

**Trade and Agriculture Commission Call for Evidence – response from the AIC**

The AIC (Agricultural Industries Confederation) is the trade association which represents the UK Agri-supply industry, which has a farmgate value of over £8 billion.

We represent a wide range of members who supply farmers with the key inputs and advice they require to produce crops and livestock products. Our industry is therefore an integral part of the agri-food supply chain. We are a member of the Trade and Agriculture Commission’s competitiveness subgroup, and our members operate in the import of inputs that enable British farming businesses to thrive. At the same time, our members export to both EU and third country markets, adding value to their businesses. The key sectors in which our members operate are shown below.

We would like to underline our view that it is imperative that the UK’s food standards are protected and promoted as part of future trade and agricultural policy. AIC members’ customers, British farmers, must be given the opportunity to continue to provide the nation with a high quality, safe supply of affordable food whilst achieving the best environmental and sustainability outcomes. This cannot be achieved if British farming’s competitiveness is put at risk as a result of our trade or agricultural policy.

At the same time, we must be open to the possible opportunities of trade and removing trade barriers. This is true for those products that British farmers require as inputs to their businesses and cannot source in the UK, and also in improving our exporting capacity as a nation. As ever, there is an important balance to strike, and we call on the Government to ensure that the balance of these interests is prioritised.

**AIC**

**Five Sectors**

<b>Animal Feed</b> 	<b>Crop Marketing</b> 	<b>Crop Protection &amp; Agronomy</b> 	<b>Fertiliser</b> 	<b>Seed</b> 
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**Six Assurance Schemes**

					
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**ONE POLICY TEAM**

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## Response to consultation questions

### 1. How could we address trade barriers to improve UK business competitiveness?

*It is evident that one way in which trade barriers can be removed to improve competitiveness to AIC members, and UK agricultural businesses, would be to ensure that a trade deal is reached between the UK and EU. The EU remains our most important market for the direct or indirect supply of agricultural inputs such as feed, seed and crop protection productions. It has a significant bearing on competitiveness for agri-supply businesses and by extension, farm businesses in the UK.*

*For these inputs that supply British agriculture, any significant delays which are introduced as a result of additional phytosanitary, veterinary or customs related checks under any future EU trade agreement cannot improve competitiveness in either the supply chain or on farm. It has to be underlined that the Border Operating Model introduces complexities to the functioning supply chain; whilst we understand the Government's desire to minimise these new import criteria on imports, new processes are being introduced that have hitherto not been encountered across the supply chain. Meanwhile, a total uncertainty on exporting agri-supply products to either the EU or non-EU destinations will not only affect our members involved in that direct trade, but it will also indirectly affect importing businesses as severe trade friction will inevitably back up the whole supply chain.*

*Increased costs as a result of raised trade barriers may make the UK production chain less competitive and therefore force it to reduce margin in order to maintain sales. Negative impacts would therefore be more likely to be seen in UK industry size reductions than large cost increases at the retail level as production is 'exported' to lower cost competitors either in or out of the EU. Competitiveness cannot be looked at in isolation; it is inevitably contingent on the comparative trade barriers faced by other competitors who will be exporting to the UK. Failure to address trade barriers and policy objectives would simply lead to exporting our production footprint, which we would have less control of.*

### 2. How could UK trade policy best advance the UK's agriculture and food interests? What outcomes would you seek?

*As we have stated above, we must be open to the possible opportunities of trade and removing trade barriers, with both EU and non-EU partners. It is regrettable that the wider discourse around non-EU trade has focussed on the negative aspects of what the UK does not want out of trade deals. It is time that we started to look at those aspects of new trade deals that could benefit the UK and the wider agricultural sector. This could include novel innovation approaches and techniques that provide British farmers with greater business competitiveness, allowing them not only to improve their productivity, but also further increase the export trade in agricultural products. This is not to suggest that we should be in any way dismissive of defensive interests, rather we should be rebalancing both opportunities and threats posed by trade deals with any trade partner.*

*In becoming an independent trading nation, UK trade policy does need to recognise the inevitable tensions and trade offs between key trade partners, and how they may interact with one another. For example, the USA and EU have very different approaches to standards set under technical barriers to trade. Careful decisions will need to be made in how the UK can reach a trade agreement with both the EU and USA, plus other trade partners, all at the same time. We would advocate forums such as the TAC, including its subgroups, to be able help resolve these tensions*

