

**Trade and
Agriculture
Commission**



Final Report

March 2021

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Chair's foreword

In July 2020, the Secretary of State for International Trade, the Rt Hon Liz Truss MP, invited me to chair a new independent body, the Trade and Agriculture Commission. There had been a growing clamour for such a Commission over recent years and the timing of our establishment made good sense.

Our task was to advise the UK government on how best to advance the interests of British farmers, food producers and consumers in future trade agreements. To some this might seem straightforward, but it most definitely is not. Providing a set of recommendations which properly balance liberalisation of trade with what matters most to UK citizens and is fair for the UK agri-food sector is daunting. But this is about the future and the priorities we set now that the next generations will judge us on. What we propose is not short-term and some components will take time to implement.

Becoming an independent trading nation for the first time in over 40 years offers a major opportunity. UK exporters can seek out new markets and the UK can help shape the rules which govern international trade.

Setting out as an external trading partner of the EU in the midst of a global pandemic was never going to be easy. Agri-food businesses are, like many other businesses, going to have to make adjustments to remain competitive. We looked hard at the options, but in our reality check we conclude that not all will be winners.

As the trading environment evolves so too does consumer behaviour and the choices consumers make. There is much greater awareness of the impact of farming and food production on the environment. Consumers want to know where their food comes from and how it is produced. They want to be assured that animals are treated humanely and that workers' rights are protected. There is less tolerance for the huge amounts of food wasted in some parts of the world while millions go hungry elsewhere.

The question we had to ask ourselves, therefore, was how to ensure a competitive farming sector whilst providing sustainably produced affordable food. There are no easy answers. We know this could have become an academic exercise with unrealistic outcomes. So, we checked that what we were proposing was compliant with international rules and that it was practical. We then made assessments about how our potential trade partners would view the UK's approach. We believe our recommendations pass those three tests.

We started from the premise that we need a long-term approach to feeding the nation, focusing on 3 key areas – affordable food, protecting the environment and helping

those who want to lead healthier lives in a system which is fair for all involved.

We also need a UK trade policy which creates a fair and safe farming system for all. This means no race to the bottom, no backsliding or turning back the clock on standards and an ambition to play a leading role in international agricultural issues.

Our aim has been to set the principles, strategies and objectives which others will measure us on as trade agreements are reached. To help inform our thinking, we sought the views and insight of farmers, businesses, trade bodies, academic and civil society organisations and elected representatives across the United Kingdom. Over 400 responded to an evidence survey or took part in virtual round-table discussions and regional roadshows in England and the devolved nations.

Our working groups on competitiveness, standards and consumer issues gathered evidence from experts in agri-food, animal welfare and the environment. Trade policy experts and trade negotiators also gave us advice. We have been told that our engagement process was exemplary in its reach but, more importantly, the quality of the insights we received made our task a little easier. We are immensely appreciative of all those who have contributed expert knowledge to help us formulate our recommendations which, we believe, are innovative, operational and pragmatic.

We were created as an independent, non-political Commission. This has allowed us to consider the views from highly experienced specialists, bringing perspectives from across the agricultural and trade sectors. We have had robust debates throughout. We have not always agreed with each other, but the collective commitment to our mission has been instrumental in reaching common conclusions which are reflected in this report.

Due to COVID-19 restrictions, all Commission meetings and external engagement events were conducted virtually. In some ways this was a boon, allowing us to engage with people from across the UK and beyond. But the fact that Commission members never met physically, apart from a few at our launch event, was a regret.

My thanks also go to the dedicated team who supported our deliberations, kept us organised and worked tirelessly to create this document.

It has been a great pleasure to serve as Chair of the Trade and Agriculture Commission.

Tim J Smith



“Providing a set of recommendations which properly balance liberalisation of trade with what matters most to UK citizens and is fair for the UK agri-food sector is daunting.”

Executive summary

We are at a crossroads.

A nation's approach to liberalisation of trade in agricultural commodities is seen by trading partners as totemic; a litmus test. What we must resolve is a tough nut to crack. We are trying to plot a path on which we confidently embrace an open, liberalised trade strategy, and a genuinely reciprocal approach to negotiations. Meanwhile we are trying to safeguard important standards in a way that is not protectionist or trade distorting. It is a path which promises that we will show genuine leadership on climate, environmental, ethical and welfare issues. We will not undermine decades of solid, hard-won progress, nor will we 'offshore' the impacts of food consumption in the UK. This approach demands that we provide clarity in our vision, principles and recommendations. If we are ambitious and positive in our outlook, we will overcome the danger of inertia.

The UK has been navigating a path through some of the most uncertain weeks and months that any of us have experienced in our lifetime. When this Commission started its work in July 2020, the unrelentingly complex process of reaching an agreement with the EU had not reached a conclusion. COVID-19 was placing unprecedented pressures on our public services, businesses and people. But as we publish this report at the start of the new year, there is a sense of fresh optimism about what is ahead. The EU-UK Trade and Cooperation Agreement means the UK leaves the EU customs union and single market with a clear framework, with a zero tariff, zero quota arrangement at its centre. It is a crucially important milestone, and, whilst there is proving to be an inevitable period of adjustment and initial disruption, the agreement has provided the country with reassurance. Meanwhile COVID-19 is still the backdrop for everyday lives, but the vaccination programme gives us all hope of a return to normality.

Through these recent months, our food and farming system has remained steadfast and resilient. This is testament to the expertise and determination of the sector and the supply chain structures that have evolved over decades. After an initial flicker of panic, consumers have largely had continued access to the diverse, high quality and affordable food they

are used to. If anything, food has become an even more central focus of daily life. That is not to downplay some of the challenges; food poverty is a problem which should by now have been consigned to the history books. Our hospitality sector has been particularly hard hit. Above all, the whole situation has been a reminder that we should not take our food supply for granted.

We now embark on a new phase, as an independent nation, of crafting and discharging a progressive new trade policy. The UK can present its vision for trade to the world. We can make a clear statement about our priorities, our level of ambition, how we want our global value chains to work and what we want to achieve with our trading partners. We must do this quickly but in a measured, thoughtful way. The world is watching us with interest to see what path we take. What we do in the coming months will set the tone for some time to come. We need to signal that we are not going to remain constrained by our former membership of the EU, and that we are genuinely open to new, liberalised trading relationships. 2021 is also a pivotal year for international engagement. Our Presidency of the G7 and role as host nation of the COP26 give us a unique confluence of opportunities to show strength and leadership.

This brings us back to the critical challenge identified at the outset. We need to be clear about our strategy and create coherence across different government departments, before we sit down at the negotiating table.

It is clear that the farming sector is among those most affected by EU exit. The shift away from decades of subsidy and control from the Common Agricultural Policy means that the sector is going to need to recalibrate to a fully competitive scenario. The industry will restructure and many, but not all, will adapt. There is a lot at stake; our farmers are not just producers of food, but custodians of our countryside, natural environment and biodiversity, and the bedrock of rural communities. Trade will be key to competitiveness, and expectations of the sector from new exporting opportunities are high. It is expecting to unlock an array of new opportunities for meat, dairy, cereals, fish, whisky and a host of other iconic UK products.

Our consumers, although prioritising price, are also excited by the possibility of having more choice of products from around the world. We are all becoming ever more discerning of where our food is from and how it is produced. Increasingly, environmental footprint, ethical factors and animal welfare are shaping our decision making. Transparency is critical throughout the supply chain. Traceability provides a knowledge of provenance. Labelling has a role, and in particular country of origin labelling and third-party assurance schemes provide convenient ways to signal that the product has reached a certain standard. Familiar examples would include Fairtrade, Red Tractor and the Rainforest Alliance. But, with busy lives, people often don't have the time to scrutinise what they buy and expect the reassurance that the government has this in hand and that they can shop freely in the knowledge that basic standards are being adhered to and that there is traceability throughout the supply chain.

For some, this trust in the framework of standards has recently been eroded. High environmental, ethical and animal welfare standards that have been built up in our domestic food system, over many decades. They appear to be threatened by the potentially pernicious impact of signing agreements with countries whose food standards appear to be weaker than our own. Farming unions, businesses, civil society, consumer groups and celebrities have lined up to push for a safeguarding of these important standards.

In response, we have articulated a vision of the future success that the UK government should aim for when developing and deploying a trade strategy. This vision is reflected in a series of 6 principles that we suggest should guide government in this work.

“We now embark on a new phase, as an independent trading nation.”



The vision

“The UK has an ambitious trade policy which contributes to a global farming and food system that is fair and trusted by all its participants, including farmers, businesses and citizens, from source to consumption. Our food is safe, healthy, affordable, produced in a way which does not harm the planet, respects the dignity of animals and provides proper reward for those involved.”



The principles

The UK should aim to:

- promote the liberalisation of trade, to positively influence innovation and productivity, and price and choice for consumers
- prioritise a thriving domestic agri-food sector supported by complementary domestic and trade policies
- ensure that agri-food imports meet relevant UK and international standards on food safety and biosecurity
- match tariff-free market access to relevant climate, environment, animal welfare and ethical standards, remedying competition issues arising where permitted imports do not meet relevant UK and international standards
- lead change, where needed, to the international framework of rules on trade and relevant standards, to address the global challenges of climate change and environmental degradation
- support developing countries in accessing the full benefits of the global trading system

To realise the vision of an ambitious trade policy that respects the principles we have set out, we have developed a series of recommendations for action in 5 areas. These are designed to be mutually reinforcing in their impact, and we believe the UK government needs to take action across all of these areas.

First, we recommend that the UK government should develop a bold, ambitious agri-food trade strategy.

This would enable a coherent approach to the sector that respects the different responsibilities of the UK government and the devolved administrations and provides a framework of priorities for future trade negotiations. The strategy should be based on a liberalising approach to trade policy, focused on bringing new opportunities for UK business, tempered with safeguarding of important standards. The agri-food trade strategy would need to be framed within the context of a broader UK food strategy.

An agri-food trade strategy should be a catalyst for bringing together the interests and efforts of all relevant UK government departments across agri-food, trade and development.

We have concentrated, in particular, on the need to balance liberalisation with not undermining the UK's world leading environmental and animal welfare standards. We recommend therefore that the UK government adopt an approach to imports which would align with its overall approach to trade liberalisation and seek to lower its tariffs and quotas to zero within trade agreements over a reasonable time period. This would be contingent on imports meeting the high standards of food production expected from UK producers. It would be dynamic, recognising the interplay between general trade policy, the provisions of specific free trade agreements and the success of UK advocacy for animal welfare, environmental and ethical standards in international fora. It would include safeguards against anti-competitive trade distortion. We recognise that this is an innovative proposal, but we have drawn inspiration from parallel provisions in the EU-UK Trade and Cooperation Agreement. Our proposal is less radical and may be less controversial with trading partners than it would have been just a few short months ago.

We know that we should be practical and recognise that the UK government is currently continuing negotiating a number of free trade agreements (FTAs) with countries such as the USA, Australia and New Zealand. There would be challenges resulting from changing this approach in the immediate short-term. Our recommendation is a strategic aspiration for UK trade policy in the medium and longer term.

Second, our vision requires strong international leadership by the UK. This is a particular imperative in terms of action to resolve the climate crisis. For global trade to flourish in the future, it must be made more sustainable and resilient to external shocks. The UK must leverage international forums and work with international partners to raise climate and environmental standards. This requires clear commitment and meaningful action.

The UK needs to make the most of the opportunities for global leadership that 2021 provides. This year the UK takes centre stage in the G7, at COP26 and at COP15. At these forums the UK can show leadership in resolving the climate crisis and also on animal welfare issues, labour rights, ethical trading and countering antimicrobial resistance.

We give practical suggestions as to how this might be achieved. The approach of the UK in international forums should be bolder and less understated and we should deploy our best people in these settings. We should find opportunities for mutually beneficial solutions with developing countries. We should build support for a science-based approach and work within internationally agreed norms, while recognising where we need to challenge the status quo.

Third, the UK government should continue to strengthen its approach to the negotiation of Free Trade Agreements (FTAs). We recognise the unprecedented pace with which our UK negotiating teams have delivered new and continuity trade agreements. We identified some positive practice included in the EU-UK Trade and Cooperation Agreement that should inform our ambitions for FTAs with other trading partners. In doing so we haven't underestimated the challenges of reaching progressive trade agreements, and we don't intend to bind the hands of our negotiators unnecessarily.

The UK government needs to continue its work to develop effective approaches to scrutiny and analysis of FTAs. Impact assessments should include qualitative analysis of impacts where quantitative measures are lacking, including in relation to the environment and animal welfare. Mandates for FTAs should reflect broad-based consultation and engagement, including with devolved administrations. We need to strengthen processes for risk-based audit, assurance and certification.

Fourth, the UK government should put more energy and resource into export promotion, market access and marketing. These are critical pre-requisites for growing UK agri-food exports beyond the negotiation of trade agreements.

We know that the UK's food 'offer' is one of quality, traceability, heritage, safety and high environmental and welfare standards. A new, ramped up approach to exporting should identify systematically the UK's domestic offer and opportunities overseas and target resources accordingly. It should leverage the UK government's overseas network to attract interest in UK agri-food technology.

Government can use its political leverage to open doors; businesses can build the supply chains and networks to trade. Collaboration between government and industry, across the whole of the UK, will allow us to maximise each opportunity for our agri-food sector to export. Our ambition should be to make our collective impact greater than the sum of what might be achieved separately.

Fifth, the UK government should align its trade, aid and climate policies relating to agri-food. These policies must work together to strengthen our relationships with developing countries over time, to diversify our food supply, support our food security goals and support the economic prosperity of those nations. In reviewing these policies the UK government should draw on structured engagement with governments, agri-food businesses and charities in developing countries and agri-food businesses in the UK with developing country interests.

In summary, UK trade policy must be ambitious and the agreements that are negotiated need to tackle the issues of the next generation, not just this one. Our focus must be on long-term gains, not short-term expediency. Both government and business need to adapt, learning the lessons from the COVID-19 pandemic and reflecting the generational shift in the priorities of consumers.

We don't have the time to delay these changes. We have proposed clear principles to guide the UK government that will allow the UK to move forward confidently with a clear, well executed strategy. This should be underpinned by a commitment to a fair and safe food and farming system for all, with no race to the bottom or backsliding on standards. There should also be strong ambition for the UK to play a leading role in international agricultural and food issues and a positive economic impact where everyone feels the benefit of trade.

We see opportunities for all and are optimistic about the future for the UK as an independent trading nation.



Recommendations

1



Recommendation 1:

The UK government should develop a bold, ambitious agri-food trade strategy. This would enable a coherent approach to the sector across the UK government and the devolved administrations and provide a framework of priorities for future trade negotiations. It should be based on a liberalising approach to trade policy, focused on bringing new opportunities for UK business, tempered with safeguarding of important standards. It should be framed well in the context of a broader UK food strategy.

2



Recommendation 2:

There should be a minister with specific responsibility to lead on agri-food trade, who would ensure policy coherence across UK government. The minister would lead in pushing for an elevation of global standards on environment, animal welfare and ethical trade in international forums.

3



Recommendation 3:

Climate change and other environmental pressures are of such paramount importance that the UK government must ensure that they are integral to its trade policy and negotiations. It should promote these issues in international forums, especially COP26. It should champion the creation of a global standards framework for the environment and clear metrics for measuring environmental sustainability, whilst establishing a corresponding set of rigorous national standards. WWF's Codex Planetarius could be a model from which to build these ambitions.

4



Recommendation 4:

The UK should draw on its strengths in animal welfare to show world leadership in embedding it into trade policy. The UK government should play a leadership role in international forums, to raise worldwide standards of animal welfare. It should do this by investing in expert facilities and experts who can provide independent advice to government. It should then build international relationships and put forward proposals that are carefully crafted, convincing and evidence based.

5



Recommendation 5:

It is important to combat antimicrobial resistance (AMR) in compliance with the WHO Global Action Plan. The UK government should apply the approach taken in the EU-UK Cooperation Agreement, in all future trade negotiations. It should also adopt a strong stance on AMR in multilateral forums and at the UN Food Systems Summit later in 2021.

6



Recommendation 6:

The UK government should respond to the noticeable shift in public attitudes to ethical trading and set out its ambitions for the agri-food sector, to be an exemplar for other sectors. It should conduct an assessment of enforcement practices overseas, to give a regular scorecard performance on exporting countries. It should seek to include a labour chapter and Corporate Social Responsibility (CSR) provisions in all FTAs. Finally, it should ensure that the UK is leading by example domestically. This will involve enhancing support for the UK Gangmasters and Labour Abuse Authority. It also means calling on UK industry to ensure fair wages and conditions are being provided for seasonal workers.

7



Recommendation 7:

The UK government should seek to build global coalitions to promote and protect labour rights of workers in key supply chains. Our research suggests the UK might focus first on supply chains for bananas, rice, cocoa, coffee and tea. It should work within the International Labour Organisation (ILO), as a founding member, to push for the 8 ILO fundamental Conventions to become an assessment of performance on labour rights linked to trade, rather than a registration exercise.

8



Recommendation 8:

The UK government should take an ambitious approach to the liberalisation of the UK's import tariff regime, for countries that can meet the high standards of food production expected from UK producers. It should work with trading partners within future FTA negotiations to lower tariffs and quotas to zero where equivalence is demonstrated for these standards. These standards must be aligned with core global standards, and the UK government should take an active role in strengthening standards via international forums.

9



Recommendation 9:

The UK government should strengthen impact assessment of trade policies and agreements by improving qualitative assessment on health, welfare, biosecurity and environment. Modelling in assessments should go beyond trade flows and address wider consequences such as impact on UK food prices. Assessment of trade deals with developing countries should assess growth and development of the partner country, as well as the UK.

**Recommendation 10:**

The UK government should ensure consultation and engagement on FTAs, from the early stages of inception of a prospective agreement and throughout negotiations, is transparent, thorough, and more detailed than it is currently, whilst recognising the need for confidentiality.

**Recommendation 11:**

To ensure that future trade policy incentivises and builds trust with trading partners, the UK government should implement a robust, risk-based audit, assurance and certification process. This could include an end-to-end Trusted Trader network to ease border checks from authorities in exporting countries on sealed loads. The UK should fully explore the use of SMART as well as recent technology such as blockchain to further reduce friction points at the border and along the whole supply chain. Future agri-food risk assessments should be conducted in a transparent way, that includes publishing the findings, at a commodity and country level.

**Recommendation 12:**

The UK government should work with the industry to increase investment in knowledge and insight of overseas markets. It should conduct systematic mapping of the sector's competitive advantages. It should review how it might encourage inward investment that would helpfully expand the UK's trading capacity. Particular focus should be placed on opportunities for agri-food focused small and medium enterprises (SMEs).

**Recommendation 13:**

The UK government should support and participate in a new Food and Drink Export Council, which would bring together industry and government export leads for England, Northern Ireland, Scotland and Wales, with a rotating chair. The Council would enable UK-wide collaboration, sharing of knowledge and resources, support exporters and market access negotiations, and maximise the benefits of working together whilst respecting the separate approaches in different parts of the UK.

**Recommendation 14:**

The UK government should work with the Food and Drink Sector Council on the industry's request for a specialist agri-food export body for England. This would provide one-stop-shop trade information, to give it the best chance of success. Government should provide related, additional funding for existing national food and drink export organisations.

**Recommendation 15:**

The UK government should escalate the pace of efforts to remove market access barriers, through FTA negotiations and wider diplomacy. It should work with the agri-food sector to determine whether the UK Export Certification Partnership (UKECP), which contributes to market access and maintenance negotiations, should be given a wider remit, for poultry, fresh produce and cereals.

