

# COMMERCE AND INTERNATIONAL TRADE

OUR BLUEPRINTS FOR GROWTH



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## Introduction

The UK's food and drink supply chains are complex and highly diverse, supporting more than one in ten jobs and contributing £147.8 billion to the economy. With a footprint in every constituency, food and drink businesses provide local jobs and make a significant contribution to the UK's economic performance.

They stretch from the farmers and growers who produce the raw ingredients, through the businesses that supply them with seed, feed, inputs and advice, to the industries that purchase their goods and manufacture, process and sell them on to other businesses and, ultimately, to consumers.

UK farmers and growers are the largest source of food consumed in the UK, producing the equivalent of 62% of our domestic food consumption by value, some of which is exported. They are the bedrock of the nation's largest manufacturing industry, the food and drink sector, providing the primary ingredients for many iconic British food products.

Our farmers and growers work hard to be the UK's supplier of choice, in retail, in out-of-home and in public procurement, placing nutritious food on British plates three times a day. Ultimately, it is our farm businesses which underpin our national food security. Despite their critical position in the supply chain, farmers and growers find themselves as price-takers, with many of the determinants of the prices they receive outside of their control.

Part of the power imbalance across the agri-supply chain is the buying power of the grocery sector and its ability to apply short-term pressure to suppliers, despite the long-term consequences this has on the industry.

Building better, fairer supply chain relationships is a key priority for the NFU and as the supply chain continues to face unprecedented challenges, this has never been more important.

Our farmers and growers are proud to produce to some of the highest animal welfare and environmental standards in the world. Yet both consumers and farmers are concerned that the high standards we adhere to are being undermined by goods imported from countries that do not meet those same core standards.

We welcome the new government's intention to publish a long overdue trade strategy and, specifically, its commitment to "protect farmers from being undercut by low welfare and low standards in trade deals".

Accessing overseas markets is crucial for British agriculture and complements efforts to increase the share of the domestic market supplied by UK producers.

However, international markets are highly competitive, and some markets remain closed off entirely to UK producers, while competitor exporting nations already have footholds in many other potential markets.

Additionally, navigating export requirements can be a daunting, expensive and risky proposition for small and medium sized enterprises (SMEs), especially those with limited experience in international trading. Expanding our exporting capabilities will require a huge collective effort from across industry and the government.

This blueprint outlines how investing in our domestic production, processing and manufacturing capability, strengthening the position of farmers in the supply chain, and placing farmers and growers at the heart of an international trade strategy that works for them, will bolster our food security and drive economic growth and confidence throughout the country.

# COMMERCE

## Strengthening the position of farmers in the supply chain to facilitate growth

Strengthening farmers' position in the supply chain means making our food system more resilient and providing a trading environment that remains competitive and innovative, while providing a degree of risk sharing and cost sharing along the value chain.

The UK's grocery supply chain is dominated by a small number of retailers and manufacturers, with over 90% of the food retail market controlled by just nine supermarkets.

The growth of the discounters has driven significant competition in the marketplace through price matching schemes which drive down retail prices. This behaviour has been replicated throughout the supply chain and ultimately, yet unfairly, the drive for cost savings has been forced on farmers and growers, as price takers. Such practices are not sustainable and are damaging both for growers' businesses and confidence within the industry.

An industry built on long-term goals, fairness and transparency is fundamentally more sustainable and resilient than an industry being eroded by short-term decision-making. At present, there is limited focus on long-term food security. Government should seek to build resilience into domestic supply chains.

There are numerous building blocks which underpin our domestic supply chains. All are vital not only to efficient and effective supply chains, but to support a thriving and evolving marketplace that delivers economic growth and best value for consumers.

## Enhancing fairness in the supply chain

As retailers have come under increasing pressure to remain competitive on price, driven by the cost-of-living crisis and the rise of the discounters, farmers and growers have seen firsthand a shift in retail behaviour.

Unfair trading practices continue to occur across all sectors. These include, but are not limited to:

- delaying tender negotiations until the eleventh hour;
- often not agreeing prices until after harvest;
- unilaterally changing specification requirements with little notice;
- retrospective changes to the supply agreement;
- payment delays;
- short notice price changes; and

- retrospective deductions.