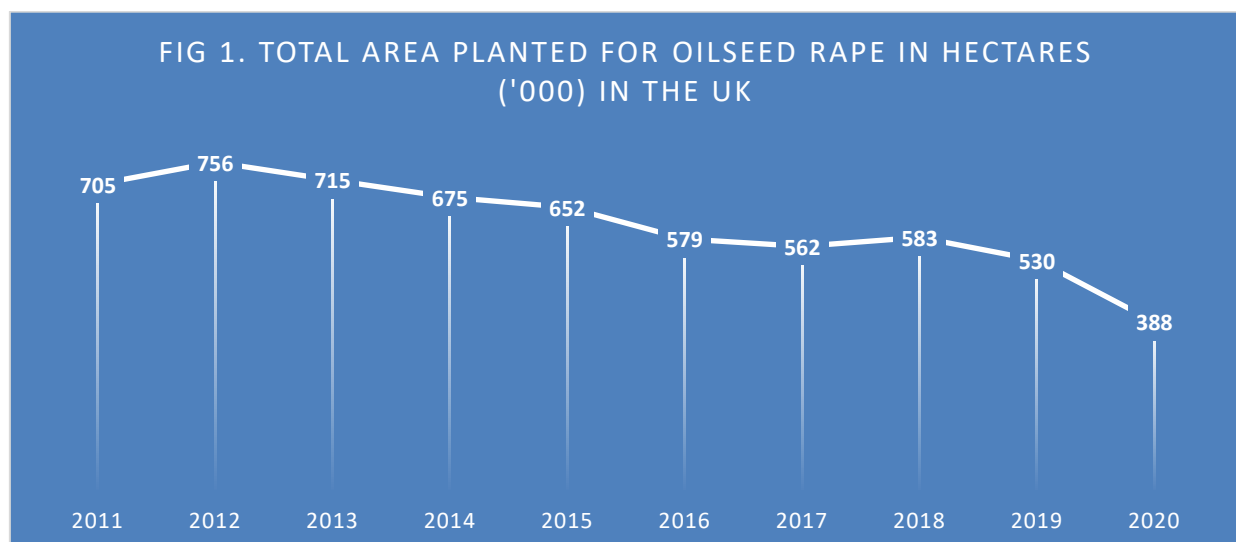
between different trade partners in order to achieve a bespoke trade and agricultural policy that is right for the whole of the UK.

3. How could we balance protection of consumer and business interests, whilst also offering consumers greater choice, availability and affordability?

*As it stands, there appears to be a tension between the priorities of Government. On the one hand it wishes to see a greater provision of choice, availability and affordability in food products, yet it also has stated its aim to increase the baseline in our own domestic standards – both in livestock and arable sectors. These aims are not necessarily incongruous, however it must be understood how these differing policy priorities are to be balanced. Failure to address them evenly will risk increasing our own domestic standards, yet importing products that do not have such standards and associated costs.*

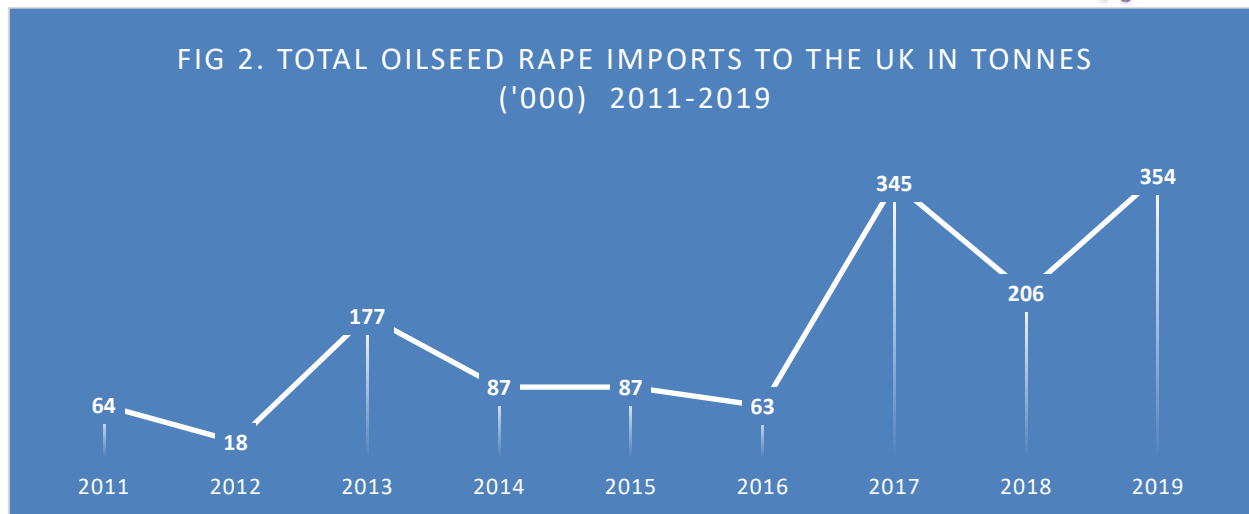
*There are certain commodities that have more stable trade flows throughout the year – for example meat products such as pork and poultry have a generally stable production output and import demand. Meanwhile, the domestic production of cereals and oilseeds is more variable year on year as a result of external factors such as climate. As a result of this, the domestic availability of products will fluctuate year on year in order to meet domestic demand. This is especially true of milling wheat. As a result, balancing consumer and businesses interests can only be achieved through a trade and agricultural policy that is dynamic, and able to respond quickly to changing circumstances in domestic and global production systems.*