**Recommendation 16:**

The UK government should rapidly increase its overseas resourcing, by expanding its network of agri-food experts based in embassies in target markets. These experts would form part of the network of trade staff reporting to Her Majesty's Trade Commissioners. This should be done in collaboration with, and supported by, key sector organisations. These experts should focus on market access and opening up trade opportunities.

**Recommendation 17:**

The UK government should review marketing and promotional activities for agri-food exports, particularly under the banner of the GREAT campaign. It should place a greater focus on developing campaigns sensitive to the needs of UK nations and regions and promoting goods relevant to specific overseas markets. This could be done through the proposed new Export Council in collaboration with the Devolved Administrations.

**Recommendation 18:**

The UK government should review the current public procurement plan for food. In addition to achieving value for money and meeting nutritional requirements, it should maximise the opportunity to source from the UK, source sustainably and improve the transparency of the sourcing process.

**Recommendation 19:**

The UK government and the food industry must work together to improve country of origin information in the loose food, food service and out of home supply chains. This will respond to consumer appetite for more trust and transparency in those supply chains. This should form part of a broader agenda to support these supply chains as the country recovers from the COVID-19 pandemic.

20
**Recommendation 20:**

The UK government should conduct structured engagement with governments, agri-food businesses and charities in developing countries and agri-food businesses in the UK with developing country interests. It should draw on this engagement to facilitate the building of relationships and enhanced understanding of where UK investment would have the most positive impact. It should also underpin closer collaboration between the Foreign, Commonwealth and Development Office (FCDO), DIT and Defra on agri-food trade policy, regulation and other activity.

21
**Recommendation 21:**

The UK government should align its trade, aid and climate policies relating to agri-food. Teams across government should establish clear, specific programmes to ensure that they are cooperating on this and aligning budgets and priorities. Particular support should be provided to smaller businesses and poorer producers. It should help them to improve climate resilience. It should help them to meet standards in export markets so they can better access the benefits of global trade. It should also be targeted towards helping them shift into the 'added value' space of processing and packaging their own raw commodities, which will create lasting economic growth.

22
**Recommendation 22:**

The UK government should adopt a bolder, more confident and less understated approach to working with like-minded countries or in pluri- or multilateral discussions. It should apply this to influencing necessary reforms to the international rules for trade and standards. These objectives should be embedded in a common strategy so that they can be pursued in all relevant multilateral negotiations and forums. The international activities of non-governmental organisations (NGOs) should be recognised and supported where there is common cause.

Sheep in Country Antrim, Northern Ireland



The Commission

Approach

In summer 2020, the UK government's trade policy and negotiations were entering a new, accelerated phase following the UK's departure from the European Union and in preparation for a cooperation agreement.

The Secretary of State for International Trade had determined that the agri-food sector would be a priority of those negotiations. This is a proper consequence of the importance of growing this critical pillar of the UK's economy, as it transitioned away from the heavily controlled, subsidised EU environment. It is also, however, an area where the global framework of health, safety and other standards and controls present some of the most complex challenges to address within new trading arrangements.

On that basis, the Secretary of State determined there should be concerted engagement with groups with an interest in UK agriculture trade policy, so that farming would be at the heart of policy. She established the Trade and Agriculture Commission to consider how agri-food interests could be advanced and the sector could remain amongst the most competitive and innovative in the world. In particular, to consider how the UK could seize new export opportunities for our farmers, whilst maintaining its world leading environmental, animal welfare and ethical standards.

The Secretary of State launched the Trade and Agriculture Commission to act as a fully independent, fixed-term advisory board and to produce a report which would:

1. consider policies the UK government should adopt in free trade agreements to:
 - secure opportunities for UK farmers and ensure the sector remains competitive
 - make sure that animal welfare and environmental standards in food production are not undermined or weakened
2. consider how the UK should engage the World Trade Organisation (WTO) to build a coalition that would help advance higher animal welfare standards across the world

3. develop a trade policy that would identify and open up new export opportunities for the UK agricultural industry, in particular for SMEs, and benefit the UK economy as a whole
4. reflect consumer interests and those of developing countries

The Secretary of State appointed the members of our Commission based on our combined expertise and experience in a range of fields relevant to agri-food and trade policy.

To inform our work we established 3 working groups to conduct detailed consideration of issues pertinent to competitiveness, consumer groups interests and standards. The working groups were made up of over 40 experts from business, civil society, consumer, academia and wider fields from across the UK. Collectively, they provided insight, sector knowledge and technical expertise over many weeks that helped to shape many of our conclusions. [Appendix 1].

Beyond our detailed technical work, we wanted to gauge opinion from an even wider audience. During the autumn of 2020, we conducted a series of virtual forums on animal welfare, the environment and ethical trade and regional roadshows focused on each of the English regions, Scotland, Wales and Northern Ireland. These were attended by farmers, food producers, large and small businesses, agri-food experts and local political representatives from across the UK. We also issued a call for written evidence and received responses from 90 organisations. All of these contributions were extremely valuable to our thinking. [Appendix 2].

Between July 2020 and February 2021, we considered the key priorities the UK government should address to achieve the best outcome for the British agri-food sector in its trade policy and negotiations in the months and years to come. This report is a fast and agile review from that period of reflection and is presented as an advisory report to the Secretary of State, for her consideration.



“The UK’s food and farming sector remains amongst the most competitive and innovative in the world.”

Scope

We have adopted a holistic approach to considering the agri-food sector, reflecting the fact that UK government policy needs to do the same. Our engagement with individuals and organisations has covered the whole of the sector, from ‘farm to fork’, including farmers, processors, manufacturers, retail and hospitality, and encompassing food through to agri-tech products. The membership of the Commission, the composition of our Working Groups and those we chose to provide evidence in person, mirrored this approach.

The Secretary of State determined that the Commission should not address matters of food safety or health, specifically the food and feed safety regulation that is the responsibility of the Food Standards Agency, Food Standards Scotland and the Department for Health and Social Care. Similarly, consideration of policy on food safety, human health and nutrition has been largely out of our scope. At times this was a frustration due to the interdependencies in policy and operational application between trade, household food security, diet and nutrition. We have respected the limits of the scope of our remit but fully recognise the important links between these food policy issues.

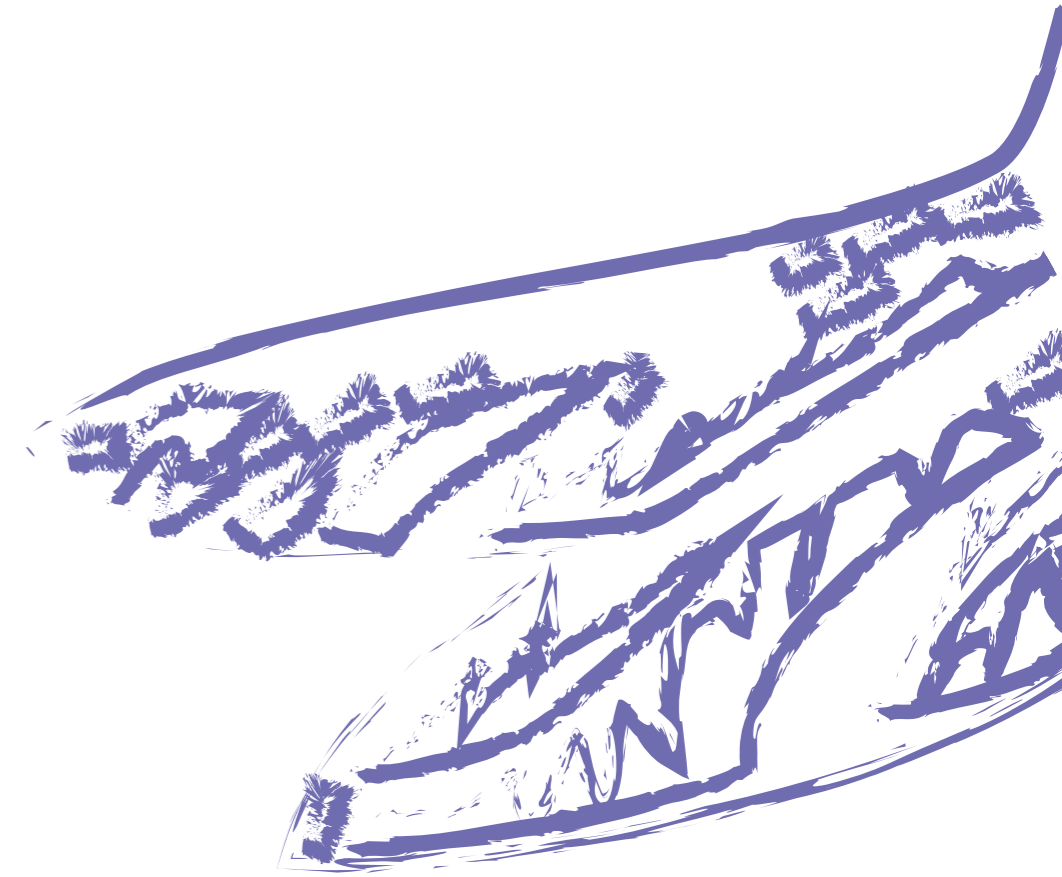
Since the UK left the EU there has understandably been a measure of public conjecture on compromises the UK might need to make in its trade deals. Concerns have been expressed by various organisations with an interest in the food and farming sector, and through media campaigns, about the possible lowering of UK food standards. Focus has been on the risks of certain specific types of imported food produced by methods not used in the UK, such as chlorine washed chicken and hormone treated beef. We have sought to treat these issues proportionately. These products cannot be sold within the UK, regardless of the country of origin, because these methods are not permitted in UK law. This would be unaffected by any trade agreement and there is no indication that the UK government has any intentions to change the existing arrangements.

We have been conscious throughout our work that trade policy for the agri-food sector cannot be developed in isolation. The UK government must take a coherent approach to its trade policy and negotiations - one which considers the broader political and economic goals of the UK across a number of sectors. We are mindful that some of our recommendations could have intended or unintended consequences for other sectors or industries. At worst, our policy ideas could put at risk trade deals which would otherwise be good news for other commercial entities. But we have not shied away from making bold, ambitious recommendations that are in the interests of the agri-food sector. We have specific terms of reference [Appendix 3] and the Secretary of State established the Commission to ensure that the agri-food sector has a strong voice. Ultimately, it is for ministers to later determine which of our recommendations they wish to accept and act on, and how they will reconcile potentially competing or conflicting considerations across the UK’s trading sectors as a whole.

Devolution

The UK government is responsible for UK trade policy and the negotiation of trade agreements. However, the implementation and observation of trade agreements, as well as broader domestic food, agriculture and environment policy, are devolved matters. We have sought to remain sensitive to this devolution landscape. This report is written from a UK-wide trade perspective and recommendations are largely directed to the Secretary of State for International Trade. But we were conscious that the nature of food and farming, and the opportunities, challenges and priorities that follow from that vary considerably across the UK. Indeed, agri-food is relatively more significant for the devolved nations as a proportion of their overall trade.

We kept that in mind in our search for information and have benefited hugely from contributions from individuals and organisations in Scotland, Wales and Northern Ireland, as well as from England. We held virtual roadshows with business, farming and elected representatives from the devolved nations and met representatives from the Devolved Administrations to understand the challenges and opportunities most relevant to those parts of the UK. We believe, therefore, that the content of the report may be of interest to the Devolved Administrations, and they are warmly welcomed to consider our findings.



“We have not shied away from making bold, ambitious recommendations.”

Commission Members



Tim J Smith (Chair)

Previously Tesco Group
Quality Director and FSA CEO



Victor Chestnutt

Ulster Farmers' Union



Caroline Drummond MBE

LEAF
(Linking Environment
And Farming)



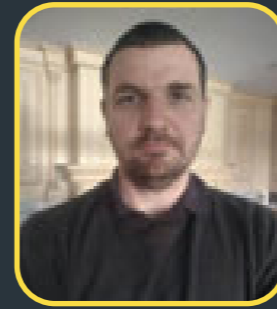
John Davies

NFU Cymru



Nigel Gibbens CBE

Former Chief
Veterinary Officer



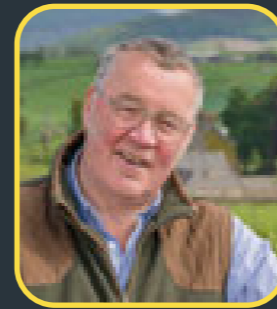
Rob Hodgkins

Mixed Farmer



Glyn Roberts

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Rt Hon
Sir Lockwood Smith

Former Trade Minister
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for New Zealand, Former
High Commissioner
to the UK and
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Trade Out Of Poverty



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Food and
Drink Federation

1. Introduction

1.1 Where the UK agri-food sector is today

The UK is fortunate to have a mature agri-food sector that provides us with high quality food. Professional, passionate and resilient farmers are supplying an innovative food and drink industry, encompassing creative new SMEs through to large multinationals. We have a hugely diverse retail and hospitality sector used by consumers with an increasing curiosity about how their food is sourced and produced and how those producing it are treated. The whole agri-food supply chain makes a significant contribution to the UK economy and society.

The UK's departure from the European Union means that the sector faces unprecedented change. The EU's Common Agricultural Policy has provided a framework for the agricultural industry for decades and the phasing out of these arrangements will require a rethink about regulation, productivity, innovation and sustainability. The EU is the most important region for both our UK agri-food imports and exports and, through the EU, the UK has been a partner in a series of other trading relationships. Our international relationships and domestic structures are being re-thought and re-shaped.

COVID-19 has been the biggest challenge the UK has faced since World War II. Producers, manufacturers and retailers have shown incredible resolve in feeding our nation despite enormous disruptive pressures. Some existing trends, for example in the growth of ecommerce, have seen a rapid escalation. Some businesses have had to innovate and diversify and find novel approaches to sustaining their activities. The hospitality sector undeniably bore the brunt of the lockdown, with ramifications likely to be felt for years to come. COVID-19 has exacerbated food insecurity in the UK. It has exposed levels of food poverty and vulnerabilities in parts of our community.

The challenge we now face, as we move on from EU exit and through the recovery from COVID-19, is how we can overcome these hurdles to make progress with pace and confidence. Although the pandemic has been unprecedented, we appreciate that the UK government has tried to mitigate some of the fiscal and economic effects, particularly for the hospitality sector, whilst balancing this with measures to protect public health. In June 2020, the UK government launched a 'Bounce Back' package for the food and drink sector.

This was designed to help businesses to export, with a particular emphasis on SMEs. Complementary initiatives include a new government Agri-tech International Strategy, aimed at ensuring the UK is an international partner of choice for agri-tech trade and investment.

We anticipate that the UK government will continue this support and hope that the forthcoming March 2021 Budget will be the impetus to job creation and growth. Furthermore, as the UK government is expected to embark on a multi-year Comprehensive Spending Review for the period beyond fiscal year 2021/2022, the opportunity for the UK government to respond to the recommendations in this report is clear. The agri-food sector is in a strong position to contribute to economic growth by driving exports and subsequently creating jobs across all communities in the UK and we would expect to see this reflected.





UK Agri-tech International Strategy

This government strategy (DIT, Defra, FCDO) aims to ensure the UK is an international partner of choice for Agri-Tech trade and investment and enhance the contribution of UK Agri-Tech capability to global and sustainable food security. A Leadership Council with industry will drive the strategy and provide advice on international engagement. Key components will include: an Incubator Hub for SMEs to commercialise research and for farmers to access integrated solutions to their challenges; Animal Health and Crop Business Coalitions as access points for overseas investors to the UK's diverse and world class science and innovation; and a Network of Centres of Excellence and smart farms supporting SMEs to increase exports overseas through bilateral Government-to-Government and public-private partnerships.

1.2 Value of the agri-food sector to the UK

All of us on the Commission understand the scale and importance of the sector. In short, in 2018, the last year we have access to the full figures for, the UK agriculture food and drink sector as a whole contributed £120 billion (9.4%) of national Gross Value Added. Of that, agriculture and fishing comprised £10.6 billion, wholesale £14.4 billion, food and drink manufacturing £29 billion, food and drink retail £30.1 billion and non-residential catering £36.1 billion. The sector is also responsible for a sizeable part of the workforce. It employs more than 4 million people, which does not take account of the hospitality sector, where more than 3 million people are employed¹. Food and drink alone is the UK's largest manufacturing sector, constituting approximately 16% of the UK's total².

The UK measures 'Total Factor Productivity' (TFP) which is broadly a measure of outputs against inputs. TFP of the UK food chain beyond the farmgate rose by 0.9% between 2007 and 2018, compared to productivity in the wider economy, which rose by just 0.1%³.

However, the value of the sector to society extends beyond the direct contribution to the economy. Our farmers are custodians of our countryside and the sector manages some 72% of UK land⁴. Farmers support biodiversity conservation, flood alleviation, climate change mitigation and a host of other important public good services and delivery. Farmland acts as a carbon sink and is an important part of the UK's national renewable energy supply. Agriculture underpins rural communities, local infrastructure and tourism. Many farms have diversified into broader business ventures such as accommodation or retail. Rural and urban economies depend on farming: bluntly, if we lose farms and farmers, we risk untold damage to local communities and to the stewardship of the land across every nation of the UK. There are also urban communities to consider. In the last decade, hospitality has invested heavily each year in high streets and city centre spaces. The investment by hospitality in urban and high street renewal will be critical to the successful revitalisation of our cities as part of the post COVID-19 recovery.

¹ <https://www.youthemployment.org.uk/dev/wp-content/uploads/2018/09/UK-Hospitality-Workforce-Commission-2030.pdf>

² <https://www.gov.uk/government/statistics/food-statistics-pocketbook/food-statistics-in-your-pocket-food-chain>

³ <https://www.gov.uk/government/statistics/food-chain-productivity>

⁴ <https://www.gov.uk/government/statistics/food-chain-productivity>

1.3 Why trade matters

In the year to November 2020, UK food and drink total trade (imports plus exports) was worth £69.1 billion⁵. Volumes of trade and supply chains are very dynamic and will be influenced by currency fluctuations and a number of other factors. Many of the UK's existing supply chains have been influenced by the UK's membership of the EU and might change as the UK explores new markets.

Trade fuels economic growth, prosperity and innovation. It helps businesses grow and succeed, achieve economies of scale and secure new opportunities for expansion if the domestic market is limited.

In the UK agri-food sector, trade gives us greater choice, including more year-round consistency in availability. It supports a reduction in food waste including, for example, where livestock and poultry exporters are able to improve 'carcase balance,' by securing more income from those cuts of animals which are more in demand overseas than in the UK. Increasing flexibility in food sourcing supports greater food security. It enables food producers to specialise in things they do very well, on a larger scale, increasing profitability. At the same time, we can import products we cannot produce easily in the UK, or where the economic or environmental costs of production would be higher, even if they were possible here.

At a national level, there are broader political and diplomatic benefits from the relationship building that comes from trade. For individual businesses that open themselves up to international markets it can be an opportunity for growth and an exchange of ideas and learning.

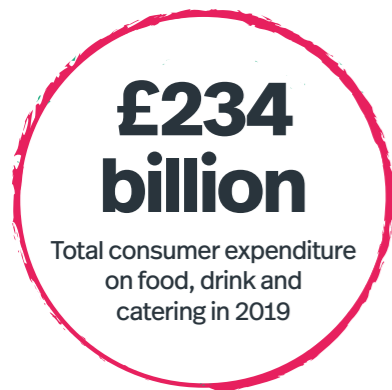
Some would question the risks of trying to achieve other wider policy objectives through trading mechanisms. But we should not compromise our values on critical issues such as human and worker rights, the environment and animal welfare. Elevating global standards on these matters will level the playing field for UK traders. The strong sense we gained from our evidence gathering was that we should promote UK strengths in these areas as one of our unique selling points.



