

Brexit Arable Group - 10 Dec 2018

ACTION SUMMARY:

3) AL to pass on the ELM team contact details to the group.

5) Trade associations to ask members to identify no-deal supply chain disruption.

1) Welcome and introduction

- AW opened the meeting at 14.00. Participants were welcomed and introductions made.

2) Minutes of the previous meeting

- The minutes of the previous meeting were agreed as a true record.

3) Environmental Land Management - Rosie East

- RE presented an overview of the new Environmental Land Management (ELM) system, the primary mechanism for delivering environmental ambitions as part of the government's 25 Year Environment Plan .
- The system aimed to reward farmers for public goods, i.e. goods that benefited society but were not rewarded by the market. ELM would replace basic payments following the agricultural transition period.
- It was anticipated that one contract with land managers would be used to avoid the overlap with previous payment schemes. It was intended that a less punitive approach would be adopted.
- RE emphasised that payments would be made on a regular basis and on time.
- Defra were exploring valuation methodologies for natural capital valuation to determine payments.
- The schemes were being designed. The anticipated timeline was:
 - Develop a design and test it, 2019-2021
 - Large scale pilot, 2021-24
 - Full operation, 2025-2028
- JW said the NFU were glad to see that there were learnings from previous environmental schemes, but there were concerns that the new system would not link to productivity or animal health and welfare. RE said that it was not intended that the scheme would require farmers to sacrifice productivity for environmental outcomes.
- JW asked what the level of engagement with the Treasury was. RE said the government had committed to maintaining same level of payment until 2022. A spending review period was underway and Defra were about to begin discussions with Treasury on the future system and budget.
- PR asked how the timescale for payment would work for some schemes, given that some environmental outcomes would take a long time to be measurable. RE said that Defra were looking at payment timings and were hoping to develop proxy indicators of final outcomes. She

did not consider it likely that payments would be withheld for schemes with long-term environmental outcomes.

- PR said there was a concern that some farmers may engage with the system after trials had been carried out and face a system with insufficient flexibility for their farm. RE said that flexibility was a key principle of the scheme. Henry said Gove was clear in wanting to reward local flexibility.
- JW asked whether the Scottish government had been involved in the development of the agriculture bill. RE said it was an English scheme but there had been conversations with devolved governments. A separate Defra team dealt with these negotiations and would be able to provide more information.
- JM said the move from compensation to purchase was an important principle and one to be welcomed. He added that for some farmers, the ELM schemes would be their mainstay and businesses would need help to adopt them as soon as possible.
- AW queried how the value of natural resource would be affected by the farm location. HH said this would be assessed over the next 18 months, but it would be difficult.
- JW asked if there was a source of information or communication on the scheme. RE said the ELM team were happy to take queries from stakeholders.

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4) WTO Update - John D'Souza

- JD outlined the state of WTO trading schedule negotiations. There had been 20-30 objections from WTO members.
- The UK was working to launch the Article 28 process but this would not happen soon.
- DIT were looking for agreement on the parameters and approach that would be taken in negotiations. DIT did not consider that the UK should liberalise at the WTO level and this should be done within trade agreements.
- PR asked if the government had assessed the objections to understand which members had a valid case. JD said there was a procedure for working through the objections. There was a 3 month period to stake out each objection and the negotiating period would begin after.
- JD outlined that in the event of a no-deal, the UK would trade on the schedule that had been put forward, even if it had not been certified. He added that there was some work being undertaken on day one no-deal planning.
 - AW said that clarity on how quota portions would be divided would be helpful for business planning.
 - AG said that in the event of a hard Brexit, a TRQ would only be valid in the EU.
 - IM said it was beginning to be critical for businesses to understand what happens to existing TRQs, so that they could continue to trade on a legal basis in the event of no-deal.

Geographical Indications - Alex McKenna

- AM presented on the state of Geographical Indications (GIs) after Brexit.
- Two consultations were held in Autumn 2018, one on GIs after EU exit and establishing UK schemes, and another on business as usual changes to improve the enforcement regime and civil sanctions.

- Defra were working on drafting Statutory Instruments to put the new GI scheme in place.
- A shortlist of logos were being developed for stakeholder comment.
- During the transition period, GIs would carry over as they were EU agreements.
- In a no-deal scenario, the UK scheme would apply from day one. Defra would issue guidance in February on which logos to use and how to apply to the scheme. Producers would not be required to use the logo for 2-3 years to avoid any immediate impact.
- PR asked if the US had aired a view on the scheme. Richard said government were aware the US was not keen on GIs of any kind and work would be done with trading partners to see what was best for the scheme. He added that third countries appeared to be happy for the UK to continue with the system.
- Defra aimed to have a greater number of protected products and wanted to engage with industry and stakeholders to ensure the correct GIs get to the right markets.

No-deal planning

- The NFU had held a well-received industry event on no-deal planning. One of the main points to emerge was that businesses had a good understanding of the impact to main ingredient suppliers but there was less focus on minor ingredients and potential for supply chain disruption. JS gave the example of caustic soda, a cleaning agent used in many food manufacturing sites, for which the UK only had 5 days of stock. AW added that there were uncertainties surrounding the supply of additives, vitamin and enzymes.
- IM said it would be helpful to bring these issues together, as some packaging supplies were also at risk, but this would be covered by BEIS.
- RM said examples could be put together in a database to assist with planning.

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- JS said there were concerns that no agreement would be reached with the EU on phytosanitary certificates, as the time taken to issue certificates was too long for trade, particularly shorter distance shipments.
 - RM said Defra had to know which countries were asking for certificates and needed an idea of where the process could be sped up specifically. SN said that in some instances, countries did not require certificates but individual businesses did.
 - SH said there were a number of areas where members were not following online procedures correctly and there were a number of opportunities where the procedure could be sped up and the plant health team would send out further guidance.
 - JS said the average certificate took nine days to complete, with only two days for a laboratory test and the paperwork should not be taking seven days.
 - RM said the points would be taken back and the plant health team would try to get back to the group in January.

Withdrawal agreement

- It was discussed that the general view within the sector was that the deal was better than a no-deal scenario, but some would not actively support the deal as there were still too many unanswered questions.

- TM outlined that at a no-deal workshop, Defra said some the trade of some goods would be prioritised in a no-deal scenario. RM said there were many considerations, such as prioritising medicines, and whether goods could be re-routed to different ports.
- MB said there were already arrangements where the port of arrival was different to the border inspection post and it would be useful to have a discussion on this subject. RM said Defra would make information available to the group on this.
- AW said there would be issues surrounding designated points of entry (DPEs), as there were only limited numbers and grain would often be imported through smaller ports that were not DPEs.

Any other business

- There was none.

Dates of future meetings

- **Dates had been circulated?** It was agreed that some meetings could be held at 10.30 am to assist those who could not attend the 14.00 meetings in person.