMENTS

The vital role of migrant labour in the success of the UK’s farming and food and drinks industries cannot be over-emphasised. The UK Government has said it will design a new immigration policy based on the premise of “controlled migration”.

For the farming and food production industry, there are various strands to this: temporary/seasonal labour; permanent labour; labour on-farm and off-farm; and skilled and unskilled labour.

- NFUS calls on UK Government to clearly define what new ‘controls on movement of people’ will mean in these contexts.

Temporary/Seasonal Labour

NFUS has repeatedly demonstrated the damage that could be levelled on the Scottish fruit and vegetable sectors if they are not able to access up to 15,000 seasonal workers that undertake work in Scotland on an annual basis. The same can be said for many that work within the processing sectors, notably red meat.

- NFUS strongly urges the UK Government to consider a return to the Seasonal Agricultural Workers Scheme (SAWS), or an equivalent, which would allow fruit and vegetable growers to employ workers from the EU for up to six months at a time within the limit of an annual quota.

Permanent Employees

There is a significant concern that a points-based system led by skills will be of limited use to the agricultural and food processing industries in particular, as there is clear demand for skilled and unskilled workers.

UK Government must not work to the assumption that low-skilled job vacancies will be filled by the resident unemployed. It is vital that any new immigration scheme allows non-UK workers to fill vacancies in the sector.

- NFUS wants UK Government to carefully consider its approach to any new visa scheme to bring permanent employment into the UK from the EU.
SUPPORT FOR FARMING AND RURAL DEVELOPMENT WITHIN A FUTURE AGRICULTURAL POLICY

Upon leaving the EU, the UK will also depart from the Common Agricultural Policy (CAP). It is generally accepted by governments that a successor policy of some sort is needed to support the agricultural industry, rural economy, communities and the environment in the medium to long term. The question is how this policy will be delivered, and funded.

Adequate Funding

Scotland currently receives some 16 per cent of the current intra-UK allocation of CAP funding. If a future agricultural budget is not ring-fenced, Scotland’s share of funding could be subject to the Barnett Formula which would cut the allocation to 8 or 9 per cent.

NFUS welcomes the comments of the Secretary of State for Scotland and the Minister for Agriculture, Fisheries and Food¹ suggesting that government intends to retain the quantum of funding that is currently delivered within a successor agricultural policy.

It is clear to NFUS that, upon renationalisation of agricultural policy from Europe to the UK, the budget responsibility will sit with UK Government as the sovereign state. It will then be for the UK and Scottish Governments to agree a methodology that ensures Scotland retains a share of that budget, to finance its devolved delivery of that successor scheme.

- The UK and Scottish Governments must reach agreement on a methodology that retains at least the same absolute level of funding going into Scottish agriculture as before, and that it be ring-fenced for agricultural and rural support in the same way as the CAP currently delivers support.

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¹ In March 2016, the Minister for Agriculture, Fisheries and Food, George Eustice MP stated “The UK government will continue to give farmers and the environment as much support - or perhaps even more - as they get now”. [https://hansard.parliament.uk/commons/2017-01-18/debates/5E9CDDE1-6632-4A4B-B7C8-64BAE4998CCE/Agriculture](https://hansard.parliament.uk/commons/2017-01-18/debates/5E9CDDE1-6632-4A4B-B7C8-64BAE4998CCE/Agriculture]

- On 18 January 2017, the Secretary of State for Scotland, David Mundell MP stated: “There is no suggestion that funding to Scottish agriculture will be cut”. [https://hansard.parliament.uk/commons/2017-01-18/debates/5E9CDDE1-6632-4A4B-B7C8-64BAE4998CCE/Agriculture](https://hansard.parliament.uk/commons/2017-01-18/debates/5E9CDDE1-6632-4A4B-B7C8-64BAE4998CCE/Agriculture)
**Repatriation of agricultural policy**

NFUS has consistently pressed governments about the significant diversity in the Scottish farming landscape and the performance of agricultural business, and the fact that viability for many remains vulnerable. It is vital that the unique needs of the Scottish agriculture industry are not overlooked in the development of a new agricultural policy framework.