The NFU was instrumental in the creation of a Groceries Supply Code of Practice (GSCOP) and the Groceries Code Adjudicator (GCA) in 2013. Having a dedicated adjudicator has been key in driving positive change in retail behaviour ever since, with retail compliance with GSCOP steadily improving year-on-year.

However, the GSCOP needs to be strengthened to ensure fairness with additional supply chain actors, particularly by lowering the turnover requirement and bringing in firms that currently fall outside its scope – for example in the food service and manufacturing sectors.

Additionally, the government should extend the role of GSCOP and the GCA to oversee the trading relationship between suppliers and intermediaries.

The NFU has welcomed the scrutiny the GCA has placed on aggressive buyer tactics and the publication of a set of seven ‘golden rules’ reminding retailers of best practice.

However, we continue to hear member feedback around the challenges associated with negotiations and the additional pressures cost price decreases have had on businesses. To drive lasting change the seven ‘golden rules’ should be embedded into GSCOP, not simply set out as guidelines.

The GSCOP does not cover items such as plants and flowers. Ornamentals (including plants, flowers and bulbs) are no different to other perishable products and have similar production methods and seasonal challenges to fresh produce.

Many grocery retailers buy directly from ornamental growers, yet these growers are not protected against the unfair buying behaviours that their edible growing colleagues are. GSCOP should be updated to cover ornamentals supplying the UK grocery supermarkets.

### **Asks:**

- Extend the eligibility and turnover requirements of the GSCOP to include more retailers, as well as food service and food manufacturing businesses, and intermediaries.
- Legally incorporate the GCA’s seven ‘golden rules’ into GSCOP to address unfair trading practice around cost price negotiations.
- Ornamentals supplied to the UK grocery supermarkets should be included within the GSCOP and enforced by the GCA.

## Using the Agriculture Act to improve business trading practices

Farmers and growers suffer when there are power imbalances in our food supply chains, unfairly placing all the risk on primary producers and undermining our food security.

Effective regulation and proactive legislation are essential to keep pace with the changing grocery landscape and to ensure businesses trade fairly with their supply chains while surviving in a competitive environment.

The Agriculture Act 2020 provides ministers with powers to address unfair dealings proactively. While common challenges exist across sectors, tailored regulations are necessary to address their unique challenges.

The NFU welcomed the recent investigations into the egg, horticulture, and pork sectors and would like to see further investigations conducted to bring fairness to the industry.

### Dairy

In 2020, a government consultation revealed ongoing unfair practices related to milk buyers' setting and modifying contract terms and pricing mechanisms without negotiation.

This resulted in the Fair Dealing Obligations (Milk) Regulations which will apply to all contracts between producers and their first purchasers from July 2025.

These regulations aim to level the playing field for dairy farmers, improve transparency, and establish an Agricultural Supply Chain Adjudicator's office (ASCA) which will oversee and enforce them.

The NFU welcomed the inclusion of an enforcement procedure within the regulations allowing the ASCA to impose penalties on non-compliant purchasers and require compensation for producers.

The ASCA can investigate complaints from producers after they attempt dispute resolution. However, unlike the GCA, it cannot investigate suspected breaches without a formal complaint, which may discourage producers from speaking out due to fear of losing contracts.

The power imbalance between processors and producers persists, as the regulations do not allow others to report breaches unless they are recognised as producer organisations (POs).

The ASCA's functions should be expanded so it can investigate suspected breaches without naming individual producers.

Producers working together in groups, or setting up legal entities such as POs, can improve the bargaining position of farmers in the market as they can represent a larger volume of milk.

There is currently limited support, legal advice, or financial assistance to help farmers who wish to set up their own producer groups. Indeed, many farmers do not even know the names of other suppliers in their milk pool.

Defra should work with industry to help provide guidance and support to farmers looking to set up producer groups, reduce the red tape and cost associated with achieving PO status, and consider financial assistance aimed at supporting producer collaboration.

