

By Post & Email

26<sup>th</sup> March 2019

**Mr B Gardiner MP  
Shadow Secretary of State for International Trade  
House of Commons  
LONDON  
SW1A 0AA**

Dear Mr Gardiner

**AIC response on letter relating to proposed tariffs in event of disorderly Brexit**

Thank you for your letter of 20<sup>th</sup> March 2019 concerning the new customs duty tariff rates of our Government in the event of a “no deal”/disorderly Brexit.

The Agricultural Industries Confederation is a trade body which represents the suppliers of inputs to agriculture and the first purchasers of combinable crops. The setting of tariffs and tariff rate quotas is therefore of huge importance to a number of our Members. AIC represents approximately 95% of the agricultural supply sector, by value c.£8billion per annum, through our 250 Members. AIC Members are critical to the success of the Agricultural Sector. We represent the agricultural supply chain through sector engagement via a committee structure, e.g. arable marketing, crop protection, animal feed, fertiliser and seeds. Through our committee structure sector views are brought together into one policy position via an overarching AIC Board.

This response will be understood by the agricultural supply chain of which many are members of the AIC.

In order to address your letter it makes sense to look at the sector impacts of the proposals.

**Seed**

The impact of tariffs is somewhat secondary to the principle issue for the seed sector, namely that of equivalence of recognition in the event of a disorderly Brexit. Without this our valuable seed export market stops overnight and does not restart until that equivalence is granted which could be as much as 12-24 months after the date we leave.

**Crop Protection Products**

Crop Protection members are also affected in an indirect way. Of great concern is that if tariffs are not set correctly in the first place there is a major risk to undermining domestic crop production through loss of profitability or over supply (imported crops) in the market. So for member businesses that are distributors of crop protection products the impact would come from crops no longer being grown and therefore not requiring the advice and input from agronomists employed by member businesses.

### **Cereals – The reduction to zero rate tariff for cereals**

We understand that maintaining the existing EU duty system would not have had any impact on consumer price inflation – the primary driver for removing import duties, according to Government. Instead the UK is likely to see cheaper grain imports into the UK for feed use and distilling purposes undermining UK based arable producers and businesses. AIC members will be affected if UK farmers produce less crop as a response to increased imports. The only conceivable reason for this is to offer some attraction for third-party countries to enter into trade agreements where their exporting product will be agrarian in origin to balance the trade of what other sector we think we can offer to them. This is not what was promised ahead of the referendum: that existing businesses would be undermined resulting in a weakening of our balance of trade position. Increased imports, potentially from countries which have not previously exported to the UK, also raises the question as to the quality and food safety aspects of those imports and the ability of authorities to manage that in a situation where it has already been suggested additional import checks are unlikely to take place.

### **Fertiliser**

We received one short telephone call on a Friday afternoon from Government. Whilst the outcome will protect domestic production it is broadly a 6.5% cost to those importing fertiliser to the UK where the UK is not self-sufficient in its fertiliser requirements.

### **Feed**

A wide range of the primary feed material imports, such as soya, already have zero import duties under EU policy so the situation would remain largely similar. For grain imports however, including maize, then a duty free approach will encourage potentially greater levels of imports to displace domestic production. Whilst this may have some benefits in lower costs, the additional feed safety control measures associated with such imports, as per the earlier cereals comments, would counter some of those cost benefits.

These comments it should be noted come from under the provision that the AIC Board last year agreed a policy position that leaving the EU with no deal was the worst outcome for agricultural production in the UK including the provision of inputs to the agricultural sector. For these reasons the AIC Board policy position is that a deal which sees the implementation of a transition period would be in the best interests of the wider agricultural economy including those of AIC members.

The AIC Board remain of the view that a deal securing the transitional arrangements is preferable to Parliament not securing the benefit of a transitional arrangement.

We would of course be happy to meet and explain this further with you and shadow cabinet colleagues.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Robert Sheasby', is written over a large, light grey, stylized oval graphic.

**Robert Sheasby**  
**AIC Chief Executive**