⁵ <https://www.gov.uk/government/statistics/food-statistics-pocketbook/food-statistics-in-your-pocket-food-chain>

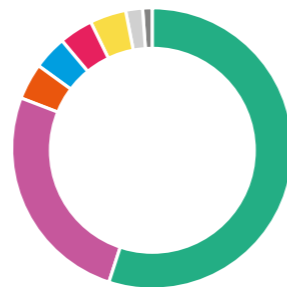
UK Food System

How much the UK consumes



Origins of food consumed in the UK 2019

- UK
- EU
- Africa
- North America
- South America
- Asia
- Rest of Europe
- Australasia



Where the UK's food comes from

55%
of the food consumed is grown and produced in the UK

UK food and drink imports are worth

£47.7 billion

which is 9.8% of the total UK goods imports

**Ireland
Germany
Netherlands**

The three largest suppliers of food and drink to the UK

Chocolate has been the fastest growing import recently

3.9%
increase from 2019 to 2020

The products we import the greatest amounts of are

wine, fish, prepared items

such as soups and yeasts, **fresh and chilled vegetables and fruit**



Where people get their food from



What people are eating

Quantities of household purchases of food and drink in the UK. Grams per person per week, except for liquids in millilitres, and eggs (number).

| Food group | Units | 2018/19 |
|-------------------------------------------|-------|---------|
| Milk and milk products (excluding cheese) | (ml) | 1840 |
| Cheese | | 123 |
| Meat | | 961 |
| Fish | | 146 |
| Eggs | (no.) | 2 |
| Fats | | 161 |
| Sugar and preserves | | 93 |
| Potatoes (fresh and processed) | | 620 |
| Vegetables (excluding potatoes) | | 1139 |
| Fruit | | 1106 |
| Bread | | 521 |
| Cakes, buns and pastries | | 151 |
| Biscuits and crispbreads | | 159 |
| Other cereals and cereal products | | 589 |
| Beverages | (ml) | 52 |
| Soft drinks | (ml) | 1642 |
| Confectionery | | 136 |
| Alcoholic drinks | (ml) | 712 |

1.4 The consumer

One of our working groups specifically considered trade policy from the perspective of consumers. They gathered a wide variety of research from retailers, consumer groups, academia and citizens' assemblies which contributed to their discussions. The working group acknowledged that, as people, we think and act differently as citizens than we do as shoppers. Citizens consider issues of broader public interest whereas, as shoppers, we make purchasing decisions based on a narrower range of factors.

Our research found that when consumers are food shopping, price is the main influence on purchasing decisions. Many consumers want 'affordable choice', or access to products at different price points, for example, value, standard and premium versions of common products.

Consumers do care about the standards their food is produced to, and there is a strong view that baseline standards must be enforced for all imported products. However, consumers do not always have the capacity to thoroughly analyse products at the point of purchase and want the reassurance that standards have been addressed as part of the framework of controls on what they are buying. Similarly, when eating out of home, they expect products to have been sourced and produced responsibly. Our research found that people recognise the vital role that trade policy plays in enforcing high standards on imported goods⁶. Consumers are also supportive of the UK government playing a leading role in promoting high standards around the world⁷.

Consumers are, however, becoming more conscious about the impacts of their food consumption⁸. We found that, in trade-offs with price, shoppers are often willing to pay a premium for higher ethical, welfare and environmental standards, particularly when verified by assurance schemes such as Fairtrade, Rainforest Alliance, RSPCA Assured and LEAF Marque. This trend towards 'conscious consumerism' is consistent across socio-economic groups⁹. Additionally, many shoppers are choosing to prioritise buying domestic produce because they are keen to support UK businesses and farmers which they associate with high production standards and quality.

There is concern expressed in public debate, amplified by the current COVID-19 situation, that rising food insecurity will lead the UK government to lower trade barriers, opening up the UK market to more food produced to lower standards. However, UK consumers do not view this as a sensible solution to the problem, because it could lead to the poorest in society only having access to food which may not meet domestic standards. Given that UK shoppers pay comparatively less for food than shoppers in some other countries, trade policy may have limited incremental impact on food insecurity and poverty, and it is for domestic policy to address the core issue of food insecurity.

⁶ National Trade Conversation, 2020: <https://campaigns.which.co.uk/trade-deals/national-trade-conversation/>

⁷ The Path to Net Zero, 2020: <https://www.climateassembly.uk/report/>

⁸ Food Ethics Council, 2017: <https://www.foodethicscouncil.org/programme/food-citizenship/>

⁹ <https://ahdb.org.uk/consumer-insight-trust-transparency-and-traceability>



2. Implications of having left the European Union

2.1 The EU-UK Trade and Cooperation Agreement

General observations

The EU is overwhelmingly the most significant market for UK food exports. Around a third of all the food we consume comes from the EU. The importance of having secured the EU-UK Trade and Cooperation Agreement (TCA) and a 0% tariff arrangement cannot, therefore, be overstated. We can now be confident that we have an opportunity to make real progress after a period of uncertainty.

That does not mean the new arrangements are not without challenge. Supply chains have seen disruption caused by the rules of origin requirements which have excluded some products from the 0% tariff rate. There are some prohibitions in place, meaning that the UK cannot export certain products to the EU, and a seed potato prohibition has already disrupted farmers who would normally export to the EU. With such a fundamental change to our trading relationship, some disruption was to be expected, and the short notice and implementation time have undoubtedly enhanced these difficulties. Border friction is proving to be burdensome, with business and food losses ensuing.

We must view this in proportion; given the timing of this report the Commission has not had the opportunity to evaluate how much trade has been affected, but we do recognise the current and real challenges evident in the disruption to food supplies and availability to consumers.

We believe that the trade agreement presents concerns for Devolved Administrations, particularly with the change of regulatory authority from the European Food Safety Authority (EFSA) to UK agencies. The increased trade friction between Northern Ireland and the rest of the UK appears to have led to some supermarkets in Northern Ireland sourcing products from Ireland and elsewhere outside the UK.

We must get on top of this disruption quickly and rebuild confidence in the new framework, so that we can secure the opportunities that originally motivated the UK's exit.

Implications for the future

We were all anxious to see the terms of the agreement and were generally pleased with its simplicity and balance. There are some elements of the new agreement which are intriguing and have interesting potential benefits for the future, which are worth highlighting here.

Firstly, the rebalancing mechanism included in the agreement is a useful tool. It is similar to the market distortion mechanism we are proposing, with the aim of addressing unfair competition issues. This renders our recommendations less novel and innovative than they might have been otherwise, but the similarities could mean that our proposed import policy is more likely to be acceptable to potential trading partners. It is important to note that this mechanism can be used both offensively and defensively. Offensively, it deals with situations where trading partners prevent market access by UK exporters by means of a market distortion. Defensively, it could be used in situations where there might be a distortion in a foreign market, resulting from a government distortion or a derogation from internationally agreed norms, leads to excess exports from that market.

The agreement also promotes the core principles of environmental protection, in line with the UK's international and domestic commitments. Article 7.4 of the TCA includes reference to internationally recognised environmental principles that can be adopted on impact assessments, preventative action, precautionary approach, rectification at source and polluter pays. Within this context, it is both desirable and realistic that the UK government should pursue a highly ambitious strategy to raise agri-food global

standards relating to the environment and climate change in other trade agreements. We cover this elsewhere in our report [refer to chapters 4 and 6]. This must be done in conjunction with a pro-liberalising agenda.

The sanitary and phytosanitary (SPS) chapter in the agreement includes wording on co-operation on AMR, promotion of sustainable food systems and protection of animal welfare. The texts of these articles are among the most detailed of any free trade agreement that either the EU or UK has in place. This breaks new ground and sets the foundation for future Free Trade Agreements (FTAs) and a new level of ambition for both parties. Specifically, the agreement explains that the UK and EU will cooperate with other international partners to reduce the unnecessary use of antimicrobials in animal production and to phase out their use internationally as growth promoters. This is in line with the aim to combat AMR, in line with the One Health approach and in compliance with the Global Action Plan. This is a particularly encouraging and positive measure.



UK and EU competent authorities

Food Standards Agency (FSA)

Established in 2000 the FSA is the independent government department working to protect public health and consumers' wider interests in relation to food in England, Wales and Northern Ireland. The FSA covers food safety and other consumer interests in food, which include price, availability, and some aspects of food production standards like environmental concerns and animal welfare ensuring that our food has a strong reputation for safety and authenticity within the UK and abroad.

Food Standards Scotland (FSS)

FSS ensures that food is safe to eat, ensuring consumers know what they are eating and improving nutrition. FSS was established by the Food (Scotland) Act 2015 as a non-ministerial office. FSS helps protect the public from risks to health which may arise from the consumption of food and advises on how diet will promote good health. The FSS focus is on the best interests of consumers when it comes to food.

UK Office of SPS Trade Assurance

The UK Office of Sanitary and Phytosanitary Trade Assurance will co-ordinate SPS trade assurance in the UK to ensure trading partners meet import conditions for food and feed safety and standards and for animal health and welfare.

European Food Safety Authority (EFSA)

European Food Safety Authority EFSA is a European agency funded by the European Union. It was set up in 2002 following a series of food crises in the late 1990s to be a source of scientific advice and communication on risks associated with the food chain.

SANTE F

Directorate-General on Health and Food Safety (SANTE F) conducts audits, inspections and related activities. This ensures EU legislation on areas such as food and feed safety, animal health, animal welfare, and plant health, is properly implemented and enforced, both in the EU, and in countries the EU trades with. Before a country is granted market access to the EU they must first pass an audit conducted by SANTE F demonstrating that they can meet all EU requirements.

2.2 Internal market

The United Kingdom Internal Market Act (UKIM) came into effect on 17 December 2020. It is a crucial step for ensuring that agri-food businesses can continue to trade freely throughout the UK. A strong, unified internal market across the UK also provides a strong base from which agri-food goods and services can then be traded across the world.

The most relevant sections of UKIM for agri-food are the principles of mutual recognition and non-discrimination of goods and services. These form market access principles that will enable businesses to trade without additional barriers based on which nation they are in. Mutual recognition is critically important. It means a product that meets relevant regulatory requirements in the part of the UK where it is produced, or imported into, can be sold in any other part of the UK, without having to adhere to relevant regulatory requirements in that other part. Non-discrimination means that direct or indirect discrimination, based on differential treatment of local and incoming goods, is prohibited. There are some agri-food related areas which will be excluded from the scope of mutual recognition but included within the scope of non-discrimination.

Additionally, the operation of the Northern Ireland Protocol is particularly important to the agri-food sector. The market access principles are modified in respect of Northern Ireland to take account of the Northern Ireland Protocol and the UK government's Unfettered Access policy. The Northern Ireland Protocol provides that certain EU customs legislation applies to the UK in respect of Northern Ireland. The section of the Protocol that most concerns agri-food is the need to facilitate the free flow of goods between Great Britain and Northern Ireland.

These internal market arrangements are generally positive for agri-food trade; any attempt to free up the flow of goods and minimise bureaucracy must be the right thing to do. However, it is plainly obvious from news headlines and anecdotal stories, that the implementation is proving to be testing. The disruption we have seen is a real concern; the most significant trade is often that which we do closer to home. The UK government must take the ramifications of this seriously, particular in relation to sectors such as agri-food where profit margins are often small.



3. Agri-food trade strategy

3.1 Need for a coherent strategy

The UK's ambitions on agri-food trade policy will be best served if there is a collective clarity of purpose. The imperative to press ahead with trade negotiations and to seize post-EU opportunities quickly, is understandable. But trade policy needs to be based on long-term aspirations.

Trade in agriculture and food cannot be considered as a ring-fenced issue. Clearly, the inextricable links between international and domestic agendas mean that the UK government must have an overall, ambitious food strategy in place. The work that Henry Dimbleby has done, thus far, on the National Food Strategy for England,¹⁰ is the first major review of the food system in 75 years and was helpful context for us. It sets a level of ambition for the food system that we hope will carry through into the UK government's implementation of his findings. The Devolved Administrations have their own strategies and plans in place.

Within that context, the UK government should therefore set out a clear and comprehensive agri-food trade strategy that would underpin global trade diplomacy, trade negotiations and support for traders. A number of factors suggest that a bespoke strategy for agri-food is warranted: the sensitive nature of the agri-food sector, the complex web of standards and regulation that surround it, the tremendous restructuring the sector faces as a result of EU exit and the fact that it is often a contentious obstacle in trade negotiations.

A strategy should be developed to enable better coordination and coherence between different UK government departments. The departments need clearly defined roles and responsibilities in trade policy to ensure cohesive policy and support for the industry. There should, however, be a clear, central hub through which agri-food trade matters are coordinated with industry leaders. There should also be a dedicated minister with explicit responsibility to lead on agri-food trade, who would ensure policy coherence across government and would lead in pushing for an elevation of global standards on environment, animal welfare and ethical trade in international forums.

The strategy should address the following areas:

- the approach to be taken to bilateral, plurilateral and multilateral engagement in international forums and with other like-minded countries
- a process for preparing for, negotiating and conducting detailed assessments of trade deals, with a clear understanding of the implications, trade-offs and red lines that would be applied within them
- advancement of core standards, reflecting legitimate UK regulatory objectives on climate change, environment, animal welfare and ethical trade, in any preferential trade agreements
- ensuring alignment between trade policy and any related domestic policies
- the prioritisation of market access, the removal of technical barriers to trade, and commitment to improving the regulatory environment in which the agri-food sector operates domestically and internationally
- improving export competitiveness, trade promotion and the identification of market opportunities for UK products that match the UK's strengths and capability to supply
- clear mapping of market opportunities, risks and barriers, where the UK has a competitive advantage or disadvantage, the special features of overseas markets that make them attractive and how the UK sectors can capitalise on this, and how evidence will be used to best support this analysis
- how UK government will engage with business and society
- a plan for ensuring the right resource and expertise to deliver trade policy and trade promotion well, within the Government in the UK but also in strengthened teams overseas

¹⁰ <https://www.nationalfoodstrategy.org/>

“Prioritise a thriving domestic agri-food sector supported by complementary domestic and trade policies.”

Effective engagement is essential to building and maintaining trust between government and its partners and stakeholders. DIT should work closely with the Devolved Administrations to understand and reflect their specific priorities. A genuine partnership will maximise the opportunity to identify where new export, investment and market access opportunities can achieve the greatest gains for each part of the UK.

DIT should also engage widely with business, civil society, experts and others with a clear interest in agri-food trade. This will help ensure the strategy is comprehensive, reflective of business need and grounded in the realities of day-to-day trading. It will also help to capture the right level of ambition, both to drive business and economic success and in relation to the priorities of citizens on environmental, ethical, human and animal welfare concerns.

Recommendation 1:

The UK government should develop a bold, ambitious agri-food trade strategy. This would enable a coherent approach to the sector across the UK government and the devolved administrations and provide a framework of priorities for future trade negotiations. It should be based on a liberalising approach to trade policy, focused on bringing new opportunities for UK business, tempered with safeguarding of important standards and be framed well in the context of a broader UK food strategy.

Recommendation 2:

There should be a minister with specific responsibility to lead on agri-food trade, who would ensure policy coherence across UK government. The minister would lead in pushing for an elevation of global standards on environment, animal welfare and ethical trade in international forums.

3.2 Vision and Principles

We propose the UK’s agri-food strategy should be built around the following vision:

“The UK has an ambitious trade policy which contributes to a global farming and food system that is fair and trusted by all its participants, including farmers, businesses and citizens, from source to consumption. Our food is safe, healthy, affordable, produced in a way which does not harm the planet, respects the dignity of animals and provides proper reward for those involved.”

We recommend that the UK’s value-generating and values-driven trade policy should be based on 6 action-orientated principles:

1. Promote the liberalisation of trade, to positively influence innovation and productivity, and price and choice for consumers
2. Prioritise a thriving domestic agri-food sector supported by complementary domestic and trade policies
3. Ensure that agri-food imports meet relevant UK and international standards on food safety, and biosecurity
4. Match tariff-free market access to relevant climate, environment, animal welfare and ethical standards, remedying competition issues arising where permitted imports do not meet relevant UK and international standards
5. Lead change, where needed, to the international framework of rules on trade and relevant standards, to address the global challenges of climate change and environmental degradation
6. Support developing countries in accessing the full benefits of the global trading system

To achieve the goals and benefits of these principles, key issues must be addressed:

- trade policy should respect the devolution settlements and the distinct priorities of each of the UK’s constituent parts, while maintaining the integrity of the internal market
- coherence is required between agri-food trade policy and domestic agricultural policy, particularly with respect to timeframes for change and transitional financial assistance that may be needed
- agri-food import policy, related to tariffs, needs to be developed in a way that can address genuine market distortions and encourage trading partners to meet relevant and agreed UK standards where there are gaps
- trade policy should be implemented with appropriate and ambitious governance, underpinned by consultation, transparency and review
- effective trade liberalisation policy requires a relentless focus on and investment in opening international agri-food markets and support in accessing those markets for businesses of all sizes
- policy making requires a coordinated approach involving government, the private sector, and a means of co-ordinating the marketing efforts of the agri-food sector; and
- the role of auditable third-party standards should be recognised and promoted as complementary to statutory standards, in facilitating trade and informing consumer choice.

3.3 The future of food

A sound trade strategy will recognise and reflect the global trends that are influencing food security, poverty and the overall sustainability of the food and farming system. Global food security is a universal challenge and, in addressing it, all countries are inter-dependent.

The world's population is expected to grow to 9.7 billion by 2050. That would constitute an increase of more than 25% from the 2020 figure¹¹. Income growth in low and middle income countries will accelerate dietary shifts towards meat, dairy, fruit and vegetables, requiring commensurate shifts in output and putting pressure on precious natural resources. A significant proportion of agricultural output meanwhile becomes waste. Reducing these losses would lessen the pressure for production increases. Productivity is hampered by the degradation of natural resources, loss of biodiversity and the spread of pests and diseases in plants and animals, some of which are becoming resistant to antimicrobials. Climate change is disproportionately affecting food insecure regions, compounding existing disadvantages.

Effective, coherent national and international governance should address these challenges with urgency. The UN 2030 Agenda for Sustainable Development has shaped this challenge and intends to take countries forward on a 'sustainable and resilient path'. We should recognise the imperative to ensure that our trading strategy should further these objectives.

3.4 Reality check

The years to come will bring unprecedented change, but new opportunities will open up for the agri-food sector as we adjust to a post EU, post COVID-19 environment. There will be much which is different, and adapting to that will be easier for some than others.

We should approach the future with a grounded, pragmatic policy. The UK government rhetoric is understandably often focused on a 'win-win' for everyone. But the reality is that not everyone will be a winner. The EU exit will almost certainly mean restructuring in the agricultural sector. Government support will help businesses with transition but we expect that some will not be able to keep up in a new, more competitive environment and will move on from the industry. The important thing is for the UK government to be honest and upfront about this, so that they can mitigate the consequences and target transitional support at those it can help.

Through international trade, we should strive for fair competition; certainly, we should tackle unacceptable market distortions and give our businesses the best basis from which to trade and succeed. But the cold reality is that a fully level playing field, globally, is unattainable. Every country has its own complex web of policy, regulation, support mechanisms and history. Whilst striving for fairness we should concentrate on maximising UK strengths in areas where we have the edge on others.

Developing countries will need that bit of extra help to succeed locally and in global supply chains, and use trade as one route to rise out of poverty. We have been conscious that our approach, and in particular our proposed import policy set out in this report, may offer fewer proportionate benefits to these countries. It is unfortunately inevitable that, as trade becomes liberalised and tariffs and other barriers disappear, the preferences given to developing countries 'even out.' The important thing is to recognise this and be mindful that any changes to the UK's trading rules, as well as increasing divergence from EU arrangements, will be proportionately more difficult for developing countries to adjust to. We should then put in place support to help them to adapt.