NFUS understands that the UK Government’s preference is to establish a UK-wide framework for a future agriculture policy which would have devolved capacity to allow that policy to be tailored to fit the unique needs of the devolved administrations. Meanwhile, the preference of Scottish Government is to have full repatriation of these powers, along with any budget responsibilities for funding that policy.

The CAP has been implemented and delivered by Scottish Ministers since the 1998 Scotland Act – a devolved area which, on the whole, has positively worked for Scottish farmers and crofters and to the benefit of the wider agricultural industry. NFUS is resolute that there must be no change to the powers of the Scottish Government in this regard.

It is therefore clear to NFUS that the devolution settlement gives Scottish Ministers the discretion to develop policy that is best fitted to the needs of the agricultural industry they have served since the inception of devolution.

Only then will it be appropriate for the devolved administrations to enter into discussions with UK Government about which areas of the four UK successor agricultural policies are best fitted into a UK ‘framework’ approach – the regulation of pesticides, chemicals, plant protection and animal welfare are some areas where this would be a sensible approach.

It is equally vital that, in order to prevent distortion of intra-UK trade, that devolved agricultural policies do not diverge significantly.

- NFUS is clear that any approach that drops a ‘Defra-centric’, one-size-fits-all policy on to the devolved nations would be unacceptable.
- Consultation, consensus and agreement must be front and foremost of discussions on a future agricultural policy, to ensure that the different needs of England, Wales, Northern Ireland and Scotland are met.
The future agricultural and rural support package must therefore be a commonly agreed framework, with devolved delivery.

NFUS calls upon the Scottish and UK Governments to set out and agree which measures they deem appropriate to fit into a framework approach.

**Policy instruments to support future Scottish agriculture**

There are major opportunities in allowing Scottish farming and crofting businesses to take up new forms of support that enable innovation, restructuring and greater market focus, but if the policy pendulum swings too far and too quickly away from direct income support then many farm businesses will not be able to cope with the rapid loss of funding that cushions against poor and volatile output prices and persisting input and compliance costs – especially in the unknown transition from the Single Market to new FTAs.

However, an over-emphasis on direct support, delivered in ways that replicate the flaws of the CAP that have incentivised inertia, will not serve the interests of Scottish agriculture, nor the food and drinks sector and public interest, in the longer term.

What is clear is that a future support ‘package’ must have scope for all farm businesses - regardless of size and type - to invest and innovate with confidence and to take reasonable risk in the presence of properly targeted direct support in order to adapt to a new operating environment - focussing on performance, profit and the environment rather than farming to secure CAP payments.

NFUS considers that the objectives and principles of future agricultural support in Scotland should be geared towards:

- Basic stabilisation of income which allows farms and crofts to meet basic standards.
- Sustaining less favoured areas, and the remote populations they retain.
- Fostering innovation for new entrants and developing businesses.
- Targeting support at active farmers and farming.
- Delivering more environmental and public benefits.

**REGULATION AND STANDARDS**
A common argument of the Leave campaign was that a UK out of the EU would be empowered to ‘strip back’ the rulebook in terms of agricultural and environmental regulation.

NFUS considers that, given the EU is very likely to remain as a significant trading partner, the UK might find it within its interests to align its regulations and standards closely to those in force in the EU.

It is these rules and regulations that underpin the UK’s very high standards on which we build our world-class food and drink reputation – and global standards are moving in this direction anyway.

Brexit does provide an opportunity, however, to design better-suited, equivalent schemes which far better match Scotland’s landscape and farming practices.

NFUS calls on UK Government to use the Great Repeal Bill as an opportunity to address areas of regulation which are not fit-for-purpose in the Scottish and UK farming contexts, such as:

- Reassess the penalty matrix to ensure compliance penalties are proportionate and fair.
- Develop a code of conduct for inspectors visiting farms.
- Conduct a wider assessment of water quality to ensure Nitrate Vulnerable Zones are appropriate.
- Review rules on tagging for sheep flocks.
- Introduce a robust Country of Origin Labelling scheme for UK food produce.
- Undertake a wholesale review of greening measures to ensure that environmental requirements on farmers are sensible and allow farm businesses to operate profitably and productively whilst also garnering environmental benefits.
- Reassess the current CAP mapping requirements in order to provide stability and certainty for scheme participants and paying administrations alike.