Culture, Tourism, Europe and External Affairs Committee

27th Meeting, 2020 (Session 5), Thursday 12 November 2020

Negotiation on the future relationship between the European Union and the UK Government

Written Submission from NFU Scotland

FUTURE RELATIONSHIP NEGOTIATIONS – NFU SCOTLAND POSITION

- Since the outcome of the EU referendum in 2016, NFU Scotland (NFUS) has consistently argued that agriculture can flourish outside the EU, but only if enabled to operate under favourable trade, immigration and support policies.

- NFUS and the UK Farming Unions have agreed a six-point policy with regard to Brexit, which has been reiterated consistently to the UK Government and key negotiators during the withdrawal and future relationship negotiations. This is as follows:
  - Avoiding a ‘no deal’ outcome and any short-term political and economic turmoil
  - Ensuring as free trade in agri-food goods as possible with our principal EU market
  - Gaining greater regulatory control and discretion over UK farm practice
  - Maintaining access to the seasonal and permanent workforce required by the UK food chain
  - Ensuring international trade fully aligns with domestic production standards
  - Implementing a new agricultural policy framework that supports farmers as food producers, improves productivity and resilience and properly rewards the delivery of public goods.

- NFUS represents 8,500 farmers, crofters and growers across Scotland. NFUS represents a range of members who are involved in direct exports and imports, for whom the risks of a ‘no deal’ outcome would be immediate. The majority of NFUS’s members do not directly export, but would be very susceptible to the secondary market impacts of a ‘no deal’. As such, NFUS has consolidated all available government guidance¹ and is encouraging all businesses within its membership to put the necessary preparations in place.

- NFUS therefore strongly believes that finding a deal with the EU on the future relationship is paramount to secure the future stability and prosperity of the agriculture sector.

¹ NFU Scotland online: [https://www.nfus.org.uk/policy/brexit.aspx](https://www.nfus.org.uk/policy/brexit.aspx)
Brexit readiness

1. NFUS undertook an extensive survey of its membership in summer 2019, the results of which revealed the following:

1.1. 11% of members felt a ‘no deal’ Brexit would have a ‘positive’ or ‘very positive’ impact on their business and 64% viewed it as ‘negative’ or ‘very negative’.
1.2. At that time, 45% had already experienced Brexit-related impacts (direct and indirect) since the referendum – of that, the main issues were increased costs of inputs (54%); putting off new investments (51%); putting off expansion in the business (35%) and difficulty in recruiting and/or retaining staff (12%).
1.3. More positively, 65% had some degree of confidence about their business longevity after Brexit, while 35% had low or no confidence.

2. The survey also found that, at that time, the majority of businesses (74%) had not undertaken any business planning for Brexit.

3. The results of this survey work have vindicated the lobbying priorities of NFUS and the UK farming unions towards Brexit in the last 18 months, and have also justified the regular engagement NFUS has undertaken amongst its membership to put plans in place for their businesses. NFUS continues to highlight the best available guidance to members to ensure that they are putting the right preparatory measures in place for their businesses.

Trade

4. The internal UK market is by far Scotland’s largest market, with nearly 60%\(^2\) of Scottish produce destined for the rUK market. Indeed, the UK is a net importer of food and agri-food products. In 2018, the UK was 61 per cent self-sufficient in all food and 75 per cent for the foods that can be (viably) produced in the UK. The EU is the key source of imported food to the UK, with 28 per cent of food consumed in the UK in 2018 coming from the EU.

2. 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 per cent of UK food, feed and drink exports were to the EU (rising to 74 per cent when alcoholic beverages are excluded) and 70 per cent UK food, feed and drink imports (71 per cent excluding alcoholic beverages) were from the EU.

3. These facts underline NFUS’s unequivocal view that a future trading relationship between the UK and the EU must free of tariffs and quotas and which is as frictionless as possible. NFUS supports the UK Government’s and the EU’s

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common objective of securing a free trade agreement that involves no tariffs, fees, charges and quantitative restrictions on each other’s goods.

4. Without an FTA in place between the EU and the GB at the end of 2020, trade between the EU and GB will revert to a very unsatisfactory WTO-default, including application of the EU’s full Common External Tariff on GB agri-food products destined for the EU market.

5. Based on value of trade in 2017, this would be a new tax equivalent to some £1.36 billion on exports of GB food products (including beef, lamb, pork, dairy products, poultry meat, arable crops, flour, malt, etc.) and place considerable strain on the viability of certain sectors heavily geared towards the EU market or reliant on that market for carcase balance.