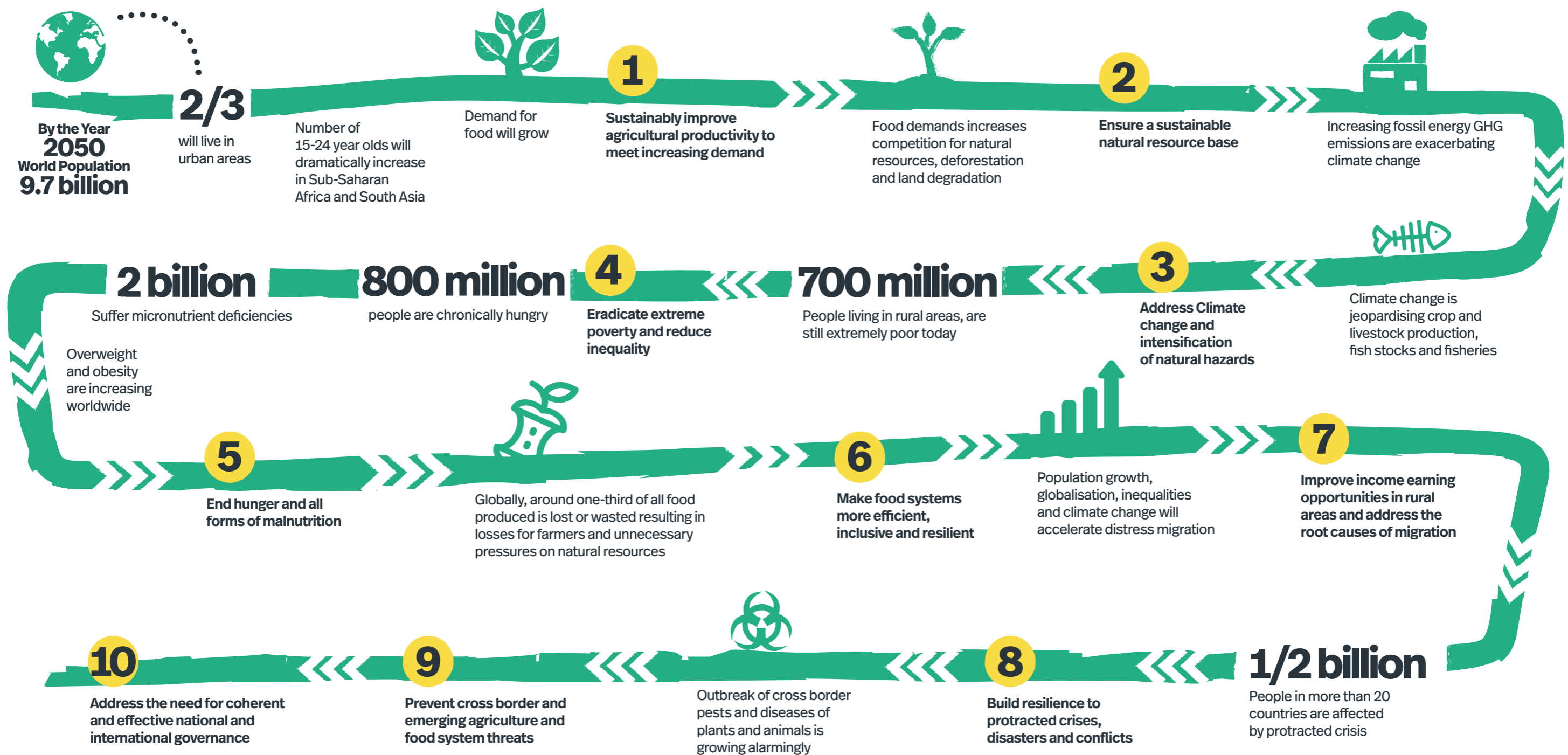
“Global food security is a universal challenge and in addressing it, all countries are inter-dependent.”



¹¹ <https://www.prb.org/2020-world-population-data-sheet/>

Future of Food

Global trends and challenges



Climate, environment, animal welfare
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4. Climate, environment, animal welfare and ethical trade

4.1 Climate change and the environment

The UK's approach

Climate change is the major challenge of our generation. The UK is judged to be amongst those at the forefront of addressing the challenge. It was, for example, one of the first major economies to enshrine into law a target of net zero emissions by 2050. There is though, a compelling need for government to show national and international leadership. This means actions, not promises and commitments. We recognise that the UK will get the environment it is prepared to pay for.

Consumer interest in sustainability, climate change and the environment is high and growing. Our research showed that, for UK consumers, consideration of the environment and climate change were among the priorities in food purchasing decisions. Research by retailers has confirmed that reducing plastic packaging is a priority for consumers. Scrutiny of trade policies in this regard is likely to grow. According to *Which?*, consumers recognise that there is a strong link between trade and the environment¹². They want UK trade deals to help deliver the UK's net zero emission 2050 target and provide leadership through our environmental

commitments. We must not let down our children and grandchildren by ignoring or slowing efforts to deal with these issues.

The agri-food industry will be among those both contributing to and most affected by climate change and other environmental challenges, but are equally among those showing leadership in addressing it. Its leaders have recognised the urgency and scale of the changes needed. Commercial practices relating to environmental protection and enhancement have often developed ahead of domestic government policy and targets; the National Farmers Union (NFU), for example, has an ambition for the UK farming sector to achieve net zero emissions by 2040. Our farmers and growers are already custodians of our precious countryside and are skilled in environmental management. New government policy intends to support the need and ambition for delivering public goods. Retailers and others in the food supply chain are also committing to action through both their own corporate social responsibility strategies and through the requirements embedded in third party assurance schemes.

“Climate change is the major challenge of our generation.”

¹² <https://campaigns.which.co.uk/trade-deals/national-trade-conversation/>

Last year, the UK government also announced that climate risk reporting will become mandatory for large businesses and financial institutions, with a phased implementation from 2021¹³. Those organisations will be required to disclose material risks and opportunities arising from climate change under differing future climate scenarios. They will also need to disclose their organisation's greenhouse gas emissions under 3 separate headings:

- 1 Direct emissions where the company has operational control;
- 2 Use of imported energy where the company has operational control; and
- 3 Indirect emissions associated with a company's value chain impact.

This is yet another step to reaching the UK's ambitious net zero target, with the UK's post COVID-19 economic recovery having the potential to reduce the risks posed by climate change.

UK Trade Policy

The UK's trade policy should incentivise more sustainable models of production and consumption. Relevant provisions should be incorporated into FTAs, advocating the development of the global standards. The use of 'non-regression' clauses in FTAs (the clauses which commit to there being no drop in standards) should be considered. The UK could draw on domestic food strategies being implemented in England, Scotland, Wales and Northern Ireland to shape those provisions.

We recognise that the UK's domestic leadership in addressing climate change and the environment means that UK business may face a competitive risk when trading with countries whose environmental standards may not match the UK's. It will be important to safeguard the UK's environmental standards by putting in place a bold approach to imports which we set out later in this report.

Climate and environmental leadership through international cooperation

Globally, the challenges of climate change, biodiversity loss, soil, water and air quality, and other environmental pressures require urgent action. The UK must use all of the tools at its disposal in addressing them and this includes trade policy. General trade policy needs to be responsive to climate change, raise global environmental standards and performance and help achieve the UK's 25 Year Environmental Plan¹⁴. The UK must lead by example with its domestic commitments. It must avoid undermining its domestic approach or 'offshoring' its environmental impact via its import policy. The UK must show global leadership by working with others to elevate standards worldwide. This should not be at odds with a liberalised approach to trade because the long-term impact of climate change and environmental degradation will have profound negative consequences for the whole food system globally.

We urge the UK government to work with like-minded partners and lead in the creation of a globally recognised standards framework for the environment. This would allow countries to reach agreement on a baseline set of criteria on sustainable production across a range of factors such as biodiversity, soil health, water and air quality and agrochemical toxicity. The countries involved would need to work with their civil society, academia, business and others in the development of such a framework. One example is the WWF's 'Codex Planetarius' which we commend as a model the UK could draw on in advocating for a multilateral consensus on environmental standards for agri-food production. To succeed in this approach, the UK would need to lead by example by establishing a corresponding set of rigorous national environmental standards.

International cooperation needs to also be facilitated by a clear set of harmonised metrics for measuring environmental sustainability across the global agri-food supply chain. We recommend that the UK champions and leads this. It is essential that the metrics are consistent and science based. This would mitigate the risk of the metrics becoming politicised. It is also important that any metrics developed fill the significant gaps that exist in data that can measure progress in relation to the UN Sustainable Development Goals (SDGs). International benchmarking should then be used to assess the progress of each country. Benchmarking should be developed on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty, which are critical priorities for many developing countries, and should be in line with the approach taken in the Paris Agreement.



Case study

Codex Planetarius

A Codex Planetarius would provide a mandatory system to monitor the health of renewable environmental resources used to produce globally traded food. Focused on a planetary scale, it establishes and requires minimum performance levels for countries to enter global markets. A new Codex Planetarius would sit alongside the existing Codex Alimentarius for food safety, giving us an internationally recognised standard for planetary health that mirrors what we have for human health and safety.

The Codex Planetarius would aim to build a multilateral consensus around a set of minimum criteria which constitute sustainable production for the most important globally traded food commodities, involving and informing governments, producers, businesses, trade authorities, multilateral organisations, NGOs, civil society and other key institutions.

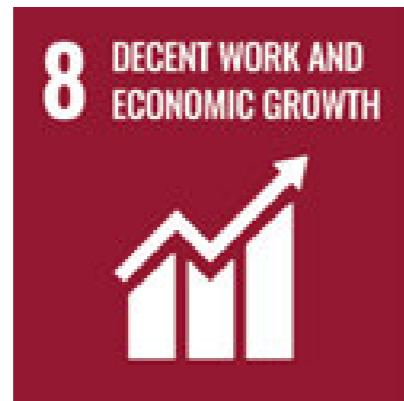
While leading countries and voluntary initiatives, can and do set their own higher environmental standards to move towards sustainable production, many do not, allowing the bottom 25% of producers who account for 50% of environmental damage, to continue using the most unsustainable and damaging agricultural practices.

The development of this new codex would create an open, transparent forum and process for reaching consensus on these issues. These minimum standards could be incorporated into sustainable food standards, including guidelines and codes of practice. It would contribute to the reduction of biodiversity loss, advancing restoration goals, and help to reduce greenhouse gases emissions caused by food systems that impact and, in turn, are impacted by changing climate.

¹³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933782/FINAL_TCFD_REPORT.pdf

¹⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925779/25-yep-indicators-2019.pdf

SUSTAINABLE DEVELOPMENT GOALS



The UK should also be involved in relevant multilateral and plurilateral discussions, such as the multilateral negotiation of The Agreement on Climate Change, Trade and Sustainability (ACCTS) with New Zealand, Costa Rica, Fiji, Iceland, Norway and Switzerland. We believe that a government minister should be given explicit responsibility to lead on this and other important standards-based issues at the WTO and other international bodies.

2021: a year for UK leadership

2021 is the year for the UK to show environmental leadership. For global trade to flourish in the future, it must be made more sustainable and resilient to external shocks. The UK must showcase its own high standards, leverage international forums and work with international partners to raise climate and environmental standards. Opportunities include COP26 (Climate Change), COP15 (Biological Diversity), the G7 Summit, the 12th WTO Ministerial Conference, the UN Food Systems Summit and the World Economic Forum at Davos. At these events we recommend that the UK addresses the following:

- that trade activity must incorporate climate change considerations and a suitable depoliticised science-based metric for measuring impacts must be identified
- a science and data-based approach to be developed for carbon and ruminant methane accounting. This will include resolving the political issues preventing the Intergovernmental Panel on Climate Change (IPCC) adopting the scientific basis for how ruminant methane is accounted for
- cooperation with trading partners who are developing mechanisms such as carbon border adjustments, to ensure that they meet the objectives of effective global mitigation and open trade
- a push for other countries to have the same level of commitment to environmental goals as the UK, on areas of leadership, such as on net zero targets
- to build on what has been achieved through the UK's high standards including reductions in pesticides, food and packaging waste, use of plastics, antimicrobial resistance (AMR), fossil fuels and increased use in the amount of renewable energy

Recommendation 3:

Climate change and other environmental pressures are of such paramount importance that the UK government must ensure that they are integral to its trade policy and negotiations. It should promote these issues in international forums, especially COP26. It should champion the creation of a global standards framework for the environment and clear metrics for measuring environmental sustainability, whilst establishing a corresponding set of rigorous national standards. WWF's Codex Planetarius could be a model from which to build these ambitions.

4.2 Animal Welfare

UK strength and leadership

The UK is recognised globally for having among the best animal welfare standards and practice. Underpinning the UK's high standards is a strong, comprehensive legal framework. The UK was, notably, the first country in the world to enact national animal welfare legislation and has continually strengthened its commitment ever since. During its membership of the EU, the UK went further than the EU agreed measures, introducing domestic production regulation to improve animal welfare within the UK.

The commitment of the UK agri-food sector to high standards of animal welfare, which often go further than required by national legislation, is demonstrated by the commercial arrangements that are in place throughout the food chain between farmers, suppliers, manufacturers, retailers and caterers. Most farmers demonstrate that most visibly by signing up to voluntary assurance schemes such as Red Tractor, Farm Assured Welsh Livestock, Quality Meat Scotland or the Northern Ireland Beef and Lamb Farm Quality Assurance scheme. Retailers and businesses in the hospitality sector will also often demand adherence to their own standards and other schemes such as RSPCA Assured, Marine Stewardship Council, Safe and Local Supplier Approval (SALSA) and the British Retail Consortium (BRC) Global Standard.



The UK's high performance and support of high welfare standards presents us with a unique selling point that we can use to successfully target export markets with our meat, fish, dairy and other animal products. As we leave the constraints of EU membership and embark on a new phase of trade negotiations, public attention has, however, focused significantly on the potential risk of an influx of imported products into the UK, produced to lower welfare standards. The concern is partly about an erosion of the UK's achievements in improving farm animal welfare standards, and partly the possible undermining of the ability of UK producers to compete with products from countries with lower production costs as a result of compromised welfare standards.

Over the last year, we have seen lobbying of government for reassurance and safeguarding. That was one of the motivating factors in establishing this Commission. We have taken that responsibility seriously and set out our proposed policy later in this report. At the same time, however, it is important that the emotionally charged public debate is based on fact about the genuine risks from imports, rather than some of the less well-informed speculation. That is why robust and transparent objective setting and impact assessment of potential trade agreements will be critical.

Consumer welfare concerns

Animal welfare is close to the hearts of the British public. This is reflected in the behaviour of consumers who are becoming increasingly conscious of the issues surrounding the welfare of animals. Our research showed that consumers are not well informed about imports which do not meet the UK's domestic standards of production. The current regulatory framework is focused on pre-packaged food supplied directly to the consumer. There are opportunities arising from greater clarity around standards for imports to work with the industry to improve transparency and information through food supply chains.

Our Consumer Working Group determined that transparency on welfare in the food system, through clear information and labelling, builds trust and inspires consumers to make conscious decisions. Assurance schemes play a helpful role in offering a 'proxy' measure for a range of performance standards, in a way that is easy for consumers to recognise. After the EU's introduction of a mandatory method of production labelling for eggs in 2004, sales of free-range eggs in the UK increased from 32% in 2004 to 60% in 2019¹⁵. This consumer pressure then led the industry to alter its approach and reform production methods.

¹⁵ <https://ahdb.org.uk/consumer-insight-trust-transparency-and-traceability>

¹⁶ <https://s3-eu-west-1.amazonaws.com/leaf-website/LEAFs-Global-Impacts-Report-2020-FINAL.pdf>

Some organisations in the industry are currently working to build trust with consumers. For example, at LEAF's annual Open Farm Sunday event, 93% of visitors felt more connected with the farmers that produced their food¹⁶. Such events build trust between consumers and the farming industry and inspire consumers to make more conscious decisions.

Opportunities ahead

Consumer behaviour will not, by itself, safeguard core UK welfare standards if trade is liberalised. There is significant variation in animal welfare standards around the world. The UK does not require imported products to meet UK environmental or animal welfare standards when being imported into the UK. The bold policy approach proposed in this report matches further trade liberalisation to the safeguarding of standards such as on animal welfare, with mechanisms for remedying the competition issues that would arise where permitted exports do not meet relevant standards.

That policy approach, while important in itself, is not sufficient. A values-driven approach to trade and opening up of the UK market to the world requires the UK to draw on its strong domestic expertise and show leadership in elevating global standards. We must do this to be fair – fair to domestic producers and consumers by levelling up standards, and fair to the animals we rely on for food. By presenting carefully crafted, consistent and evidence-based proposals, the UK can work with international partners in a multi-pronged approach to raise global standards of animal welfare.

The UK government should consider measures such as non-regression clauses, which require that countries do not reduce their standards, within bilateral trade agreements.

The UK must redouble its efforts to work with like-minded countries within the World Organisation for Animal Health (OIE) to strengthen and extend its standards on animal welfare. The UK exceeds many of the animal health and welfare standards that have been adopted by the OIE and should seek to influence global standards so that others do the same. There is also the need to achieve reform within the WTO, where there are particular challenges. At present, trade restrictions on welfare grounds are generally not acceptable under WTO rules, although exemptions under the General Agreement on Tariffs and Trade (GATT) Article 20(a) in some specific circumstances, might be possible. We believe a minister should be given explicit responsibility to lead on this and other important standards-based issues at the WTO and other international bodies.

Recommendation 4:

The UK should draw on its strengths in animal welfare to show world leadership in embedding it into trade policy. The UK government should play a leadership role in international forums, to raise worldwide standards of animal welfare. It should do this by investing in expert facilities and experts who can provide independent advice to government. It should then build international relationships and put forward proposals that are carefully crafted, convincing and evidence based.

Tackling the global threat of antimicrobial resistance

A priority area for cooperating with international partners, is the promotion of responsible use of antimicrobial treatments in animal production and to phase out their use internationally as growth promoters, in line with the One Health approach to reducing the global threat of antimicrobial resistance.

Since the mould breaking Review on Antimicrobial Resistance, chaired by Lord O'Neill¹⁷ was published in 2016, UK farmers and others have accelerated their efforts to reduce the use of all antibiotics and especially the key antibiotics implicated in risks to human health. Much of that work has been achieved without resort to regulation. The UK should emulate the EU-UK agreement and have a strong AMR policy within trade agreements to raise levels of action to match our domestic approach. These policies should reflect international agreements including the WHO's Global Action Plan on AMR. The UK should utilise opportunities to drive action on AMR through trade policy in forums such as the UN Food Security Summit later this year. When considering whether exporting countries can meet their SPS import requirements, the UK should ensure they have an effective National Action Plan on AMR in place.

Recommendation 5:

It is important to combat antimicrobial resistance in compliance with the WHO Global Action Plan. The UK government should apply the approach taken in the EU-UK Cooperation Agreement, in all future trade negotiations. It should also adopt a strong stance on AMR in multilateral forums and at the UN Food Systems Summit later in 2021.

¹⁷ https://amr-review.org/sites/default/files/160525_Final%20paper_with%20cover.pdf

“Consumers expect strong human rights, including labour rights, to accompany trade liberalisation.”