### **Asks:**

- Regular reviews of the Fair Dealing Obligations (Milk) Regulations to ensure they remain fit for purpose and in line with the objectives set out within the regulatory provisions.
- Extend the functions of the Agricultural Supply Chain Adjudicator's (ASCA) office to proactively investigate potential breaches of compliance, in line with the functions of the GCA.
- The ASCA office should be extended to cover other sectors under powers set out in Section 29 of the 2020 Agriculture Act, to improve fair dealings across the industry.
- Adequate guidance and funding to support the formation of dairy producer groups and organisations.

## **Horticulture and potatoes**

With many horticulture growers supplying retailers directly, and therefore subject to GSCOP terms, the NFU does not wish to duplicate or dilute regulation already in place.

Instead, a Horticulture Buyers' Code of Practice should apply to the entire supply chain and operate in addition to GSCOP in tackling poor behaviours.

Section 29 of the Agriculture Act should be used to make regulations covering the following issues:

- A fair dealing clause, similar to that defined in GSCOP.
- Prohibit unreasonable delay tactics/behaviours of buyers.



- Obligations on buyers that contractual agreements provide a mechanism to allow growers to renegotiate the price mid-contract.
- Obligations on buyers to align the tender process and supply agreements with the long-term planning needs of growers.
- Prohibit additional and unexpected customer requests within the duration of the supply agreement, without a mechanism to renegotiate the price.
- For supply agreements to provide an element of risk and reward sharing within the agreement.
- Obligations that all deductions are clearly itemised, and any defects communicated to the grower within a reasonable timeframe of delivery, with none subjected to ambiguity.

**Ask:**

- Government to use its powers within the Agriculture Act 2020 to regulate contracts by introducing a Horticulture Buyers’ Code of Practice, and to ensure appropriate enforcement of the obligations by an independent body/person.

**Eggs**

In response to Defra's egg supply chain consultation, the NFU highlighted that a strong legislative baseline is needed to regulate transparency, certainty, and fairness in contracts.

This would require them to be written to ensure both parties agree terms and can rely on them in resolving any potential dispute. A one-size-fits-all approach will not work due to the variety of businesses operating in the sector. Flexibility is important.

The previous government committed to further action to ensure fairness across the supply chain, delivering regulations to improve fairness in the egg sector.

The NFU would like to see this commitment delivered by the new government in a timely manner, engaging with stakeholders from across the egg supply chain before any legislative changes are proposed.

**Ask:**

- Defra to deliver on its commitment to introduce regulations which will ensure there are written agreements between egg producers and buyers, working with industry at pace on the regulations to ensure they deliver fairness to all parties.

## Livestock

In 2015, the beef industry agreed to a processor code of practice with two key features:

- it commits individual processor signatories to be open and clear about their own company's terms and conditions of trading; and
- signatories undertake to give 12 weeks' notice of changes to those terms and conditions.

This voluntary code should be placed onto a mandatory, statutory footing, with processors required to place their terms and conditions with an independent oversight body which possesses effective enforcement powers. The scope of the code should also be extended to include retailers, food service companies and renderers.

Following two consultations in recent years, Defra confirmed it would bring forward legislation to mandate sheep carcass classification and price reporting, bringing the sheep sector in line with the beef and pork sectors.

The NFU would like Defra to action these commitments to ensure producers receive consistent information on the classification of their livestock and are paid per animal in a transparent manner.

### Asks:

- Use the Agriculture Act powers to enhance fair dealings for livestock farmers by putting the current beef code of practice onto a mandatory footing. This would help deliver improved transparency of what makes up post-slaughter deductions and share the burden of these charges more fairly between the processing business and the primary producer.
- Industry and government to consider alternatives to the flat rate 'condemnation insurance' which is currently charged by the processor as insurance should the animal be condemned postmortem. There is no evidence that this is a genuine insurance product with evidenced terms and conditions.
- Defra to introduce mandatory sheep carcass classification and price reporting in England.
- Government to ensure greater inspection and oversight of the beef carcass classification and beef labelling scheme, and the new sheep classification scheme, to ensure it is correctly applied.

## Arable

Trade between grain merchants and arable farmers is based almost solely on the AIC No.1 Contract. However, grain merchants also use their own individual terms to override clauses within this contract and impose additional requirements on growers.