6. If EU consumers are not to pay more for GB products, this additional cost would ultimately come off GB farmers’ bottom lines in order to maintain sales. In the extreme, tariffs could mean GB products simply no longer being sold to EU customers as it is priced out of the market.

7. NFUS believes that if a negotiated agreement between the UK and the EU is not agreed by 31 December 2020, there must be no delay in implementing the UK Most Favoured Nation Tariff Schedule as announced in May 2020 from 1 January 2021 and apply it to imports from the EU. There do, however, remain some anomalies in that schedule which require change before then.

8. NFU Scotland disagreed profoundly with the approach of the Temporary Tariff Regime (TTR), proposed in 2019 in face of a ‘No Deal’ departure, 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 still arise.

9. If tariff free, quota free trade is realised, this would achieve one part of NFUS’s ambition for free and as frictionless trade as possible with the EU. However, even with ‘free’ trade there is still scope for ‘friction’. Despite the UK position that will maintain the sovereign right to set production standards at the end of the transition period, issues around the ‘level playing field’ must be addressed by negotiators if there is to be agreement.

10. NFUS believes that there is a balance to be struck between maintaining the high levels of environmental, climate change, social and employment protection under current EU auspices and sovereignty alongside appropriate levels of regulatory equivalence with trading partners in the EU to maintain the smooth flow of trade in agri-food products. Equally vital is ensuring a degree of regulatory autonomy so that regulations are designed to take into account the specific conditions and challenges of the UK’s and Scotland’s unique circumstances, which may in some instances mean that priorities differ to those which are applied at EU level.
11. The UK Government has underlined that it has no intention of entering a ‘race to the bottom’ on UK domestic standards for its farmers. However, NFUS considers it absolutely vital that the UK 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. Such an outcome would seriously impinge the productive capacity of domestic producers by providing unfair competition and would ultimately lead to domestic producers being priced out of the market by inequivalently produced products. For these reasons, NFUS has consistently advocated for legislative protections to be put into the UK Agriculture Bill and the UK Trade Bill which assert the predominance of domestic production standards and which ensure there is greater industry, expert and parliamentary oversight of new trade agreements before they are signed.

Labour supply issues following the end of freedom of movement

12. For many years, valued and manually skilled workers from outside the UK have been employed on farms and throughout the agri-food supply chain in both seasonal and permanent roles, which are difficult for agricultural businesses to fill with domestic workers.

13. NFUS has ensured that the EU Settled Status (EUSS) scheme has been promoted to as many members as possible, as a vital tool in ensuring that EEA workers who have undertaken work on Scottish farms either in a permanent or in a temporary capacity have registered, in order to secure their status to continue working or to return from 2021 onwards.

14. From 1 January 2021, the UK Home Office will implement a new Points Based System which will require all migrants, both EU and non-EU citizens, to meet skill, salary and English-language thresholds in order to be eligible to make an application.

15. NFUS has consistently argued that the use of skill and salary thresholds are arbitrary measures which do not accurately reflect the challenges facing the agricultural labour market in Scotland. Having fed extensive, member-led evidence to the Home Office and the UK Government’s Migration Advisory Committee about shortages in the agriculture and wider food, drink and haulage sector, NFUS is very disappointed that genuine concerns about the restrictiveness of the new Points Based System haven’t been adequately reflected in the UK Government’s policy.

16. NFUS believes the application of arbitrary skills and salary thresholds, paired with the UK Government’s decision not to include agricultural roles to the Shortage Occupation List, creates a very difficult employment challenge for agricultural businesses in the future. Many valued non-UK staff may have salaries that start at the lower end of the pay scale, but are trained up and make a valued contribution to vital farm tasks. With the stringent applicant criteria in place, it
remains the case that NFUS does not believe that the new Points Based System will provide adequate access for the wide range of non-UK workers who are employed in roles across agriculture and the wider food, drink and haulage sector from 2021 onwards. This remains a key lobbying priority for NFUS with the Home Office.

17. Seasonal agricultural workers are considered separately from the Points Based System due to the seasonal nature of the work. The Home Office’s Seasonal Agricultural Workers Pilot has been in operation through 2019 and 2020, allowing 10,000 visas for non-EU nationals to ‘top up’ workers who have travelled from the EU or domestic workers.

18. Despite a significant industry effort throughout 2020 to recruit domestic workers – underpinned by the UK Government’s own Pick for Britain campaign – NFUS understands that the take-up rate of these schemes was limited. Statistics gathered from Scotland’s largest soft fruit producer organisation suggest that its domestic recruitment scheme had only a 15% success rate when measuring up the number of initial applicants with the number of staff who stayed in post after one week in the job. Indeed, survey work carried out by NFUS amongst its growers members indicated that the 2020 season only completed successfully because travel restrictions in the EU were lifted in just enough time for a large number of EU workers to arrive in the country to assist with picking. Some 60% of the seasonal agricultural workforce in Scotland was from the EU in 2020.