4.3 Ethical trade: human including worker rights

Context

As the UK’s agri-food trade has expanded further into new markets, so the public interest and scrutiny has correspondingly increased. Consumers want to know where imported food is coming from and how it was produced. Consumers expect strong human rights, including labour rights, to accompany trade liberalisation and want reassurance that products are ethically sourced¹⁸. Ethical trading has been one of our key considerations through the work of the Commission. Ethical values must continue to be integrated into trade policy and not interpreted as an ‘externality.’ They are not a ‘nice to have.’ The UK government should carefully consider whether, and how, to approach trade negotiations with countries with instances of human rights violations. It should consider how trade policy could complement overall foreign policy objectives.

Globally, workers in the agricultural sector are particularly susceptible to abuse. In 2018, the UN Special Rapporteur on the Right to Food reported that “Agricultural workers, including women, children and migrants and plantation workers, are increasingly faced with low wages, part-time work, informality, and a lack of social and economic protections.”¹⁹ As the global demand for food rises, the pressure on low-paid workers to work longer hours may also rise. Our research suggests the UK might focus first on supply chains for bananas, rice, cocoa, coffee and tea. In addition to promoting human rights globally, UK efforts to uphold workers’ rights in these supply chains would also have benefits for economic growth and opportunity for those in developing countries.

The UK’s own agri-food businesses have led the way, with widespread, positive approaches to ethical sourcing, built into their organisational ethos and corporate social responsibility strategies. Businesses work closely with partners in other countries to uphold high standards on ethical labour throughout complex global supply chains. Third party assurance schemes provide the consumer with further information and reassurance. We noted the strength of the Fairtrade and Rainforest Alliance brands among the assurance schemes for which there is the greatest public awareness. Whilst business performance has been strong, there are opportunities for governments to step forward and support what they are doing with stronger regulation.

UK government policy and diplomacy

The UK government must uphold labour rights in the UK and support businesses to enforce standards, identify transgressors and build global coalitions to ensure no workers are abused in food production. The UK government has set an ambition for its trade policy to be “values-driven and value-generating”²⁰. Traditionally, human rights, including labour rights, have played only a limited role in trade policy, but this is no longer the case. Over 80% of free trade agreements since 2013 have had labour rights provisions and human rights language frequently features in agreement preamble²¹.

The UK must first ensure it is leading by example and that no agricultural workers are mistreated in the UK. The Modern Slavery Act 2015 seeks to address this and is set to be strengthened by the UK government, according to plans published in September 2020, so that businesses who do not meet transparency requirements are fined²². However, agricultural workers are often seasonal and are migrants, so their employment status is tied to their immigration status, which can itself lead to exploitation. The Gangmasters and Labour Abuse Authority (GLAA) protects vulnerable and exploited workers, but the UK government should ensure that the GLAA is sufficiently supported so as to play a proactive role. The industry should also ensure that all businesses are upholding workers’ rights and providing fair pay and treatment and build on existing initiatives aimed at improving knowledge and education within the seasonal labour industry to guard against labour exploitation.

¹⁸ Accenture Strategy, 2018: <https://newsroom.accenture.com/news/covid-19-increasing-consumers-focus-on-ethical-consumption-accenture-survey-finds.htm>

¹⁹ <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=23754&LangID=E>

²⁰ SoS, Chatham House: <https://www.gov.uk/government/speeches/chatham-house-speech-liz-truss-sets-out-vision-for-values-driven-free-trade>

²¹ Assessment of Labour Provisions in Trade and Investment Arrangements, International Labour Organisation, 2016: https://www.ilo.org/global/publications/books/WCMS_498944/lang-en/index.htm

²² <https://www.gov.uk/government/news/new-tough-measures-to-tackle-modern-slavery-in-supply-chains>

The UK should also be bold in tackling these issues within its foreign and trade policy. The recent FCDO decision to support businesses to sever ties with businesses supplying products made using forced labour, demonstrates the UK government is prepared to take action to protect human rights in trade policy²³. To avoid allegations of political bias, the UK government needs a clear position on trade and human rights which it pursues in free trade agreement negotiations, as well as in its wider trade policy.

The labour chapter in the Trans-Pacific Partnership Agreement showed that human rights can be a central part of trade policy. The UK government, in pursuing 'values-based' trade, should negotiate labour chapters and Corporate Social Responsibility (CSR) provisions in its future FTAs, and consider suspension clauses to protect and promote human rights and ethical trade around the world.

Enforcement

The UK government should continue to support businesses to enforce standards along global supply chains. The UK is a partner of the ILO and the UK government encourages companies, trade unions and voluntary organisations to join the Ethical Trading Initiative and adopt its base code. Private sector organisations such as Sedex verify compliance through unannounced audits in supply chains. Retailers set and maintain high standards along their supply chains and the Government should continue to support them. UK consumers appreciate this and are increasingly conscious of ethical issues: Fairtrade branded sales increased by 13.7% between October 2019 and October 2020²⁴.

The UK government should prioritise overseas enforcement as part of its 'values-based' trade policy. Businesses overseas need to be held to account for breaking domestic law in the countries in which they operate. The best way to drive compliance is by highlighting poor enforcement of that law. The UK government could conduct its own assessment to give a regular scorecard on performance by exporting countries, allowing UK businesses to make informed decisions on sourcing and highlight to the global community where there are problems. The UK government should also ensure funding supports effective enforcement regimes, training and supporting enforcement in each country.

There are limits to what the UK government, alone, can do in the global trading system. However, if it builds global coalitions with retailers, suppliers, and civil society, it can help to increase transparency and pressurise transgressors. The power of multilateral engagement was demonstrated in the intervention into the Thai seafood industry. In 2012, following increasing concerns about conditions of employment and reports about the systemic abuse of workers, retailers from the USA, UK and EU joined together with governments and NGOs to put pressure on the industry to reform. Those efforts were rewarded with genuine improvements in the conditions of those engaged in the industry.

Recommendation 6:

The UK government should respond to the noticeable shift in public attitudes to ethical trading and set out its ambitions for the agri-food sector, to be an exemplar for other sectors. It should conduct an assessment of enforcement practices overseas, to give a regular scorecard performance on exporting countries. It should seek to include a labour chapter and CSR provisions in all FTAs. Finally, it should ensure that the UK is leading by example domestically. This will involve enhancing support for the UK Gangmasters and Labour Abuse Authority (GLAA). It also means calling on UK industry to ensure fair wages and conditions are being provided for seasonal workers.

Recommendation 7:

The UK government should seek to build global coalitions to promote and protect labour rights of workers in key supply chains. Our research suggests the UK might focus first on supply chains for bananas, rice, cocoa, coffee and tea. It should work within the ILO, as a founding member, to push for the 8 ILO fundamental Conventions to become an assessment of performance on labour rights linked to trade, rather than a registration exercise.

²³ <https://www.gov.uk/government/news/uk-government-announces-business-measures-over-xinjiang-human-rights-abuses>

²⁴ <https://www.ethicalconsumer.org/research-hub/uk-ethical-consumer-markets-report>



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5. Standards

5.1 Why are standards important?

Standards are important domestically for providing consumers with assurance that their food is produced in a way that is safe and compliant with UK environmental or animal welfare laws. Internationally, food standards can help to shape trade flows and facilitate high value exports. They can also have a negative effect on trade; in short, if import standards are set too high, they may act as, or be perceived as, a non-tariff barrier.

The importance of agri-food standards has been widely debated in recent years. Many headlines have been dominated by calls for the UK government to ensure future trade deals do not weaken or undermine UK standards, particularly on animal welfare or the environment. In some cases, those calls are based on an interpretation of standards which does not clearly distinguish between a standard in UK law, or a private industry or third-party standard, which means they are challenging to address. This provided the Commission with one of its sternest tests.

The UK now has an opportunity, for the first time in decades, to champion our own standards and drive positive global change.

We believe it is possible for the UK to balance progressing a liberalising trade policy with safeguarding our own important controls on issues such as food safety or modern slavery and without hindering negotiations, or being perceived to be, protectionist. But striking this balance is difficult and will require a novel approach, which we have set out later in this report (chapter 6).

5.2 What do we mean by standards?

There is a distinction between product standards and production standards:

- **Product standards** are product characteristics which could be measured at the border, for example if there were a food safety issue such as contamination by an illegal pesticide residue which could have an impact on human health; and
- **Production standards** relate to the production process and would enable assurance of the safety or quality of the product but could not be confirmed by examining the product at the border, for example if a product is marketed as organic, free range or environmentally friendly.

Domestic product standards

In the UK, producers comply with a range of legal requirements specific to their product. For example, a requirement that a particular pesticide be used in a certain way on crops to minimise risks to the environment or human health. These requirements often relate to food safety, disease control, traceability and animal welfare. Whilst these are not legally defined as 'standards,' they set a minimum standard that must be attained. Looking at poultry, there are legal requirements for minimum cage sizes for laying hens and pullets under the Welfare of Farmed Animals (England) regulations 2007 and corresponding legislation in the other UK nations. In some cases, there will also be guidance for producers that will reflect but go beyond the legal requirements, in this case the Code of Practice for the Welfare of Laying Hens and Pullets.

In most cases, UK requirements are the same as those required by the EU. There are well-known differences in the production of meat chickens and pig meat, where the UK has more stringent welfare requirements:

- EU meat chickens can be stocked to a maximum of 42 kg per m² if conditions in Annex 5 of Directive 2007/43/EC are met, whereas England, Scotland, Northern Ireland and Wales have an absolute maximum of 39 kg per m²; and
- Close confinement stalls for breeding sows have been banned in the UK since 1999. This practice is currently allowed for the EU which still permits sows to be kept confined individually for four weeks after breeding. Council Directive 2008/120/EC, which partially bans the use of sow stalls, came into force on 1 January 2013.

Some optional standards, such as the Organic Standard, are underpinned by law. Products can only legally be labelled 'organic' if they meet the organic standard. There is a government-backed process for testing organic products, which means that producers can be inspected at any time, once a year, by the control body which certifies the products as organic.

If the requirement is applied to imports then it must comply with WTO rules, as outlined below.



“The UK now has an opportunity, for the first time in decades, to champion our own standards and drive positive global change.”

Domestic production standards

There are numerous regulations in the UK which ensure that agri-food products are produced in a way that recognises the UK’s unique landscape. Before the UK left the EU, the standards of production for UK (and EU producers) were contained in the legislative standards for cross compliance. These were set out in the Common Agriculture Policy legislation, by the European Commission²⁵. The UK has now replaced this with the Agricultural Act 2020. As agriculture is a devolved issue, the Devolved Administrations have also been developing their future support plans.

These rules served as a baseline for all farmers in England applying for direct payments (the Basic Payment Scheme) and certain Rural Development payments. They addressed the environment; animal, plant and public health; animal welfare and landscape features. Direct payments in a new form will continue to UK producers. The new scheme has enabled the government to provide payments to farmers to invest in improving productivity, business diversification or to retire from farming.

Private or third-party standards

Many UK producers are members of third-party standards or assurance schemes, which encompass productions standards and codes that go beyond what is prescribed in UK law. Through this, producers may gain an advantage within the domestic market, by being able to communicate the quality of their product more clearly. They may also be able to sell to supermarkets or other buyers that operate to specific schemes and standards. In general, these schemes have followed or anticipated consumer demand and have pushed standards up.

Producers may find it easier to gain access to overseas markets, if involvement in an assurance scheme gives them confidence that they match the requirements for particular markets. However, membership of such schemes is not an import requirement for foreign governments, nor should it be. It can provide additional product confidence for retailers in market and alleviate behind the border barriers, such as local market requirements for presentation and packaging.

Private standards are also relevant to imports coming into the UK. The major retailers, for example, will often demand higher standards than those currently prescribed in UK import regulations. To meet consumer requirements or corporate social responsibilities, they will require products to align with production standards relating to priority areas such as climate, environment, animal welfare or ethical practices; issues which cannot readily be checked at the border. The use of robust private schemes in this way fills an important gap for consumers as they can cover standards that are higher or wider in scope than government can require, due to World Trade Organization (WTO) regulations. These private schemes play a significant role in influencing positive changes in standards as they are constantly being refined and improved in response to consumer demand.

International standards

The WTO deals with the global rules of trade between nations. There is a common misconception that the WTO sets product and production standards. It does not. This work is conducted by international standard setting bodies who exist outside of the WTO. Within the WTO both the SPS and technical barrier to trade (TBT) committees address animal, plant, human health and regulate trade rules in line with WTO commitments. For example, the WTO SPS Committee sets out the basic rules when applying risk assessments for food safety. The agreement allows countries to use different standards and different methods of inspecting products.

It helped with our understanding of the prevailing rules to remember that food safety is within the scope of the SPS Agreement, whereas nutritional requirements or labelling, and the safety of non-food products are within the scope of the TBT Agreement.

SPS related standards

For food safety, and animal and plant health, the WTO's SPS Agreement identifies the following standard setting bodies, often referred to as the 'Three Sisters,' in its preamble:

- The Codex Alimentarius – the joint food safety programme of the World Health Organization and Food and Agriculture Organization;
- The World Organization for Animal Health – better known as the OIE which is the acronym for the Office International des Epizooties; and
- The International Plant Protection Convention or IPPC - for plant health

The agreement within the WTO leaves open the possibility of adding other bodies. The standards set by these bodies are recommendations and are not legally binding. Beyond the Three Sisters, there are many organisations working together to evolve and shape SPS standards.

Countries are free to adopt standards from the Three Sisters or set their own on the basis of scientific evidence and risk analysis, as the USA has done, for example, in relation to pesticide residues. The key aspect of this for setting trade policy is that when countries adopt the international standards, they will generally be safe from legal challenge in the WTO.

TBT related standards

The WTO agreement on Technical Barriers to Trade (TBT) extends beyond coverage of product standards to include labelling, regulations and how regulations are created. Regulating TBT standards is a complex matter because there are many standard-setting bodies around the world, many involving the private sector. The TBT Agreement does not refer to any specific bodies. Instead, it creates a "Code of Good Practice for the Preparation, Adoption and Application of Standards" and confirms that any standard-setting body, complying with the code, is considered to be complying with the agreement.



International bodies



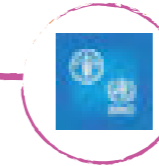
The WTO Sanitary and Phyto-Sanitary (SPS) Committee

monitors how countries are applying the SPS Agreement, and ensures countries are not using SPS regulations as a form of protectionism. The objective of the Agreement is to assist international trade in food, agricultural commodities and live animals that will be used as food and help overcome barriers to trade.



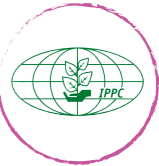
The Food and Agriculture Organization (FAO)

is a specialized agency of the United Nations that leads international efforts to defeat hunger.



The Codex Alimentarius Commission, also known as CAC,

is the central part of the Joint FAO/WHO Food Standards Programme and was established by FAO and World Health Organisation (WHO) to protect consumer health and promote fair practices in food trade.



The International Plant Protection Convention

is an intergovernmental treaty signed by over 180 countries, aiming to protect the world's plant resources from the spread and introduction of pests, and to promote safe trade.



World Organisation of Animal Health (Office International des Epizooties / OIE)

is responsible for improving animal health worldwide. It is recognised as a reference organisation by the World Trade Organization (WTO) and in 2018 has a total of 182 Member Countries. The OIE maintains permanent relations with nearly 75 other international and regional organisations and has Regional and sub-regional Offices on every continent.

5.3 Using mechanisms to apply standards

We have considered how the application of standards-related mechanisms could advance the UK's objectives in a number of areas. For example, food safety, climate, environment, ethical trade, animal and plant biosecurity, animal welfare and antimicrobial resistance. Some of the mechanisms outlined right are already an integral part of the UK's trade strategy. However, there are opportunities to explore some of the mechanisms further. For example, non-regression clauses within FTA agreements would enable fast progress in tackling the urgent challenge of climate change.

These mechanisms were discussed, noting that domestic standards should be based on the most effective mechanisms available to deliver public policy ambitions, while minimising trade distortions and avoiding excessive cost. Import standards and mechanisms should not be used as a covert means of favouring UK producers over importers. If domestic legislation imposes costs on producers, which are not borne by producers in exporting countries, mitigating measures such as import requirements or transitional support payments should be introduced at the same time as new domestic legislation.



Standards related mechanisms to deliver UK policies through trade

| Mechanism | How it may be applied |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  International Forums | Active UK participation within forums such as the Global Forum on Food Security and Nutrition or the Committee on World Food Security under the UN, to create baseline international standards. |
|  International Standards Setting Bodies | Engagement within forums such as Codex, IPPC and the OIE, to drive best practice of standards and compliance. |
|  Multilateral organisations | Cooperation within organisations where all countries participate and agree to follow rules and decisions, such as the WTO and its committees, to reach a census on global standards. |
|  Plurilateral groups | Working with a group of partners to address a specific issue, for example the Agreement on Climate Change, Trade and Sustainability (ACCTS) (NZ initiative). |
|  Existing plurilateral FTAs | Commerce treaties among three or more nations, which reduce tariffs and make it easier for businesses to import and export. Examples include the CPTPP and NAFTA. |
|  Non-regression clauses within new FTAs | Inclusion of clauses in an FTA that states that parties will not reduce the level of protection the legislation aims to achieve or cause a reduction in the effectiveness of the mechanisms to deliver the level of protection aimed at. Commitments on non-regression and equivalence are enforced bilaterally. Examples include the non-regression text in CETA, the EU-Korea agreement, and the EU-Japan agreement. |
|  Equivalence agreements | Within FTAs or standalone, agreements between countries that standards in partner countries provide the same level of protection, but by different means. |
|  Labelling | Mandatory labelling laws on imported products, applied to the domestic market. For example, labelling laws on tobacco. |
|  Tariffs | Conditions relating to standards of production, within FTAs, that need to be met in order to avail of preferential tariffs. |
|  Approval of countries to export to the UK | To export to the UK countries must maintain the infrastructure and governance necessary to meet the UK's import requirements. This could also include a requirement to adopt and apply international agreements relevant to the commodity to be exported. For example, to have an AMR action plan as required by WHO. |
|  Approval of commodities (animals, plants or products) and establishments for export to the UK | The process in which the UK approves commodities for import into the UK from listed countries. Whilst a country is listed in principle, there is a further consideration of the ability of the country to meet the UK's requirements for a particular commodity. There may be a further requirement specifically to approve premises such as production establishments or quarantine units. |
|  Import restrictions or bans permitted under Article XX(b) of GATT and the SPS or TBT agreements of the WTO | Routine measures which can include product or production standards. A ban can be placed on the marketing or the sale of an item via retail rather than on its import. |
|  Import restrictions or bans permitted under Article XX but out with SPS and TBT agreements | A ban can be placed on the marketing or the sale of an item via retail rather than on its import. |

6. Liberalisation and safeguarding standards

6.1 Introduction

The UK currently prevents the import of agri-food products which do not meet strict food safety or animal and plant health safety requirements. However, the UK does not require imported products to meet UK environmental or animal welfare standards. Increasingly, people are concerned about the way products are produced and about impacts on climate change, the environment, ethical trade and animal welfare. There is an opportunity to reform the UK's current import policy to create an ambitious, forward-thinking and more holistic approach.

The proposed import policy reflects our aspirations for a UK trade policy, as set out in our principles. This is an import policy that is liberalising, facilitates innovation and productivity. It, backs UK producers through opening access to global markets, and promotes high standards for protecting the environment, and addressing climate change, ethical trade and animal welfare.

Inherent in the policy approach is reciprocity. Where the UK offers liberalisation, on the basis of this policy, it should be reciprocated by negotiating partners. Pre-negotiation impact assessment should also make clear that where any part of a domestic sector is sufficiently sensitive to UK interests, UK government should consider special WTO-compliant safeguard measures.

We are assuming that general UK trade policy will include a system of tariffs and quotas, as currently exist, and that these will include permitted preferential treatment of developing countries. A strategic trade policy should progressively bring the majority of the UK's international trade into Free Trade Agreements (FTAs). These FTAs will be with trading partners that share both our ambitions for liberalisation of international trade, and our values on issues such as human rights, animal welfare and environmental protection and enhancement.