*It should not be assumed that choice, affordability and availability are specific to trade policy, however. The next decade will be instrumental in the competitiveness of British agriculture. A policy that does not properly support the sector could see greater consolidation across farming sectors or worse still see a smaller UK farming industry overall. This will not only reduce our self-sufficiency, but also reduce our export status, as well as attracting less inward investment. It will increase the burden on imported foods, leaving us with less control over the choices that can be made in imported products. A good example can be seen in the UK’s production in oilseed rape. As AHDB has noted, despite the fact that the UK has been a net exporter of rapeseed for most of this decade, it has now moved to being a net importer as a result of a declining sown area. This decline in the sowed areas is illustrated below in figure 1, whilst figure 2 shows the import demand that has risen as a result.*



*Source: HM Government (nb: 2020 is an estimated figure based upon based on Defra survey)*

FIG 2. TOTAL OILSEED RAPE IMPORTS TO THE UK IN TONNES ('000) 2011-2019



[Source: HM Government](#)

*Throughout the agricultural sector and wider supply chain we must not underestimate the interdependence of different farming sectors and systems. Our cereals sectors depend on not only UK consumer demand for grain and oilseed products, but also on livestock sectors that make use of cereals in feed, both directly from the grain and from the co-product when cereals have been used in processes such as bioethanol production. As future energy demands change, the farming sector and supply chain will have an important role to play in domestic energy production.*

*Finally, as a result of leaving the EU, we have a genuine opportunity to reappraise the marketing and promotion of domestic agricultural products. In the livestock sectors, there are many cuts that achieve low demand whereas for other cuts, the UK relies on imports to meet UK demand. Meanwhile, we have a large import requirement on certain crops, whilst consumer demand for some crops that can be grown domestically, such as beans, is low. In many cases these are already comparatively cheap products to many imports. By addressing a better carcass balance across livestock sectors and stimulating domestic demand across different crop types that we can grow readily in the UK, we can meaningfully help improve consumer choice, availability and affordability.*

4. How could we positively support both ethical trade practices and the interests of developing countries, through our trade negotiations?

*As an Association, our members are involved in the sourcing of raw material from a number of countries, including developing economies. Our members demonstrate how a functioning supply chain can work collectively from source, all the way to on farm delivery, in order to provide British farm businesses with the inputs they need. Supporting the right practices must be collaborative between the UK and other trade partners. It cannot be seen as a centrally set of unilaterally imposed measures from the UK to others, especially if the rationale behind them is unclear or not grounded in scientific rigour. Not only is the UK market not big enough to justify this action, but in many cases UK businesses would simply lose out to competitors who would continue to trade with those partners.*

*This does not mean that we should stand still on improving ethical trade considerations. Improvements are continuously being made in sourcing raw materials such as feed ingredients, and we remain engaged with collective industry initiatives in ensuring that policy outcomes from Government and supply chains are achieved, without it compromising the integrity of current supplies. This includes a commitment to extend sustainable sourcing commitments with*

*verification through our joint schemes (detailed below) as well as verifying supply chains are free from modern slavery. If approached properly, UK trade policy can help enhance these preferences by working with the supply chain and trade partners, rather than imposing standards as a condition to further trade.*