19. Growers therefore are facing an immediate challenge of the end of free movement from 1 January, paired with the end of the Seasonal Worker Pilot Scheme. NFUS understands that the Pilot scheme will be reviewed shortly, and a decision taken on future arrangements for seasonal workers.

20. NFUS is lobbying for the number of visas to be dramatically increased within a fully-fledged scheme in 2021 to properly reflect shortages within the sector and is continually submitting feedback on the operation of the Pilot and worker shortages to both UK and Scottish governments. The ultimate aim of NFUS and the other UK farming unions is to get a Seasonal Agricultural Workers Scheme permanently instated that provides upwards of 70,000 visas to non-UK workers (with no differentiation between EU and non-EU workers), that is affordable for both employers and applicants and can be utilised by a range of labour providers.

Key opportunities

Future support

21. NFUS has consistently maintained that leaving the EU’s Common Agricultural Policy is a key opportunity of Brexit as it will allow the Scottish Government the opportunity to develop and deliver a new agricultural policy that is better fitted to Scottish agricultural systems. This is vital if Scottish agriculture is to play a meaningful role in assisting Scotland’s net-zero emissions target by 2045, and indeed the ambitious interim target of a 75% reduction by 2030.
22. The UK Government confirmed on 30 December 2019\(^3\) that it will deliver its manifesto commitment to deliver the same cash total in farm support until the end of this Parliament, which is in 2024. This short-term certainty is welcome, but NFUS continues to make the case to the UK Government for a sustained, ringfenced budget for an agricultural policy into the longer term that will support the agriculture sector to deliver outcomes anticipated from the so-called ‘Green Recovery’.

23. NFUS supports the approach of the Scottish Government in using the powers granted by the Agriculture (Retained EU Law and Data) Act 2020 to ensure stability in the immediate period following the end of transition, whilst running Pilots of new schemes through to 2024. NFUS is clear that change to the current system of agricultural support is a necessity for the industry to adapt to new challenges, including adaption of measures to assist the climate.

24. However, change must be managed to provide stability and certainty through what is likely to be a turbulent period for the whole economy. NFUS’ policy proposals for the 2021-24 transition period, are in its policy document ‘Stability – The Platform for Change’\(^4\), which was launched in March 2020.

25. Moving beyond 2024, NFUS is equally clear that a bold and ambitious agricultural policy must be rolled out in Scotland that ensures a much greater focus on driving productivity and environmental benefits for all agricultural units in Scotland. NFUS proposals for a new agricultural policy for Scotland are in its 2018 document, ‘Steps to Change’\(^5\).

**Growing new overseas markets**

26. Scottish farmers and crofters are proud to have a reputation based on provenance and extremely high production standards. It is on this reputation that NFUS sees opportunities in new export markets elsewhere in the world. NFUS believes that the UK Government is right to pursue an ambitious independent trade policy in new and emerging overseas markets in order to create new opportunities for Scotland’s high-value, high-provenance agri-food offering. Such efforts must not, however, be done at the expense of allowing undue market share to third country trading partners if that imported produce does not meet domestic producers high standards of production. To do so would undercut the value and the environmental and welfare credentials of UK producers – an outcome which would be unacceptable to NFUS and the UK farming unions.

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27. NFU Scotland works with Scotland Food and Drink within the Scotland Food and Drink Partnership to deliver initiatives that will benefit the wider food and drink industry. Scotland Food and Drink have effectively mapped markets and targets for Scottish produce, and since its establishment has installed in-market specialists who promote and develop relationships which work to the advantage of commercial Scottish food and drink companies.

28. In 2017, the Partnership launched ‘Ambition 2030\(^6\)’ which set a new industry target for Scottish food and drink to turn over £30 billion by 2030 – an ambition that has been supported by the Scottish Government.

29. Whilst ambitious in scope, it is the view of NFUS that the target is firmly within the reach of industry based upon the growth of the sector within the last decade:

   32.1. The Scottish food and drink industry turns over £14.4 billion a year.
   32.2. Food and drink exports are worth £6 billion to the Scottish economy per year. This figure has increased by 70 per cent since 2007.
   32.3. Food and drink is Scotland’s largest manufacturing sector, accounting for almost 19 per cent of total manufacturing turnover. The Scottish manufacturing growth rate is twice that of the UK average for food and drink.

30. As argued in this submission, the negotiations on the future relationship will be critical in creating the operating environment for NFUS members to produce the raw materials to achieve these targets.