Recommendation 8:

The UK government should take an ambitious approach to the liberalisation of the UK's import tariff regime, for countries that can meet the high standards of food production expected from UK producers. It should work with trading partners within future FTA negotiations to lower tariffs and quotas to zero where equivalence is demonstrated for these standards. These standards must be aligned with core global standards, and the UK government should take an active role in strengthening standards via international forums.



“There is an opportunity to reform the UK’s current import policy to create an ambitious, forward-thinking and more holistic approach.”

6.2 The proposal

To liberalise trade, we propose that the UK pursues an approach through free trade agreements whereby tariffs and quotas will be reduced and removed, provided that a set of nationally and globally important standards are met. We have identified an integrated and mutually reinforcing set of actions requiring the 3 pillars set out below. These would only work if implemented together. [Appendix 4 Supplementary information for Chapter 6] provides the broad contours of this approach.

Pillar 1: General trade approach

General UK trade policy will be consistent with WTO rules. Import restrictions could be introduced which would need to be consistent with domestic regulation and would reflect internationally agreed standards. This would apply to food safety and biosecurity and could also include other internationally agreed standards such as climate, environment, ethical trade and animal welfare, where action is consistent with the SPS and TBT agreements.

This pillar is fundamental to existing trade policy, both in the UK and for our trading partners.

Pillar 2: Proposed approach within FTAs

Zero tariff, zero quota access to UK markets in FTAs would be matched to a core set of standards and technical norms in a number of areas. If trading partners could not demonstrate equivalence with core standards, then they would not be considered for zero tariff, zero quota access for those products to which the core standards applied. These standards and technical norms would:

- reflect the shared ambitions of the UK and its trading partners;
- be derived from international standards and norms; and
- already be applied in the UK.

The UK government should negotiate on the basis of this core set of standards, including climate change, environmental, ethical and animal welfare measures. When determining these priority standards, the UK government should take account of domestic production standards and the extent to which they reflect international standards' agreements.

Implementation of this pillar would require further analysis and consultation, particularly with the Devolved Administrations. Determining which standards and norms

should be considered as part of this pillar would need to involve consultation with all stakeholders. Agreement of a broad and comprehensive core set of standards would maximise the trade liberalisation that this approach could deliver.

Within FTAs and to ensure that both parties follow the agreement in good faith, mechanisms would be developed to deal with:

- **Trade distortions:** this would allow a tariff to be imposed where an aggrieved party could demonstrate that the FTA partner failed to apply the agreed standards or to enforce its own law, thereby creating an anti-competitive market distortion and its domestic producers were obtaining an unfair trade advantage as a result [Appendix 4]
- **Emergency situations:** this would allow interim measures to be implemented where distortions were sufficiently significant, and there was a reasonable probability that their impact on domestic producers was so great that it threatened the sustainability of that sector. A special safeguard for sensitive commodities could also be applied. We envisage that such a mechanism would be used as a last resort, because the tariff mechanism would likely deal with issues where conditions of competition were adversely affected by market distorting practices.

Subject to securing international recognition of this approach, a similar market distortion mechanism could be developed as part of general trade policy. For example, a tariff might be imposed where a country is violating an international standard or norm, its own law, and, as a result, is obtaining trade advantage.

This mechanism could be applied in cases where an anti-competitive market distortion could be demonstrated. In the medium-term, such a mechanism could also be proposed in regional trade agreements such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

Pillar 3: International forums

In parallel, and as an element of general UK trade policy, improvement of standards and technical regulation should be advocated in areas of national and global interest and importance, such as climate change, environment, ethical trade and animal welfare. This would be done by championing relevant and science-based standards in international organisations. This would align with the UK's global ambitions and its willingness to show leadership in global forums such as COP26.

Liberalisation and trade policy

General Trade Approach (Pillar 1)

Trade policy consistent with WTO rules, aimed at liberalisation consistent with Commission's principles. WTO consistent import restrictions can be maintained and added to incrementally, reflecting internationally agreed standards with which domestic regulation would need to comply.



Proposed approach within FTAs (Pillar 2)

Liberalisation towards zero tariff and quotas based on FTA provisions on core standards

Extent of liberalisation based on scope of core standards agreed relating to climate, environment, ethical trade and animal welfare

Assessment of standards to be based on outcome equivalence

Where proven market distortion results from agreed standards not being complied with, the tariff remedy can be applied.



International Forums (Pillar 3)

The UK should seek the improvement of standards and technical regulations via international forums to advance global standards for climate change, environment, ethical trade and animal welfare. These can be progressively fed into Pillar 1 and Pillar 2.

Considerations

The UK government should take the following points into account when pursuing the proposed policy:

- 1 An open and liberalising approach to trade negotiation should be reciprocal. Where the UK offers liberalisation on the basis of this policy, it should be reciprocated by negotiating partners. The UK should not concede market access without reciprocal benefit and should maintain the possibility of excluding valuable domestic markets from its market access offer, or limiting access through tariff rate quotas, where it is judged that the UK would not be getting fair value in return for fuller liberalisation. This would be subject to the WTO requirement that FTAs cover substantially all trade between the parties;
- 2 The UK government should not discount the option of safeguarding domestic sectors or products it deems sensitive through any WTO-compliant measures, where this was necessary. The policy envisages such approaches being used sparingly, but nevertheless the Government would need to assess the most effective and compliant tools for managing sectors it deemed sensitive and proceed accordingly. This might include the safeguard measures outlined in the policy, quantitative limits on preferential access through tariff rate quotas, or non-trade distorting financial support; and
- 3 The UK government should always seek to justify the standards it requires UK producers to meet as being consistent with international standards and norms. However, where the UK government chooses to maintain standards that exceed those of international standard setting bodies, it should be willing to defend those standards through its trade policy.

As would be the normal convention within all FTAs, we support the use of review clauses in any agreement, to ensure that it was working effectively for both parties and enable a renegotiation. The UK government could also consider the inclusion of a termination clause.

Further considerations

The UK's success in gaining international agreement to relevant standards will also be dependent on the pace of liberalisation, as a commitment to liberalisation will make the UK's proposals more credible. The scope and pace of liberalisation in an FTA will depend on the scope of what is captured in the Pillar 2 mechanism. The broader the Pillar 2 coverage is, the faster the schedule of liberalisation schedule could be.

As Pillar 3 proposals are introduced to international agreements, standards and norms, so they would become subject to the tariff mechanism in Pillar 2, further increasing the potential pace of liberalisation, and giving the UK's trading partners an incentive to work with it on these issues.

We propose that this approach is implemented over a reasonable time period. We recognise the need for a transitional period, which would need to be clearly defined and link to the UK's overall trade strategy. This should also include transitional assistance for UK businesses where they may need to adapt.

Where consistent with WTO rules, the UK could consider domestic sales bans for products which do not meet UK standards for important climate, environmental, ethical trade, and animal welfare standards.

The approach we are proposing should be applied to developing nations. But where these countries have lower levels of exports, any tariff applied, as a result of the Pillar 2 mechanism, would necessarily be lower than for a larger exporter whose trade has a more significant impact on domestic producers. The UK should work collaboratively and proactively to support developing countries, through supply chain and related development to enable them to meet UK standards, and through key relevant international agreements.



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7. Underpinning effective trade measures

7.1 Impact assessment

Current approach

Impact assessments are important evidence-based procedures that address the economic, social, and environmental effects of trade policy. The UK government has committed to a transparent and evidence-based assessment approach. We aimed to test that transparency and to gain a sense of how accurate and relevant the measures were. For scrutiny to be effective, the impact assessments work best when set against similarly transparent trade objectives.

Initial assessment must be carried out well in advance of trade negotiations and must have a material effect on the negotiating objectives. We recognise that, historically, impact assessments have not always proven to be accurate, but that should not be a disincentive to improving them. Following the conclusion of any Free Trade Agreement (FTA) negotiations, once the text of the agreement is known, a full impact assessment is published prior to implementation. The full impact assessment updates and refines the preliminary estimate of impacts that were outlined in an earlier scoping assessment.

Assessments of the impact of trade tend to be dominated by modelling exercises. Modelling should include the scale and distribution of impact, based on an initial assumption, in

line with the outcome that has been negotiated and taking account of new evidence. Analysis should be carried out of the sectoral, distributional, social and environmental impacts of the agreement. The UK government has established a modelling review panel to consider how modelling can be more dynamic, to enhance the UK's trade negotiation capability. We trust that means that impact assessments will be more accessible and useful for non-expert readers.

Improvements to impact assessment

In consultation with the Devolved Administrations, the Government should set out a strategy for its overall approach to FTAs and for each specific bilateral or plurilateral FTA. These strategic objectives should then provide the basis for a robust impact assessment. Without first setting clear objectives for the purpose of future FTAs, the Government may be unable to completely understand the benefits and opportunities of future deals.

We have reflected on the fact that one possible outcome of raising standards is the potential for some higher food prices. We wanted to test that the long-term economic prosperity and environmental resilience that will come from raising standards will outweigh any short-term price increases from doing so. We found it difficult to obtain good evidence for these two opposing outcomes. This should, however, be a priority area for impact assessment and should provide a guide as to which standards are incorporated into the UK's import policy.

Impact assessments should consider the dynamic nature of FTAs, for example where changes in behaviour of stakeholders, in response to the FTA, might change its impact.

There needs to be an improvement in the qualitative and mixed method studies in impact assessment, which will often relate to the social and environmental impacts of an agreement. These effects are difficult to capture numerically, so often are not given the same weight as quantitative factors. Including a greater focus on qualitative evidence could help strengthen the accuracy of the assessment overall and identify second or third order consequences that might not otherwise have been identified.

When conducting impact assessment on a trade agreement with developing countries, consideration should extend beyond the impact on the UK. It must also cover the impact on the developing country partner as well as the potential knock-on effects on other developing countries as a result of, for example, diverting trade flows. This will help to identify cooperation arrangements that can be built into the agreement, which might help the UK provide support to access the UK supply chain or give the UK a higher reassurance on regulatory controls or auditing in the developing country partner. Prosperity in those countries has both an intrinsic value and is important for resilience in UK supply chains.

Experience should be drawn from international examples such as the USA, Canada, Australia and New Zealand. Our research suggested that the Australian experience of the relationship between their Competition Commission and impact assessment would be worth examining in relation to how the UK's Competition and Markets Authority might be involved in this process.

Recommendation 9:

The UK government should strengthen impact assessment of trade policies and agreements by improving qualitative assessment on health, welfare, biosecurity and environment. Modelling in assessments should go beyond trade flows and address wider consequences such as impact on UK food prices. Assessment of trade deals with developing countries should assess growth and development of the partner country, as well as the UK.

“Seeking the views of those most likely to be affected by trade deals should be a fundamental component of the UK government’s approach.”

7.2 Scrutiny

Effective scrutiny of trade deals is vital. It is crystal clear that citizens want to understand the content of trade deals and the effect they might have on all aspects of food supply. The UK government bolstered parliamentary scrutiny of agreements in relation to the agri-food sector in the Agriculture Act 2020, which places a new duty on government to report to Parliament. It must report on the extent to which commitments in new Free Trade Agreements relating to agricultural goods are consistent with maintaining UK levels of statutory protection in relation to human, animal and plant life and health; animal welfare; and environmental

protection. We welcome that the Act extended the role of the Trade and Agriculture Commission, placing it on a statutory footing.

Whatever structures are put in place for scrutiny, it is important that the agreement is fully evaluated, and not just against what it attained, but also against the original objectives. It is also vital that the UK government works jointly with the Devolved Administrations, to ensure that the evaluation reflects views from across the whole of the UK. The Devolved Administrations should have a formal and meaningful role in formulating and agreeing mandates for negotiation, assessing impacts and examining the final outcome.

7.3 Consultation

As part of transparency within trade policy, the UK government has committed to public consultation on prospective FTAs, with business, civil society, trade experts and the public. This is welcome, but the consultation needs to be deeper and more detailed than it is currently, with more significant transparent engagement with key sectors likely to be affected. It needs to be fully joined-up with the impact assessment process. Seeking the views of those most likely to be affected by trade deals should be a fundamental component of the UK government’s approach. It should also ensure that the consultation includes organisations based across the whole of the UK. To be more specific, that principle needs to apply to all stages of an FTA from its inception, throughout discussions and then onto consulting at the final stages. The entire process would need to balance confidentiality with transparency.

Recommendation 10:

The UK government should ensure consultation and engagement on FTAs, from the early stages of inception of a prospective agreement and throughout negotiations, is transparent, thorough, and more detailed than it is currently, whilst recognising the need for confidentiality.

7.4 Audit, assurance and risk analysis

The UK’s audit and assurance system

Prior to our departure from the EU, the United Kingdom’s audit and assurance process was managed by the relevant part of the European Commission’s Directorate-General on Health and Food Safety (SANTE F). This part of the European Commission conducts audits, inspections and related non-audit activities. These activities are aimed at ensuring that EU legislation on food and feed safety, animal health, animal welfare, plant health and in the area of medical devices, is properly implemented and enforced. This extends to EU Member States and countries the EU trade with, known as ‘third countries’. Before a third country is granted market access to the EU, they must first have passed an audit conducted by SANTE F demonstrating that they can meet all EU requirements.

Now that the UK has left the EU, it is free to set its own audit and assurance process and schedule. An important question has been raised regarding the capacity for the UK to be able to keep pace with the need to conduct visits and inspections. These require specialised scientific skills and qualified veterinary practitioners. The skills shortage of qualified veterinarians has been recognised by Parliament. They noted the risk to exports, given approximately 95% of the UK’s official veterinarians, who are responsible for certifying products for export, are not UK citizens.²⁶

We recognise the risk that a skills shortage will have, not only on the UK’s ability to certify products for export, but also more widely on the UK’s audit and assurance system.

UK and EU Institutions

Institutional arrangements for risk analysis, audit and assurance in relation to food additives and novel foods and processes

| | European Union institutions | United Kingdom institutions |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Risk assessment | European Food Safety Authority | Food Standards Agency and Food Standards Scotland |
| Risk management decisions | Heads of state and government make decisions on general policies in the European Council. The Commission makes proposals for new laws. The Parliament reviews the proposals and passes decisions together with the Council of Ministers. The Council of Ministers and Parliament approve the laws together. | Ministers of the UK Government and devolved administrations |
| Audit and assurance | European Commission (Sante F) | UK Office of SPS Trade Assurance |

Replacing SANTE F, the UK Office of SPS Trade Assurance will now co-ordinate SPS trade assurance in the UK to ensure trading partners meet import conditions for food and feed safety and standards and for animal health and welfare. The Office is responsible for maintaining the existing list of approved countries and commodities, maintaining approved establishments, and for receiving and also for processing new market access applications to Great Britain.

The risk analysis process

It is an important distinction that must be made that while the UK may have an FTA in place with a trading partner, it does not automatically grant them the right to import products into the UK without first passing a rigorous risk assessment process.

When a market access application has been received, this triggers the risk assessment process. Since leaving the EU, the FSA and Food Standards Scotland (FSS) have taken on responsibility for assessing evidence relating to food and animal feed safety risks, and also evidence relating to other issues which might include animal welfare or environmental impacts. Assessments will generally be carried out on a four-nation basis, with capacity for nation-specific risk assessments where required.

Future approach to audit, assurance and risk analysis

The Government now has a unique opportunity to build a system that is fit for purpose and that considers the role of agri-food standards when assessing if a product can be imported to the UK.

We recommend that the Government applies a risk-based, proportionate approach to audit, assurance and risk analysis. One that recognises, and does not seek to duplicate, the assurance that can be gained from the checks carried out by industry, which are monitored by government. It should be an approach which starts from a position of trust, established on the basis of effective and proportionate audit, with those 'Trusted Traders' building earned recognition towards getting lighter touch checks. In low-risk situations, this may enable the levels of checks to be reduced for certain products or for checks to be moved from the border to the point of destination. The system should provide a picture of compliance across trading partners at the company or trader level as well as at national level.

When embarking on a new trade negotiation, we recommend an approach that considers the likely audit, assurance and risk analysis implications.

Firstly, the UK should determine whether or not regulatory and implementation systems are in place in the partner country, that they are sufficient to meet international obligations and that they can provide the assurance the UK requires. Additionally, private assurance schemes or voluntary third-party assurance schemes with appropriate standards and levels of audit, evaluated by government, could also be considered. These would complement competent authority assurance to demonstrate compliance with UK standards in special circumstances such as in developing countries which are still building their regulatory processes.

A robust risk-based approach should be viewed as essential in shaping a trade negotiation which includes agri-food. This approach should make a detailed analysis of the target country and include a direct comparison with the UK. When completing the analysis, the UK government should consider the general approach to regulation of the target country and identify where outcomes are comparable but the route to achieving those is very different. The UK government should address the role food standards play in the target country and how they characterise and approach risk assessment and management. Some countries will have more robust food standards applied at regional or local level which adequately address our concerns about their national framework. Additionally, the assessment should consider the extent to which voluntary or private standards go beyond legal requirements in the target country. When completing these assessments in the future, the Government should also identify where our own domestic standards are lower than the country seeking to export to the UK.

Secondly, the UK should determine commodity risks using a comprehensive risk analysis framework, which would assess potential risks to animal or plant health, food safety and other relevant UK standards.

We believe that future risk analysis should at least include the issues below when considering applications for agri-food products:

- standards for agriculture – including animal welfare
- food manufacturing standards – including hygiene, Hazard Analysis Critical Control Points (HACCP), heat treatment, irradiation
- food compositional standards - such as meat, milk, confectionery, manufactured foods
- food labelling arrangements – allergens, nutrition
- fertilisers and pesticides
- food additives, colours, preservatives
- protected geographical indicators
- known food safety statistics including recalls and food-borne illnesses for certain product groups
- prevalence or otherwise of GMOs and gene-edited foodstuffs; and
- biosecurity risks

To assist with concerns relating to capacity, we believe that the UK should draw on all available evidence -and include the examples of OIE Performance of Veterinary Services assessments, Food and Veterinary Office (FVO) reports, and assessments by internationally recognised food research organisations should be considered when assessing countries and commodities for market access to the UK.

Improving border processes

Industry and consumers alike need to be sure of the quality and provenance of food products across the whole supply chain. Trust in import processes is not only important for consumers, but for our trading partners as well. Systems should be flexible and allow for the integration of SMART technologies such as blockchain to enhance traceability and supply chain management. Use of these SMART technologies have already been successfully trialled in the UK. The UK government should continue to collaborate with industry to support the development and adoption of standards that enable interoperability via SMART technology. Data sharing and governance arrangements need to allow appropriate access for all actors in the food chain, including the regulator. Government should also build on the momentum of the National Data Strategy and the Data Standards Authority to enable standards-led information sharing to improve public services and drive efficiency.