*Examples of existing initiatives within the supply chain are explained below:*

*AIC Services, as a member of the Roundtable on Sustainable Palm Oil (RSPO), have developed a Palm Oil Credit Scheme (APOCS) to purchase RSPO Credits on behalf of AIC members and thus encourage and support development of sustainable production and supply chains. By purchasing RSPO Credits, a business directly supports those palm growers who have changed growing practices to meet all of the RSPO Principles and Criteria to produce certified sustainable palm oil products.*

*The Feed Material Assurance Scheme FEMAS standard has a Responsible Sourcing Module which is successfully benchmarked to the FEFAC Soy Sourcing Guidelines. AIC are involved with the development of the guidelines as members of the FEFAC Soy Sourcing Guidelines Development Group.*

*Existing initiatives such as the UK Roundtables on Sustainable Soya and Palm Oil can not only help reaffirm policy commitments, but also go over and beyond this baseline in considering how to progress to sourcing commodities in line with ethical considerations. It further illustrates why trade policy must work with industry who are engaged in these partnerships.*

5. How could we ensure that animal welfare and environmental priorities are integral to our trade policy?

*The AIC agrees that the Government should have due consideration of environmental concerns in pursuing new trade deals. In approaching this, Government must consider what is appropriate in other countries based on their production methods. In some cases, such as livestock production, there are direct comparisons that can be made with animal health or welfare methods.*

*In other cases such as crop protection products, this is not necessarily the case. Pesticides used in third countries in some cases have not been used in the UK or EU for many years or at all. This may be because crops grown in third countries have different weed, pest and disease issues or the risk assessment does not deem there to be an unacceptable risk to human health or the environment, from use of the pesticide in that third country.*

*Discussions on the withdrawal of pesticides in third countries may, on the face of it, appear justified. However it may be that alternative methods of pest control, either chemical or non-chemical, are more expensive, more effective or simply not available. Users or advisers locally may be reluctant to try new techniques, which are not proven in that setting, if established methods of control are deemed to be effective and the user or adviser is familiar with their use and outcomes. Similarly for Maximum Residue Limits (MRLs), trade policy must be mindful in setting MRLs or import tolerances or attempting to reduce pesticide use for the same reasons mentioned above.*

*Border adjustments need to be considered to ensure that domestic producers manufacturing low carbon goods to higher environmental standards, like fertiliser, are not subject to competition from imported products with a higher carbon footprint. Well designed in tandem with EU and others driving a higher level of ambition globally, such adjustments can also be used to drive*

*greater ambition and alignment in the lead up to COP26 and to level the playing field for UK producers and manufacturers.*

6. How could we advance global agri-food standards and what can we learn from other countries?

*The AIC would state that it is vital that trade policy approaches are always measured against Government and businesses core values of ensuring the continued availability of high quality, safe food at a range of price points whilst also offering domestic businesses the opportunity to export around the world, within a clear and objective rules based system.*

*Government and industry clearly wish to deliver on improving standards, and it is understandable that this intention is shared in agri-food. The UK is known for the diversity in its food market, along with its approach to innovation and new development of new products. Policy must encourage continued innovation in this country so that it can support businesses seeking new markets for products, as well as exporting the new technologies themselves. It would be entirely consistent with cross-Government aims if we can harness our world leading agri-tech base and innovation for both domestic products, and also in supporting developing countries' food and drink sectors.*

*The current global trade environment, twinned with the ongoing effects of covid-19, suggest that more countries may seek to engage in more self-sufficient policies and turn away from multilateral trade. Government must be live to this risk. It should not be overlooked how much time, energy and capital has been invested in opening up new export markets either for immediate benefit, or as possible future key markets. The Government must protect existing and functioning markets, and resist turning away from them at the expense of new trade agreements or because of political disagreements. It is also conceivable that some nations may try and use the pandemic to push for more protectionist measures, and the UK must stand ready, working together with other countries where possible, to take multilateral measures through the WTO or unilateral counter-measures such as trade remedies as a deterrent to such protectionist policies. There is an opportunity for the UK to lead trade policy and global standards; we have seen some limited examples of how trade policy can bring about high standards, such as in the EU's agreements with Canada and Mercosur. The fact that such approaches are rare should not mean the UK should shy away from developing such approaches with trade partners.*

*It is clear that the post-Covid-19 world will be a rapidly changing environment for trade, and the most dynamic and responsive countries will be able to benefit from this and help set the benchmark when it comes to advancing global food standards and processes. This is why Government must work together with industry to identify the best opportunities in working with export markets, or improving co-operation with those countries from which we source products and inputs on farm.*

ENDS.