This creates an incredibly complex contractual landscape which is very difficult for growers to navigate. Merchants' terms can often be written in a format not typical of a supply contract, where it is unclear what is a requirement, what is advice, and what the costs of doing business really are.

Agriculture Act powers can be used to deliver a fairer supply chain, where contract terms are clear, consistent, and transparent.

### Asks:

- A government review into supply chain fairness in the combinable crops sector.
- Improvements to the contract used to trade grain off farm to ensure growers are treated more fairly when selling their grain.

## Sugar

British Sugar is the sole processor and monopsony buyer of sugar beet in the UK. As growers of sugar beet have no alternative outlet, British Sugar has market dominance.

This market failure is corrected by ensuring growers have a body (NFU Sugar) representing their interests. The underpinning legislation that enables NFU Sugar to fulfil its role on behalf of the UK's growers is the 'Common Market Organisation' (CMO) Regulation.

Importantly, the CMO empowers NFU Sugar to negotiate the price and terms of the annual beet contract on growers' collective behalf. This is vital to ensure a fair and remunerative price for growers and safeguard the long-term future of our homegrown sugar beet sector.

NFU Sugar is seeking immediate clarification of the CMO following British Sugar's attempt to circumvent it by issuing a unilateral offer for the 2024/25 beet contract to growers in 2023.

### Ask:

- Provide immediate regulatory clarification to prevent market dominant actors in the sugar sector from undermining growers by circumventing the growers' representative body, NFU Sugar, in annual contract negotiations.

## Better supply chain collaboration

Many of the commitments and corporate objectives that large businesses in the supply chain have committed to require cooperation from farmers and food producers.

Where a retailer has a pool of direct suppliers it is easier to influence change, but in more complex food systems with numerous actors between the farm gate and the end user, this can be a huge challenge.

The whole supply chain needs to take a collaborative and enabling approach to bring farmers and food producers on the journey, generating a feeling of 'working with' rather than 'doing to' the industry.

This starts with ensuring that all parts of an agri-food supply chain understand the reasons behind a policy (such as customer requests), how they can contribute, and how they will be rewarded for doing so.

## Genuine collaboration on sustainable and climate-friendly farming

Agriculture is uniquely placed to be part of the solution to climate change, as it is both an emissions source and a sink. Farmers also protect carbon reserves present in soils and vegetation.

Government support schemes like the Sustainable Farming Incentive, alongside an enabling planning system and greater understanding of consistent farm-level data, will help farming achieve its climate change and environmental ambitions. We have set out further details on how farmers and growers can work in partnership with government in meeting our net zero ambitions in our Environment and Climate Change blueprint.

In addition, there are a number of industry commitments that farmers will help to deliver within their supply chains. Some of these are national targets or regulatory objectives, while others are corporate objectives or industry initiatives/voluntary commitments.

In most cases, processors, retailers, manufacturers and food service businesses will have signed up to these commitments, so impacts are felt through the supply chain at farm level. It is vital the supply chain works with farmers, supporting them with a collaborative and enabling approach to help them with their sustainability journey.

### **Ask:**

- A supply chain that works with, supports and takes an enabling approach to helping farmers on the sustainability journey.

## **Farm assurance**

Farm assurance schemes can play an important role in delivering market access, increased premiums, best practice and earned recognition, as well as securing customer trust and reputational value.

Independent assurance schemes can help ensure regulatory minimums have been met or exceeded, food is traceable and safe, and the need for multiple schemes is minimised, reducing duplication at the farm level.

While some retailers may require additional audits for differentiation or premiums, a robust assurance scheme with supply chain support significantly streamlines this process, with any additional requirements assessed by an independent auditor as part of a general assurance inspection.

For farmers and growers, these schemes should expand market access and opportunities to secure premiums, both at home and abroad. It is one of the main reasons that many farmers and growers will join an assurance scheme and is the key indicator of value to them.

Unfortunately, the rise of numerous schemes has increased the audit burden, sometimes hindering business operations.

The NFU supports a partnership approach with others in industry and retail to deliver empowering, trusted farm assurance schemes. In practice, this means streamlining the audit process, changing the culture of audits to one of collaboration, especially when dealing with non-conformances, and adopting greater use of technology.