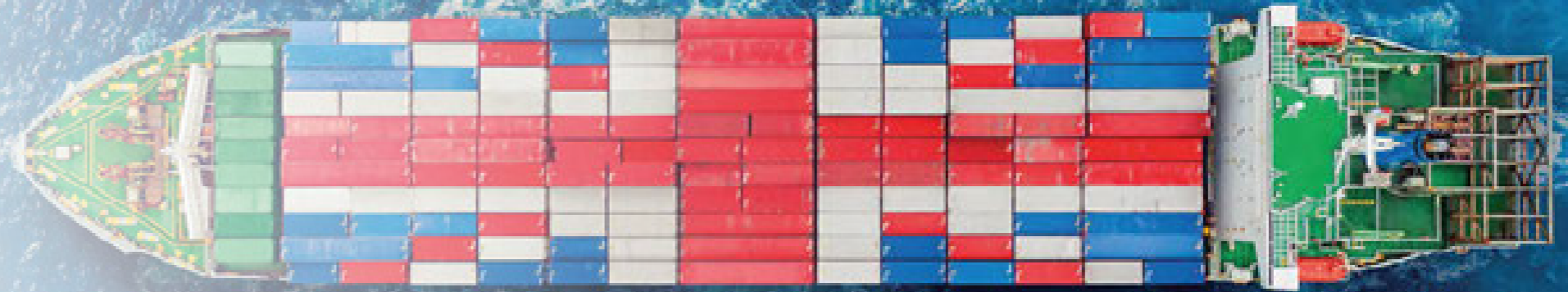
The UK government should review domestic infrastructure to facilitate the smooth operation of the UK supply chain. This can be divided into infrastructure that assists the logistics of trade and infrastructure that assists domestic business productivity. Wider logistical and infrastructure changes are outside of the remit of this Commission. But it should be recognised that any readiness to trade can be quickly undermined, for example, by poor transport and port access, inadequate rural broadband or overzealous planning laws.

Import and export processing at ports, including the paperwork, certification and checks, are currently seen as a significant barrier to competitiveness, and this has been exacerbated in recent weeks by the changes coming in after exiting the EU. Currently Export Health Certificates require a physical signature and in-person 'wet-stamping' from a veterinarian. In response to COVID-19, the Government are allowing Border Control Posts to accept electronic certification on some third country imports, including some products of animal origin, but this is a temporary measure. Such processes could be made more efficient and future-proof through the use of digital technology on a permanent basis.

Recommendation 11:

To ensure that future trade policy incentivises and builds trust with trading partners, the UK government should implement a robust, risk-based audit, assurance and certification process. This could include an end-to-end Trusted Trader network to ease border checks from authorities in exporting countries on sealed loads. The UK should fully explore the use of SMART as well as recent technology such as blockchain to further reduce friction points at the border and along the whole supply chain. Future agri-food risk assessments should be conducted in a transparent way that includes publishing the findings at a commodity and country level.

8. Export competitiveness



8.1 Strategic planning

We already have a fantastic agri-food export offer, which is one of quality, traceability, heritage, safety and high environmental and welfare standards. These attributes are present across the UK's leading exports, including whisky, salmon, cheese and pork. We also have a strong agri-tech export offer that is growing in prominence. Now is the time for us to put real energy and resource behind efforts to maximise the opportunities for this sector to export. Government and business need to work in partnership to do this. Government can use its political leverage to open doors; businesses can provide industry insight and build the supply chains and networks to trade. A collaborative approach will improve almost every opportunity and will be more likely to remove barriers.

A really effective approach to reinvigorating exports will draw on the best information and target resources accordingly. We have not come across a thorough, systematic mapping of the UK's current and potential trading partners, the opportunities and challenges associated with each, and, crucially, where the UK's agri-food sector would therefore have competitive advantages and disadvantages. This would be a useful exercise, regardless of the dynamic nature of overseas markets.

Any mapping should also include consideration of the opportunities offered by capital investment for innovative SMEs and foreign direct investment. The UK government should leverage its overseas network to draw in interest and determine how it can work with business to target areas that could provide a healthy return. Particular focus must be placed on the needs of the more than 7,000 SMEs across the UK who are exporting agriculture and food products and which comprise 94% of all exporters in the sector.²⁷ Inward investment is also needed by the agri-tech sector to increase its capability to be a global leader in technology and innovation in sustainable agriculture.

The Food & Drink Sector Council's (FDSC) Exports Working Group, an industry-led forum which includes government, is planning to produce a strategy for the sector encompassing some of these points. We support their work and encourage them to be ambitious in their plans. We urge the UK government to match that ambition with sufficient resources to turn plans into reality.

Recommendation 12:

The UK government should work with the industry to increase investment in knowledge and insight of overseas markets. It should conduct systematic mapping of the sector's competitive advantages. It should review how it might encourage inward investment that would helpfully expand the UK's trading capacity. Particular focus should be placed on opportunities for agri-food focused small and medium enterprises (SMEs).

²⁷ Source: <https://www.gov.uk/government/statistical-data-sets/uk-trade-in-goods-by-business-characteristics-2019-data-tables> Note: The statistics for 'food and drink' are reported by commodity code and statistics for 'agriculture and food' are reported by industry. The definition for 'food and drink' is much broader than 'agriculture and food' and so equivalent numbers will be higher.

8.2 Coordinating activity across the UK

For some time, industry has called for greater coordination between England, Scotland, Wales and Northern Ireland in relation to agri-food trade policy and promotion. The absence of a central point of coordination currently leads to some duplication and missed opportunities. Effective cooperation between the different nations on strategic matters such as the opening up of new markets, with continued respect for the unique and tailored approaches in each part of the UK, will be to the benefit of all businesses seeking to trade.

Industry reports, through the FDSC's Exports Working Group, that this can best be approached through the creation of a Food and Drink Export Council, bringing together the UK government, the Devolved Administrations and industry, and maximising the benefits of pooling everyone's knowledge and strengths. We see no reason to question their suggested approach and would encourage support for it.

Recommendation 13:

The UK government should support and participate in a new Food and Drink Export Council, which would bring together industry and government export leads for England, Northern Ireland, Scotland and Wales, with a rotating chair. The Council would enable UK-wide collaboration, sharing of knowledge and resources, support exporters and market access negotiations, and maximise the benefits of working together whilst respecting the separate approaches in different parts of the UK.

8.3 Supporting SME export readiness

We discovered that exporters in England have access to UK government export advice and support, whereas producers in other parts of the UK benefit from the same and also additional support, provided by the Devolved Administrations. Our Working Group on Competitiveness suggested that it would be worth examining the support offered in England, and that exporters there would welcome easier access to clear, user-friendly information and export advice through a one-stop-shop. This would support business in gaining the confidence to research, identify and export to new markets overseas and connect with buyers overseas.

The FDSC's Exports Working Group have explored going a step further in creating a specialist body for England. We would suggest that the UK government work through that group to give this idea the best opportunity of success. Any such body might be in a position to deliver expert guidance and advice for exporters, targeted research and training and access to expert trade advisers. The body could also assist other agencies in building the capacity of businesses so they could become 'export ready.'

Recommendation 14:

The UK government should work with the Food and Drink Sector Council on the industry's request for a specialist agri-food export body for England. This would provide one-stop-shop trade information, to give it the best chance of success. Government should provide related, additional funding for existing food and drink export organisations



Bounce back plan for Agri food and drink

In June 2020 government published an agriculture, food and drink bounce back plan. This offered whole-chain support including online exporting Masterclasses, access to a network of 50 Export Champions, experienced exporters deployed to help aspiring exporters; a programme of physical and virtual events to connect UK buyers with suppliers overseas; more targeted GREAT campaign activity overseas; and an e-commerce accelerator pilot to help SMEs capitalise on the opportunity this channel offers. The plan also announced the first ever Agri-food Counsellor serving the Gulf region and roundtables to inform the development of the UK's investment strategy, the UK Agri-Tech International Strategy and the launch of Phase 2 of the High Potential Opportunity Programme.



8.4 Market access

Our Working Group on Competitiveness determined that securing or opening up market access by removing non-tariff or technical barriers, should be at the heart of UK government support for exporting. This can be done through Free Trade and other agreements, but can also be done independently of those so should not be put on hold pending any agreement negotiations.

The UK government recently examined the market access barriers the UK is facing in each country, across all sectors. But the pace at which these are being tackled is unclear. We advise that the Government should prioritise addressing the most significant barriers for UK agri-business with some urgency and invest the technical expertise and political capital that would see them removed. The UK government's Report A Trade Barrier Service²⁸, which captures reports of trade barriers flagged by industry and identified through intelligence, should play a key role in informing this.

The best impact can be achieved by collaboration between the UK government and business. A successful example is the UK Export Certification Partnership (UKECP). Established in 2002, UKECP is the principal partnership initiative between the industry and Defra. The UKECP provide a significant amount of support to government for market access negotiations and to support efficient trade in meat and livestock products, including genetics. It coordinates the intelligence gathering and impact assessments required to support negotiations, prepares health certificates and other key documentation, and organises inward missions and inspections from export markets. This means that whilst conducting market access negotiations and managing ongoing regulatory and other processes related to maintaining access, government has access to the best expertise and an accumulation of experience in handling sensitive inward missions. This model has worked well and we think there is merit in considering whether it has wider applicability to other parts of the agri-food supply chain.

Recommendation 15:

The UK government should escalate the pace of efforts to remove market access barriers, through FTA negotiations and wider diplomacy. It should work with the agri-food sector to determine whether the UK Export Certification Partnership (UKECP), which contributes to market access and maintenance negotiations, should be given a wider remit, for poultry, fresh produce and cereals.

²⁸ <https://www.great.gov.uk/report-trade-barrier/>



Case study

Impact of the UK Export Certification Partnership's work

UKECP, AHDB and others supported the Government recent dialogue with Japan to seek market access approval for beef and lamb which was granted in 2019. This has delivered a commercial value of £5.4 million of trade in 2020 with growth potential. UKECP has worked with UK Government and industry to secure export health certificates with many Third Countries and the value to the beef, lamb and pork sectors of these exports was over £518 million in 2020. The UKECP partnership is supporting Government in ongoing dialogues as it continues to seek further market access approvals.

“The UK needs strong overseas **capability**, to enable us to fight our own corner in an ever more competitive trading environment.”

8.5 Boots on the ground overseas

It is apparent the extent to which the UK government has increased its trade capability over the last few years. But for agri-food, whilst we can see a concerted focus on the sector by ministers and officials within the UK, the resources in overseas posts still appear to be lacking. The UK needs strong overseas capability, to enable us to fight our own corner in an ever more competitive trading environment. There should be skilled experts in target export markets, to provide market insight, to lead negotiations and to build business and diplomatic relationships. This is a long-term investment; it takes time to build relationships, credibility and respect.

The UK government has two dedicated agriculture counsellors overseas: one in China and another in the UAE serving the Gulf region. We understand there are plans to put more in place, but this is taking time. There are others in embassies with a partial focus on agriculture, but the resourcing in its entirety seems inadequately matched with the renewed focus on this sector, and certainly trails behind the key competitors based on our investigations into, for example, Australia, France, the Netherlands and the USA. If we want to be taken seriously as a ‘powerhouse’ agri-food exporter, we need to invest seriously in our overseas capability. We have not attempted to make a business case for this initiative since we lack the data to do so, but that should be done immediately.

An enhanced network of agriculture specialists overseas should be supported by in-market and UK-based teams and analysts. Their primary focus should be to negotiate and secure market access in untapped areas, since industry relies on government to do this. They should have the backing and weight of senior officials and ministers, so they can escalate and secure positive outcomes from market access work overseas and negotiations. There should be sufficient, strategically allocated, stable and long-term project funding to enable the agriculture specialists to work up and deliver ambitious in-market plans.

Any roles must ensure fair representation of business need from across the UK, working in collaboration with the Devolved Administrations and any in-market resources they have in place. We suggest a government and business partnership approach to resourcing this rollout.

Recommendation 16:

The UK government should rapidly increase its overseas resourcing by expanding its network of agri-food experts based in embassies in target markets. These experts would form part of the network of trade staff reporting to Her Majesty’s Trade Commissioners. This should be done in collaboration with, and supported by, key sector organisations. These experts should focus on market access and opening up trade opportunities.



Case study

The US Foreign Agricultural Service (FAS)

The Foreign Agricultural Service (FAS) is the foreign affairs agency with primary responsibility for the United States Department of Agriculture's overseas programs. It staffs 96 offices in 76 countries around the world, also monitoring and reporting on the agricultural trade matters of an additional 100 countries. Its agricultural attachés and locally hired agricultural experts provide a voice for U.S. agriculture around the world. FAS:

- expands and maintains access
- manages market development programs
- supports U.S. agricultural exporters
- provides objective intelligence on foreign market conditions
- prepares production forecasts
- assesses export opportunities
- tracks changes in policies affecting U.S. agricultural exports and imports.
- leads the United States Department of Agriculture's (USDA) efforts to help developing countries improve their agricultural systems and build their trade capacity

8.6 Promoting UK branding

As with any brand, Britain's brand needs regular refreshing. Industry sees value in the Food is GREAT (FiG) brand for export promotion, but it can be inflexible and sometimes fails to meet business needs. We heard that its bureaucratic processes slow down commercial activity, the choice of imagery used could be better in some markets, and the campaign is limited to a narrow number of specialised products. In some international markets, FiG can complement the Devolved Administrations' own marketing very effectively, but in other territories the Devolved Administrations prefer to deploy their own branding and campaigns.

Lessons must be learnt from countries that have been highly effective in growing their exports. Ireland is an excellent example; they have a clear vision and ambition which is crystallised in 'Origin Green'. This is a very professional campaign which delivers growth and opportunity for Ireland and has buy-in from government, Irish producers and processors and most importantly, it resonates with the modern consumer. With similar raw ingredients and fantastic, natural and sustainable products, our UK farms would benefit from such a powerful campaign.

A united vision for how to brand UK agri-food is needed, which reflects the key strengths of UK agriculture-food and drink, while recognising the distinctive brand and marketing identities for Scotland, Wales and Northern Ireland. There should be a comprehensive review of current marketing at home and overseas. For example, tourism can be leveraged to promote the UK's high standards and quality and lessons can be learned from the Devolved Administrations who take a joined-up approach to trade promotion and tourism. There should also be assessment of the role of assurance schemes, such as Red Tractor, LEAF Marque and RSPCA Assured.

Government should work with industry to identify unique selling points for the UK, sensitive to regional and national identities and produce. It should provide appropriate support and protections, including incentives for sustainably produced products and protection for Geographical Indications to capitalise on the UK's high standards and quality. The proposed Export Council could be the lead vehicle to decide the focus and strategy of an approach to UK agri-food branding, ensuring that it dovetails with national campaigns.

We should also acknowledge that the domestic market offers opportunities to promote UK food and drink to complement what we do abroad. Overseas visitors who came to the UK in 2019 spent £28.4 billion²⁹. Tourism and hospitality are a showcase for our food and drink, and the social capital it brings should be recognised. The investment coming into hospitality is usually foreign inward investment. There is clearly an opportunity here for the alignment and exploitation of this in trade and trade promotion.

Recommendation 17:

The UK government should review marketing and promotional activities for agri-food exports, particularly under the banner of the GREAT campaign. It should place a greater focus on developing campaigns sensitive to the needs of UK nations and regions and promoting goods relevant to specific overseas markets. This could be done through the proposed new Export Council in collaboration with the Devolved Administrations.

²⁹ <https://www.visitbritain.org/inbound-research-insights>

9. Import competitiveness

9.1 Domestic competitiveness

Although the focus of this Commission is specifically agri-food trade, we have been conscious throughout that the ability for the UK's agri-food sector to compete in export markets, and maintain resilience against competition from imports, is dependent on our domestic productivity. The UK government currently measures 'Total Factor Productivity' (TFP) which is broadly, how well agriculture turns inputs into outputs. Since 1991, the UK's TFP has increased by 18%, whilst our competitors have seen greater increases (France 82%, USA 54% and the Netherlands 52%)³⁰. Assuming that we are making a fair comparison, there is clearly much scope to improve the ability of the UK's sector to compete.

For decades, UK farming has been operating within the scope of the EU's Common Agricultural Policy, and the subsidies and schemes that were part of it, but the industry will now transition away from it. Under the CAP, some farmers received subsidies that constitute a notable proportion of their income, such as less favoured area grazing livestock farms (21%), lowland grazing livestock farms (15%), cereals (13%) and mixed farms (11%).³¹ As agriculture policy is devolved, Devolved Governments can develop distinctive support plans for their parts of the UK. Defra has announced

that direct support payments to farmers in England will be phased out over the next seven years, with around 50% of current payments being cut within four years. We understand the devolved nations are in the process of developing their own future systems.

Critics of the CAP's system of direct support claim that these payments have had a profound effect on productivity and competitiveness. In the longer term, it is hoped that farm productivity will improve as they are phased out. While some farms will thrive and some will make good headway with the right transitional support, the difficult reality is that some will not survive, with a loss of business and jobs, and serious implications for the prosperity of rural communities.

The UK government can ease the transition through initiatives aimed at reducing costs and improving innovation and efficiency, and therefore overall productivity. This might, for example, include regulatory easement, subsidised training or renewable fuel subsidies. In particular, governments should ensure schemes aimed at improving innovation in on-farm productivity are part of their future farm support systems, such as productivity grant schemes providing targeted support to invest in equipment, technology, and infrastructure that will also deliver environmental and other public benefits.

³⁰ [The Future Farming and Environment Evidence Compendium](#), Defra and the Government Statistical Service

³¹ [Moving away from Direct Payments](#), Defra



Case study

Transformation of New Zealand's wine industry

In the early 1980s New Zealand's wine industry was in crisis. It was protected by a 40% tariff, the domestic market was small and export opportunities were limited owing to the quality of wine produced. Consequently, a wine lake developed. In 1985 the protective tariff was eliminated, with government providing transitional funding to help wine growers transition from poor quality grape varieties to higher quality varieties. This triggered a period of innovation in the 1990s, including new techniques for grape vine canopy management, stainless steel fermentation and screw caps on bottles. 40 years later wine is New Zealand's biggest export to the EU and exports of New Zealand wine earn four times more than the country's wool exports.

“The UK government can ease the transition and boost productivity by reducing costs and improving innovation and efficiency.”

9.2 Research and Development

Research and Development (R&D) plays a considerable role in unlocking innovation and supporting improvements to productivity in farming. The UK government should therefore commit to providing sufficient resources and ensuring that R&D is aligned with industry priorities. Some of this support will need to be ‘pump priming’ in nature and represent some risk.

The UK government is developing a specific industry-driven initiative, the ‘Innovation R&D Package’, to stimulate innovation and boost sustainable productivity as part of the new policy for agriculture in England. Defra is working with UK Research and Innovation (UKRI) on these proposals which build on the Agri-Tech Strategy and the UKRI Transforming Food Production initiative. The package is focused on funding R&D to address industry productivity challenges. This aims to improve connectivity between researchers, link research with on farm practice, enhance the adoption of new technologies and facilitate active engagement with farmers. The UK government and the Devolved Administrations should develop domestic policies that include ongoing support for domestic agri-food programmes to improve productivity, R&D and resource efficiency across all four nations.

9.3 Public procurement

The public sector is a significant purchaser of food and drink. In 2014, it was estimated by Defra that the public sector was procuring about £2.4 billion in food and catering services per year³². This figure was originally quoted in 2010 and we are disappointed that more up to date figures are not currently available. The public sector’s procurement approach for food and drink should be appropriately aligned with broader government policy goals, within the framework of rules on procurement. Clear and accurate figures will be necessary to support government ambitions for this sector.

Responsibility for public sector food procurement is devolved to Wales, Scotland and Northern Ireland. The UK government should continue to work closely with the Devolved Administrations to enhance complementary approaches where appropriate. In England the public sector operates under Defra’s Plan for Public Procurement (2014) and wider procurement regulations and legislative requirements. The Defra plan includes a toolkit that guides operators on how to balance a range of mandatory and best practice standards including those relating to health and sustainability.

The guide encourages organisations to go beyond the mandatory minimum standards. This includes where they should take account of local provenance and cultural factors and make efforts to promote access to procurement frameworks for British producers. They must however do so in a non-discriminatory way that complies with the UK’s procurement regulations, which incorporate a number of international commitments. For example, The WTO Government Procurement Agreement, which the UK joined in its own right on 1 January 2021, requires the UK to ensure that products, services and suppliers of any other country or party to the Agreement, be given treatment ‘no less favourable’ than the UK gives to domestic products, services and suppliers.