More widely, farm assurance schemes must work to regain farmer trust and advocacy and evolve with the industry to deliver value for farmers and growers.

### **Ask:**

- Champion a partnership approach with others in industry and retail to deliver empowering, trusted farm assurance schemes.

## **Digital grain passport**

A key challenge for the arable sector is the lack of timely data from the grain industry relating to individual grain movements, with merchant terms often vague on their obligations and commitments on data sharing.

This leaves growers uninformed about grain issues, fostering distrust and preventing them from addressing problems in subsequent loads. The NFU, as part of the AHDB leadership group, supports creating a single industry-wide digital passport system to replace the paper system.

This would ensure immediate data feedback to growers and prevent merchants from introducing multiple proprietary systems. While a digital passport can provide greater transparency on payment and quality data, it is crucial that any additional data requests from merchants undergo rigorous approval processes.

**Ask:**

- Deliver a single industry-wide digital passport system to replicate the current paper approach.

## Public procurement

The public procurement of food encompasses a spend of over £2.4 billion each year in organisations such as schools, prisons, the military and hospitals.

The NFU strongly welcomes the government’s manifesto commitment that 50% of all food procured for the public sector will be produced locally and sustainably. This is a significant commitment to the British food and drink sector.

By utilising their own food spend, the government can directly support British farmers and growers while building resilience into the agri-food supply chain.

**Asks:**

- Deliver on the manifesto commitment to source at least 50% of food procured for the public sector from British farms.
- Review procurement standards and make them mandatory across all purchasing sectors, with an emphasis on provenance, quality, and sustainability.
- Procurement processes must be overhauled to allow for greater market access for SME suppliers and local suppliers. Specifically, dynamic procurement principles must be embedded into contracts.
- Public sector food procurement should be accountable and transparent via mandatory data collection and reporting requirements.
- The public sector must be sufficiently funded to procure safe, traceable, nutritious food which is produced sustainably for its end consumers.

# INTERNATIONAL TRADE

The UK has always been a trading nation. But in recent years our departure from the EU, the war in Ukraine, the Covid-19 pandemic, and increasing extreme weather episodes have shown how susceptible our food supply is to events in other parts of the world.

Global events have created uncertainty, leading to disruption in supply chains and added costs and frictions. This has impacted consumer choice and availability, and driven an unfortunate stagnation in our sector's export performance.

Given these increasing global insecurities and the proliferation of trade protectionist measures, developing a comprehensive trade strategy that places domestic producers at its heart is not only prudent, but vital to upholding the country's food security.

## The current situation in UK agri-food trade

- UK agri-food exports were worth £15.8 billion in 2023.
- The EU was the largest export market for UK products (68%) at £10.778 billion. Exports have fallen 25% in volume terms since 2019.
- Exports of food and live animals to non-EU destinations were £5.09 bn in 2023.
- 42% of the food consumed in the UK is imported from overseas.
- Imports of agri-food to the UK were worth £50.8 bn in 2023. EU imports account for 71% of all imports.
- The UK's agri-food balance of trade deficit has grown almost 40% since 2019, running at around £3 bn per month.

## Ensuring consistency of UK trade and agriculture policies

Farmers in England and Wales are experiencing significant business change as the support previously available under the Common Agricultural Policy is phased out and replaced by Environmental Land Management schemes that pay for actions intended to support sustainable food production.

Simultaneously the environmental expectations being placed on farming businesses have grown significantly, with the UK's 25-Year Environment Plan setting targets for farmers to deliver ambitious outcomes for the environment.

Imminently, farmers can also expect a Food Systems Strategy, a Land Use Framework, increased tax burdens through changes to Inheritance Tax and employers' National Insurance, and commitments to ever increasing and costly standards, all of which will have a direct or indirect impact on their ability to produce food for the nation.

Meanwhile, they have witnessed the previous government make significant market access concessions to major agricultural exporters, including Australia and New Zealand, eroding confidence, while our new relationship with the EU has resulted in a significant reduction in agri-food exports there.

At its extreme, a failure to reconcile agriculture and trade policy could see the UK legislate some of the highest environmental and animal welfare standards in the world with no consideration of the economic impact this is having on farm business viability, or of the competitive marketplace in which British farmers are being asked to operate.

Simply offshoring our food production would have disastrous consequences for the domestic food industry and food security, the stewardship of our natural resources, and the wider rural economy.

**Ask:**

- Ensure that domestic agricultural policy and international trade policy are consistent and compatible with each other, complementing efforts to improve UK agriculture's productivity, drive economic growth and sustainability, and recognising the vital role domestic production plays in the nation's food security and enhancing our environment.

## Committing to core production standards

Confidence among UK farmers is presently being eroded by an approach to trade policy that encourages the import of goods produced to lower environmental and animal welfare standards.

Less than a month into office, the government committed to deliver 'a new deal for farmers to boost Britain's food security and drive rural economic growth' and pledged to 'protect farmers from being undercut by low welfare and low standards in trade deals'.

The NFU calls on the government to demonstrate its commitment to farmers, growers and the British consumer by introducing a system of core production standards.

Since 2020, more than one million people, along with a broad coalition of political, industry, environmental, animal welfare and consumer interest groups, have backed the NFU's call for action to safeguard British farmers and growers from food imports that would be illegal to produce here.

UK farming's commitments to the environment, biodiversity and responsible use of antibiotics are all public goods that we aspire to deliver while producing the best quality affordable food. They mean our farmers are delivering to the highest standards in the world, standards they are rightly proud of.



It is unreasonable for government to demand ever-increasing standards from our farmers and growers that bring additional costs and burdens, while allowing product to be sold on our market that fails to meet equivalent production standards.

We therefore urge the government to translate its commitments into a set of statutory core production standards that must be met by both domestically produced and imported food sold in the UK.

In short, if the goods fail to meet minimum standards for animal welfare and the environment that are equivalent to those met by domestic producers, they should not be given access to the UK market.

The core standards applied should be developed in consultation with industry and civil society and would certainly cover some key animal welfare and environmental laws.

A government-led task force to identify the relevant standards would provide the transparency and impetus needed to develop such an approach.

**Ask:**

- Convene a task force to establish a set of core production standards that apply to both domestically produced and imported food sold in the UK.

## Protecting our borders

Import controls and sanitary and phytosanitary rules have a vital role to play in upholding our nation's biosecurity, food safety and international reputation.

Domestic producers, whether farmers, growers, food companies or retailers, face a myriad of regulations and laws that ensure the food we eat is safe, consumers are not misled, and our environment, farmed animals and wildlife are protected.

It is crucial that goods brought into the country do not undermine biosecurity and that our import controls are not the weak link in these important protections.

Livestock businesses must feel confident that border checks and controls provide adequate safeguards, and that sufficient resource is dedicated to stamping out illegal activity.

We believe that our nation faces a greater degree of risk relating to biosecurity and food fraud than is necessary or acceptable.

A breakdown in biosecurity is one of the most serious risks we face as a nation. The implications go beyond the direct threat to domestic livestock and farm businesses, impacting whole sectors that can find their ability to trade and export restricted.

We continue to be concerned by the absence of a permanent personal imports policy for travellers entering the country from the EU. We have heard numerous reports that travellers are exploiting this weakness in our border policy to bring in goods well beyond reasonable amounts for personal consumption. There are also reports of increasing volumes of illegal meat being seized at our borders.

The government must ensure that those fighting against illegal meat imports, including our PHAs and Border Force, have the resources they need to stamp out this practice and that the consequences of undertaking such illegal activity are suitably severe to act as a deterrent.

For horticulture businesses, there remain many concerns with the implementation of the latest phase of border controls, most acutely that the shift of controls away from their businesses to Border Control Points (BCPs) adds an additional level of risk and cost to a highly biosecure, 'just-in-time' supply chain.

BCPs are seen by the industry as a point of infection risk, rather than inspection. We recognise that much has been done to address the concerns of growers, including the pragmatic approach taken by APHA officials during the recent import period for the nation's protected edible crop plants.

But our view is that much more needs to be done by government to demonstrate that growers' concerns are being taken seriously, and to rapidly develop genuinely practical, pragmatic policy solutions that ensure operational staff at APHA can best support the industry.

It is vital that the UK's Office of Food Safety (SPS) Assurance has sufficient resource to monitor the safety and standard of imported food and that a robust SPS import regime is in place to ensure the food we eat continues to meet UK standards.

**Ask:**

- Maintain an unwavering commitment to the safety of the nation's food supply by retaining regulatory autonomy of our SPS rules and ensuring effective, proportionate border control measures are in place.

## **Prioritise balanced trade deals**

The government has set out more realistic plans to prioritise trade talks with a smaller number of key trading partners. But the UK's Free Trade Agreement (FTA) programme remains ambitious and potentially damaging if the sensitivities of UK farming are not taken into account to secure balanced deals.

We call on the government to secure balanced and mutually beneficial trade deals that create commercially meaningful opportunities for farmers and growers while protecting

the most sensitive and vulnerable sectors, which are vital for the ongoing health of UK farming, rural communities and the delivery of public goods.

The government should publish a thorough assessment outlining the economic opportunities and challenges and discuss this with Parliament and stakeholders ahead of each FTA negotiation starting.

During the negotiations it should, in addition to implementing the approach to core standards, protect the most sensitive and vulnerable sectors by making use of all available trade policy levers. This includes, where appropriate, product exclusions, phased tariff concessions and appropriately sized permanent quotas.

The NFU is concerned that, in order to reach an agreement, in the final stages of future negotiations the government may again choose (as it did with the Australia and New Zealand FTA agreements) to allow increased market access for sensitive agricultural products.

These concerns are greatly amplified when considering the cumulative effect of market access concessions across FTAs within sensitive agricultural sectors, where the gradual liberalisation of the UK market has the potential to erode the viability and profitability of the sector.

With the potential restart of trade talks with Canada, Mexico, and the USA, the NFU is also concerned about the ability of our sector to sustain further trade liberalisation with significant global agricultural producers. Each of those partners will be seeking a share of the UK's sought-after market.

### **Asks:**

- Secure balanced and mutually beneficial trade deals by maximising commercially meaningful opportunities while protecting the most sensitive and vulnerable sectors by making use of all available trade policy levers.
- Transparently assess the impact of trade liberalisation on all the UK's agricultural sectors by publishing a thorough assessment outlining the economic opportunities and challenges ahead of each Free Trade Agreement (FTA) negotiation starting.
- Publish an annual FTA assessment to quantify the cumulative impact of FTAs on trade balance, sourcing, standards, and domestic food production.

## EU reset

Since 1 January 2021 the EU has applied third-country customs and border controls to UK agri-food exports, including documentary and physical checks.

UK exporters of products of animal origin (POAO), including meat and dairy, now require vets to inspect individual export consignments and sign Export Health Certificates, adding costs and frictions.

In volume terms, exports to the EU have seen significant double-digit declines across almost all categories of agri-food since 2019. For example, the volume of meat and meat preparation exports to the EU has fallen by more than a third in that time.

Within that, our volume of fresh and chilled beef exports is down 17%, poultry meat by 46% and lamb by 11%. In the dairy products category, we have seen volumes to the EU fall by more than 20%, with categories such as yoghurt down 46%, butter down 25%, cheese (including cheddar) down 18%.

We therefore welcome efforts to pursue a better relationship with the EU with the aim of reducing trade costs and friction at a time of global instability.

Securing an ambitious SPS agreement with the EU is one of the ways that would help to reduce friction at the border, but not the only one.

In the short term, it is vital the government continues to press for improved trade facilitation, and to address issues where they exist relating to the implementation of the Border Target Operating Model (BTOM).

This includes tackling the continued ban on high quality British products to the EU, such as seed potatoes, and lack of access opportunities for UK livestock breeding stock to enter the EU market due to the absence of a Border Control Post on the north European coast.

The government should be cautious of agreeing 'at all costs' to the terms of an ambitious SPS agreement.

The EU is likely to demand that the UK commits, on an ongoing basis, to implement EU rules, whose development the UK may have little or no influence over. This would not be acceptable for many farmers. If the government is faced with such a scenario, it is vital that it undertakes a full consultation with industry before entering into any agreement.

A thorough assessment of the costs and benefits of such an agreement, including the degree of influence the UK would have in determining policy and rules, is vital to understanding whether it would be in the UK's best interests to accept.

We also encourage the government to establish a divergence monitoring system that tracks EU and UK SPS regulation, that is shared and actively discussed with UK businesses and helps to minimise trade frictions.

**Ask:**

- Reset the UK-EU relationship by reducing trade costs and friction but be mindful of agreeing a new deal ‘at all costs’.

## Enhance transparency and trust

The NFU worked hard to make the case for a strengthened Trade and Agriculture Commission to enhance independent scrutiny of new FTAs once they are signed.

However, as noted by the Public Administration and Constitutional Affairs Committee, Parliamentary scrutiny of trade deals remains “insufficient”.

International agreements which could have significant economic implications for farmers and consumers in the UK, as well as on the standards to which the food we eat is produced, are not given sufficient time to be examined by MPs.

Over the past three years, the UK has ratified two far reaching, ‘from scratch’ trade agreements with Australia and New Zealand, and has acceded to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Yet there has never been a debate capable of influencing the ratification of any trade agreement.

**Ask:**

- The following measures should be introduced to improve the government’s accountability to Parliament:
  - Once a finalised treaty has been agreed by the government, Parliament should have a “yes/no” vote, following a debate, to decide whether that treaty as drafted should be ratified.
  - Parliament should agree to the negotiating mandate before negotiations commence and should be kept properly updated and consulted throughout the negotiations.
  - The devolved administrations should be consulted throughout the negotiating process, including with respect to draft texts of agreements.
  - Comprehensive economic impact assessments considering regional differences and sensitivities should be published and made available to Parliament prior to negotiations starting and once negotiations are concluded.

## Growing our agri-food exports to 2030 and beyond

Accessing overseas markets is a crucial component of a successful sector, complementing efforts to increase the share of the domestic market supplied by UK producers.

But accessing international markets is highly competitive and other countries already have footholds. To gain and expand our share of these target markets will require a huge collective effort from across industry and government.

The NFU were active members of the Food and Drink Export Council (FDEC), which brought industry and government together to identify the barriers to growing agri-food exports and explore ways of overcoming them.

In doing so, the FDEC demonstrated the value of collaborative industry and government endeavours and identified a number of priority actions which the NFU believes will help businesses across the UK seize the opportunities growing exports can deliver.

It is important to maintain a collaborative, strategic approach that brings government and industry together to maintain the FDEC's momentum and focus on the opportunities to grow agri-food exports.

### **Ask:**

- Continue the collaborative, strategic approach of the Food and Drink Export Council, bringing government and industry together to focus on the opportunities to grow agri-food exports and address barriers to growth.

## Strengthening our network of agriculture attachés

Accessing international markets is highly competitive and requires a 'boots on the ground' approach. To access these markets, a huge collective effort from across industry and government is required.

The NFU is a huge supporter of the UK's network of overseas agri-food and drink attachés. They are our eyes, ears and voice in the nation's diplomatic missions, working hard to break down barriers to trade and develop networks in target markets, delivering successful resolution of one barrier a week in 2024, on average, worth millions to the sector in increased sales.

We call on the new government to work with industry to ensure that the attachés have the right support and material to truly understand and promote British agri-food products, develop opportunities to maximise the benefits to the UK agrifood sector, and address barriers to trade where these exist.

We also call on the government to ensure that each post has sufficient financial resource allocated to it to deliver a successful programme of engagement within that market, and that UK industry can engage effectively with them.

**Ask:**

- Strengthen the UK's network of agri-food and drink attachés in our embassies in key overseas markets, ensuring they have the right support and tools to champion British agri-food and address barriers to trade.

## **Delivering accountability across government**

We continue to believe that a dedicated government minister specifically responsible for growing agri-food exports and addressing market barriers will undoubtedly help deliver export opportunities and growth potential.

Working with his devolved counterparts, the minister would also lead in pushing for an elevation of global standards on environment, animal welfare and ethical trade in international forums.

**Ask:**

- Appoint a government minister with the exclusive responsibility for championing agri-food trade and competitiveness, working across government and with the devolved administrations to deliver, in partnership with the industry, the government's trade and food systems strategies.

# COMMERCE AND INTERNATIONAL TRADE

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