We understand Defra will undertake a public consultation later this year to refresh the current guidance. We hope the opportunity will be used to encourage the buying of sustainable produce and to enhance commitments to meet environmental and welfare aims. The UK government should find ways to maximise the opportunity to source from the UK in a way that is consistent with the UK’s existing standards and its international obligations.

Recommendation 18:

The UK government should review the current public procurement plan for food. In addition to achieving value for money and meeting nutritional requirements, it should maximise the opportunity to source from the UK, source sustainably and improve the transparency of the sourcing process.

10. Transparency

10.1 Trust

We all care deeply about where our food comes from. Consumers expect the food industry to provide food that is safe, traceable, and is what it says it is on the pack or the menu. Transparency is important to consumers not just in terms of the ingredients and nutritional labelling, but also in relation to the provenance of the food, and, increasingly, the wider environmental and human and animal welfare impacts of their food choices.

Consumers demonstrate, through their food choices, the trust they place in food retailers, branded food manufacturers and those providing food to them in the hospitality sector. Confidence in the food industry is built up over a long period of time and can be lost in an instant, as happened following the 2013 horsemeat scandal. The fact that this was an issue of food fraud rather than food safety was secondary to consumers; the more important point was their trust had been betrayed. The Agriculture and Horticulture Development Board (AHDB) reported to us that, although consumer confidence in the food industry has slowly risen since the scandal, it is now at its lowest point since 2013. This is because many are concerned the UK government's new trade policy will allow lower standard imports into the UK³³.

The main way in which industry communicates this information to consumers is through labelling. However, labelling is not a substitute for having and enforcing standards. Not all consumers have the ability or inclination to scrutinise what they buy. They want the reassurance that government has this in hand and that they can shop freely, knowing that standards are in place and enforced, and that there is traceability through the supply chain.

“We all care deeply about where our food comes from.”

³³ National Trade Conversation, 2020: <https://campaigns.which.co.uk/trade-deals/national-trade-conversation/>

10.2 Country of Origin labelling

There is scope to improve the quality of information provided to consumers on food labels, particularly in the out of home and food sector. Food labels can only show limited information; however consumers want to be able to make informed choices based on information that matters to them.

Country of Origin labelling can be one way to convey a considerable amount of information or at least enable consumers to look up further information about the country in question themselves. We found that consumers value provenance information because they want to consciously support producers and businesses in the UK and associate foods produced and processed in the UK with high quality and production standards. Existing domestic legislation mandates country of origin information for meat, fish, fruit, vegetables, honey, and olive oil products at retail³⁴. However, many retailers go beyond that and actively promote their commitment to supporting UK producers as part of their brand, and have been rewarded by their customers for doing so.

³⁴ <https://www.gov.uk/guidance/food-labelling-country-of-origin>

Some businesses in the out of home sector also actively promote British food. However, given meals often consist of ingredients from different countries, which change with the season or market availability, it can be difficult for businesses to consistently communicate accurate provenance information to consumers. Some supply chains, particularly those which serve ‘dark kitchens’, that only provide food for delivery, inherently lack transparency. Less data appears to be available about consumer priorities when eating out of home, so there is considerable scope to increase the available consumer insight. We took the view that more transparency, particularly in the out of home and food service sectors, would be welcomed by industry and consumers. Much of the food eaten out of home is imported, so more country-of-origin information would help increase transparency and build trust, especially with consumers.

Recommendation 19:

The UK government and the food industry must work together to improve country of origin information in the loose food, food service and out of home supply chains. This will respond to consumer appetite for more trust and transparency in those supply chains. This should form part of a broader agenda to support these supply chains as the country recovers from the COVID-19 pandemic.

“Consumers expect the food industry to provide food that is safe, traceable, and is what it says it is on the pack or the menu.”

10.3 Welfare, ethical and environmental information

Increasingly, consumers want more information about ethical, animal welfare and environmental issues relating to food production and distribution³⁵. Private assurance schemes, such as Fairtrade, Rainforest Alliance, RSPCA Assured and LEAF Marque, provide valuable information to consumers. Many of us are willing to pay more for the assurance that these schemes provide regarding the standards they relate to. There is also legislative underpinning for the provision of some information about these issues. For example, a law introduced³⁶ in 2004 that mandates retailers to inform consumers if eggs were laid in cages, has had a noticeable effect on purchasing behaviour³⁷.

It is very difficult to communicate the many different environmental impacts that might be associated with a composite product consisting of many ingredients. A food label can, for practical reasons, only show limited information. The food industry, in consultation with the UK government and Devolved Administrations, should therefore consider how best to communicate welfare, ethical and environmental information to consumers, which may include, but is not limited to, on-label information. Younger consumers are especially concerned about the wider impacts of their consumption, so it is important the industry finds a way to properly communicate the information that will inform their food choices.

³⁵ <https://shoppervista.igd.com/trends/Presentation-viewer/t/shopper-trends-2020/i/9275>

³⁶ Reference COUNCIL REGULATION (EC) No 2052/2003

³⁷ <https://ahdb.org.uk/consumer-insight-trust-transparency-and-traceability>

11. Developing countries

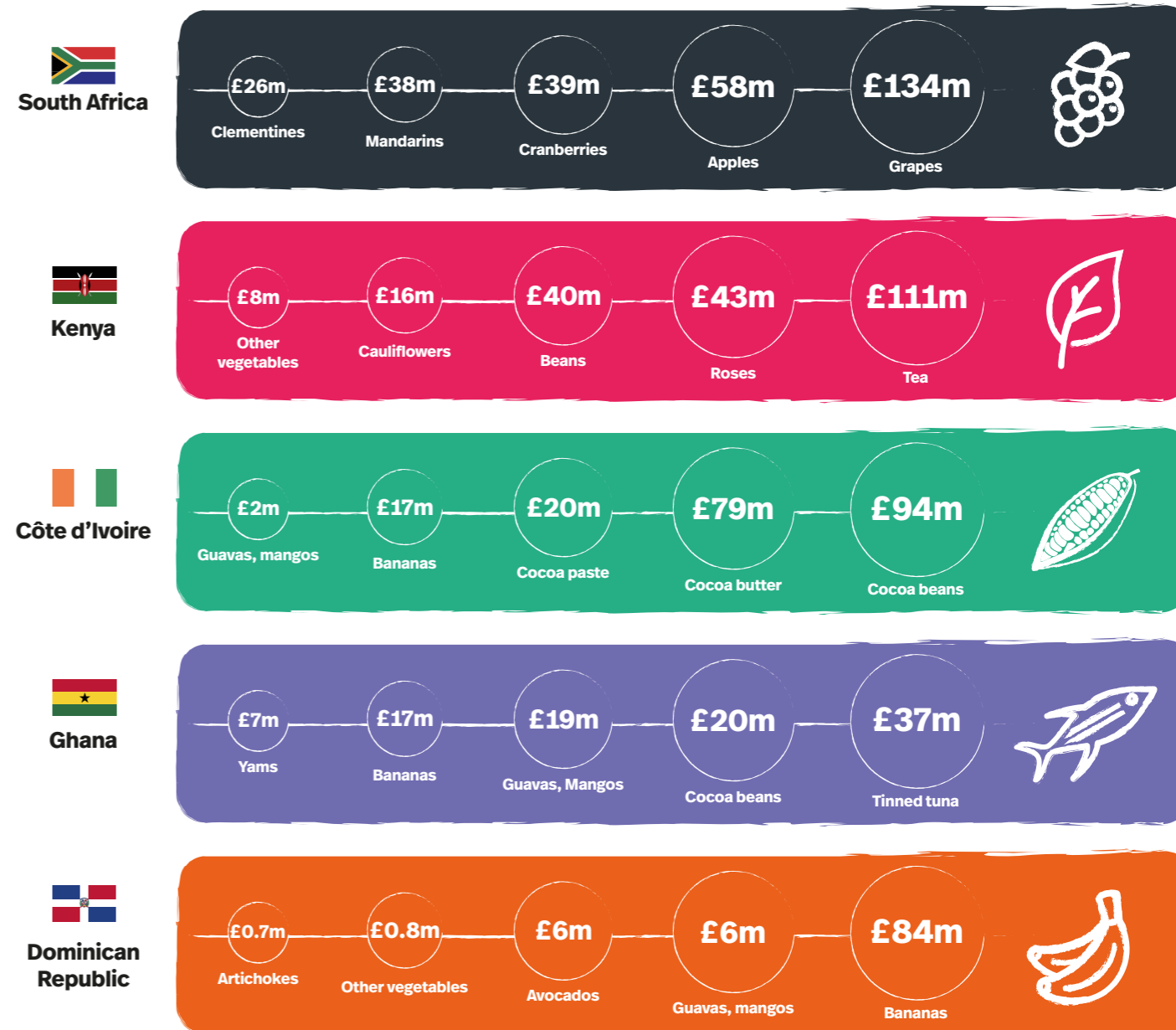
The UK's food supply chains are truly global; we import almost half of our food. As consumers we have come to regard as normal the availability of fruit and vegetables as being year-round. Retailers have 'followed the sun' to provide food at times and from places previous generations would have never experienced. Although the EU dominates for both our agri-food imports and exports overall, in some product categories, supply chains are much more diverse. Developing countries constitute a relatively small proportion of our trade but are nevertheless valued trading partners. It is in our interests to strengthen those relationships over time, to diversify our food supply, support our food security goals and to support the economic prosperity of those nations.

11.1 Generalised Scheme of Preferences

The UK government has acknowledged the importance of developing countries in trade, by adopting a similar policy approach to the EU, the Generalised Scheme of Preferences (GSP), which means eligible businesses in developing countries will continue to receive preferential access to UK markets, through reduced or removed tariffs. The GSP supports economic growth and helps businesses and producers in developing countries access global markets.

These preferences mean that the benefits developing countries may derive from the proposed liberalising import policy set out elsewhere in this report (chapter 6), will be proportionally lower. It is inevitable that, over time, their preferential access will erode as the UK liberalises its trade. However, there are other steps the UK could take to support the trade capability in developing countries that would mitigate against this. It will be important that the UK government thinks carefully about the consequences in diverging from the EU approach or strengthening import standards. It should ensure that it has considered the disproportionate impact this may have on developing countries due to the challenges they may face in adapting to the change. Equally, some may welcome a move away from any EU rules they view as unfavourable.

Top agri-food imports from African, Caribbean and Pacific trading partners



11.2 Aid for Trade

75% of the world's moderate poor live in rural areas; many of whom rely on their harvests to support their families throughout the year³⁸. The UK government's commitment to global aid is vital and this work helps many thousands of businesses and producers in developing countries every year.

Businesses and producers in developing countries face significant obstacles in accessing global markets. Some businesses are exporting successfully to countries like the UK, meeting the same high product standards as other nations. But others struggle to meet domestic and export standards and must compete against heavily subsidised industries in developed countries. Moreover, regulations and import restrictions, imposed by more developed countries, increase trade costs for business which reduces their competitiveness in global markets. Women farmers especially often face higher barriers to market access, including a lack of access to resources such as land and finance, even though they account for roughly half of the world's smallholder farmers, and produce 70% of Africa's food³⁹.

The UK government should champion an 'Aid for Trade' strategy to help businesses meet export standards and reduce trade costs. The Government should prioritise supporting businesses in developing countries to meet first domestic and then export standards. The FCDO and DIT already work closely together to support business in this area, and the Government should aim to further align budgets and teams across government in pursuit of this goal. These programmes should prioritise supporting compliance procedures and enforcement in countries rather than solely high visibility projects. As all businesses in eligible developing countries receive the same preferential access to UK markets, this support needs to be directed towards smaller businesses and poorer producers to ensure that UK taxpayers are supporting those with the greatest need.

11.3 Added value

The full tariff-free, quota-free approach offered by the UK's GSP is accessed by the 47 least developed countries (LDCs). For other developing countries, the UK's GSP offers tariff reductions or removals which, in the agricultural sector, include raw commodities, but exclude some processed and final products. This disincentivises added value production in those countries, which is where a large proportion of the profit from the final product is derived. Instead, businesses in developed countries will often import materials from developing countries, process and package them, before selling them in global markets, reaping the benefits. Germany for example, despite not growing coffee beans, is among the largest exporters of coffee in the world⁴⁰.

Development will be more sustainable in the long-term if an economy can rely on further production, adding value, rather than exporting raw commodities. The UK should explore all opportunities to promote final production in developing countries and, through championing trade liberalisation in global forums, help ensure those businesses can compete in a fair global trading system. This will create sustainable economic growth and reduce inequalities between countries in the long-term. In the shorter term, in addition to the GSP, the UK government should continue to take an 'Aid for Trade' approach which focuses on supporting businesses meet standards, reducing trade costs and ensuring agri-food sectors in developing countries are climate resilient.

11.4 Future relationships

The UK now has a chance to embark on a new phase of trade and to review and reshape its trading relationships. COVID-19 has shown us that our supply chains remain resilient, even when faced with tremendous disruption. But that does not mean that supply chains are not under pressure. Fragility may come from global economic changes, disease and environmental risks, and not least from the significant impact of climate change, where developing countries will be most vulnerable.

Now is a good moment for the UK to take stock and review its relationships and the opportunities and risks associated with them. The UK government should galvanise its overseas network to proactively engage with businesses and governments in developing countries. It should assess the current state of play in their agricultural supply chains and the short- and long-term changes that might be in the pipeline. This engagement would enable the UK government to target its future trade and aid activity and support, and also relay informative intelligence to UK business to help with long-term trade planning.

11.5 Diversification

The UK government should continue to support businesses and producers in developing countries to enable UK businesses to diversify sourcing of products from different developing countries to help businesses and producers in those countries to remain profitable. COVID-19 exposed high levels of poverty in some developing countries, and many of their businesses struggled as their products were no longer in demand. Those businesses may continue to face a drop in demand as some consumers in the UK and elsewhere look to shorten their supply chains and source closer to home.

The development of strong, sustainable agricultural production benefits not only developing countries, but also provides developed countries with alternative supply chains. However, diversification must be pursued responsibly by UK businesses, ensuring sourcing practices do not undermine domestic food security or encourage unsustainable production practices with negative environmental or climate impacts in developing countries.

11.6 Climate change

Developing countries are more vulnerable to the significant consequences of the climate emergency than others. This will have consequences for the resilience and stability of supply chains in those countries, with knock-on effects on UK supply. UK investment in green infrastructure and climate resilience in those countries will be increasingly important. Environmental standards and due diligence in supply chains are becoming increasingly strict, so businesses will need to use sustainable production methods to access global markets. It is therefore vital that the UK carefully considers the interdependency between climate resilience and economic prosperity through trade and aligns its policies and financial support accordingly.

Recommendation 20:

The UK government should conduct structured engagement with governments, agri-food businesses and charities in developing countries and agri-food businesses in the UK with developing country interests. It should draw on this engagement to facilitate the building of relationships and enhanced understanding of where UK investment would have the most positive impact. It should also underpin closer collaboration between the FCDO, DIT and Defra on agri-food trade policy, regulation and other activity.

Recommendation 21:

The UK government should align its trade, aid and climate policies relating to agri-food. Teams across government should establish clear, specific programmes to ensure that they are cooperating on this and aligning budgets and priorities. Particular support should be provided to smaller businesses and poorer producers. It should help them to improve climate resilience. It should help them to meet standards in export markets so they can better access the benefits of global trade. It should also be targeted towards helping them shift into the 'added value' space of processing and packaging their own raw commodities, which will create lasting economic growth.

³⁸ <https://openknowledge.worldbank.org/handle/10986/25161#:~:text=The%20face%20of%20poverty%20is,with%20three%20or%20more%20children>

³⁹ FAO and CARE, 2019, Good Practices for Integrating Gender Equality and Women's Empowerment in Climate-Smart Agriculture Programme, Atlanta, 108pp, licence: CC BY-NC-SA 3.0 IGO: <http://www.fao.org/3/ca3883en/ca3883en.pdf>

⁴⁰ <https://www.cbi.eu/market-information/coffee/germany/market-potential>

12. Long-term outlook

12.1 Opportunity to shape global standards

The UK is now embarking on a new phase of trade and will need a new ambitious policy. One that is based on a genuine openness to economic liberalisation and which will send a signal to the world that we are open to new trading relationships and to strengthening our existing ones. The UK is pressing ahead at pace to negotiate Free Trade Agreements, to ensure that we can capitalise on the immediate opportunities available to us now that we have left the EU. We need a long-term approach to achieving sustainable, profitable trade over many years.

Meanwhile, the global elevation of standards that would be our ultimate prize, will not come quickly. It will require a long-term commitment to engagement, relationship building, exchange of science and diplomacy.

Engagement with global forums will be important for achieving alignment of objectives, to build a coalition of like-minded partners within the international standards frameworks. The UK is already doing significant work across a number of forums, including the G20, WTO and OIE and we met with some of those involved in those forums in the course of our deliberations. The UK government should ensure an appropriate level of representation and influence in mechanisms such as the Global Forum on Food Security and the Committee on World Food Security at the UN.

In all these forums the UK should continue to elevate and promote best practice in standards and compliance. Codex Alimentarius, the OIE and the International Plant Protection Convention (IPPC) provide 'ready to use' standards that can be adopted unilaterally, for example maximum residue limit levels. Together with the WTO, these international standard-setting bodies offer platforms for continuous dialogue and aids in the anticipation of new issues at technical level. They also aid harmonisation of approaches and help establish a common language. These organisations do rely on consensus decision making by over 100 members, and so progress can be slow and may often lead to compromise outcomes or standards that do not fully reflect UK policy. The use of standards is also, ultimately, discretionary.

Unilateral measures that would undermine the UK's ability to lead international negotiations should generally be avoided, but the UK government should be ready to adopt unilateral measures where they are the only effective mechanism for delivering relevant UK policy objectives.

But we need to raise our game. The UK must be a leader in global discussions if we are to be truly successful. Our representation in forums is often understated. If the UK government takes its 'Global Britain' strategy seriously, it should field the very best experts in international agri-food forums, backed by UK-based teams and researchers, and supported by strong engagement by politicians.

The NGO community of the UK already provides strong input to international standards-setting bodies. The UK government should recognise and support the international activities of NGOs where there is common cause.

Recommendation 22:

The UK government should adopt a bolder, more confident and less understated approach to working with like-minded countries or in pluri- or multilateral discussions. It should apply this to influencing necessary reforms to the international rules for trade and standards. These objectives should be embedded in a common strategy so that they can be pursued in all relevant multilateral negotiations and forums. The international activities of non-governmental organisations (NGOs) should be recognised and supported where there is common cause.

“the global elevation of standards that would be our ultimate prize, will not come quickly.”

12.2 Reflections on future trends

Changing consumer priorities

Trade policy should be future proofed. Policy makers should bear in mind not only the dynamic nature of international markets, but also the changing priorities of consumers, particularly of younger generations who will have the buying power of the future.

We found that younger consumers value food as an important part of social and cultural life. Many young people post on social media when eating out and view their food as an integral part of a healthy and sustainable lifestyle. Some are consciously reducing their meat and dairy intake either for health reasons, or because they are concerned about animal welfare or climate change. The plant-based food market is growing rapidly as people switch to more 'flexitarian' diets⁴¹.

Consumers have changed their behaviour as more information is available online or via various media outlets about the impact of food production. Young people are growing up with more knowledge about climate change, animal welfare and ethical labour abuses in supply chains. These have influenced their purchasing behaviour and have also encouraged their parents to increasingly reward producers whose food can be verified as sustainable and ethically sourced. There is also a growing awareness of food insecurity in the UK and a desire for government to be more committed to dealing with the issue.

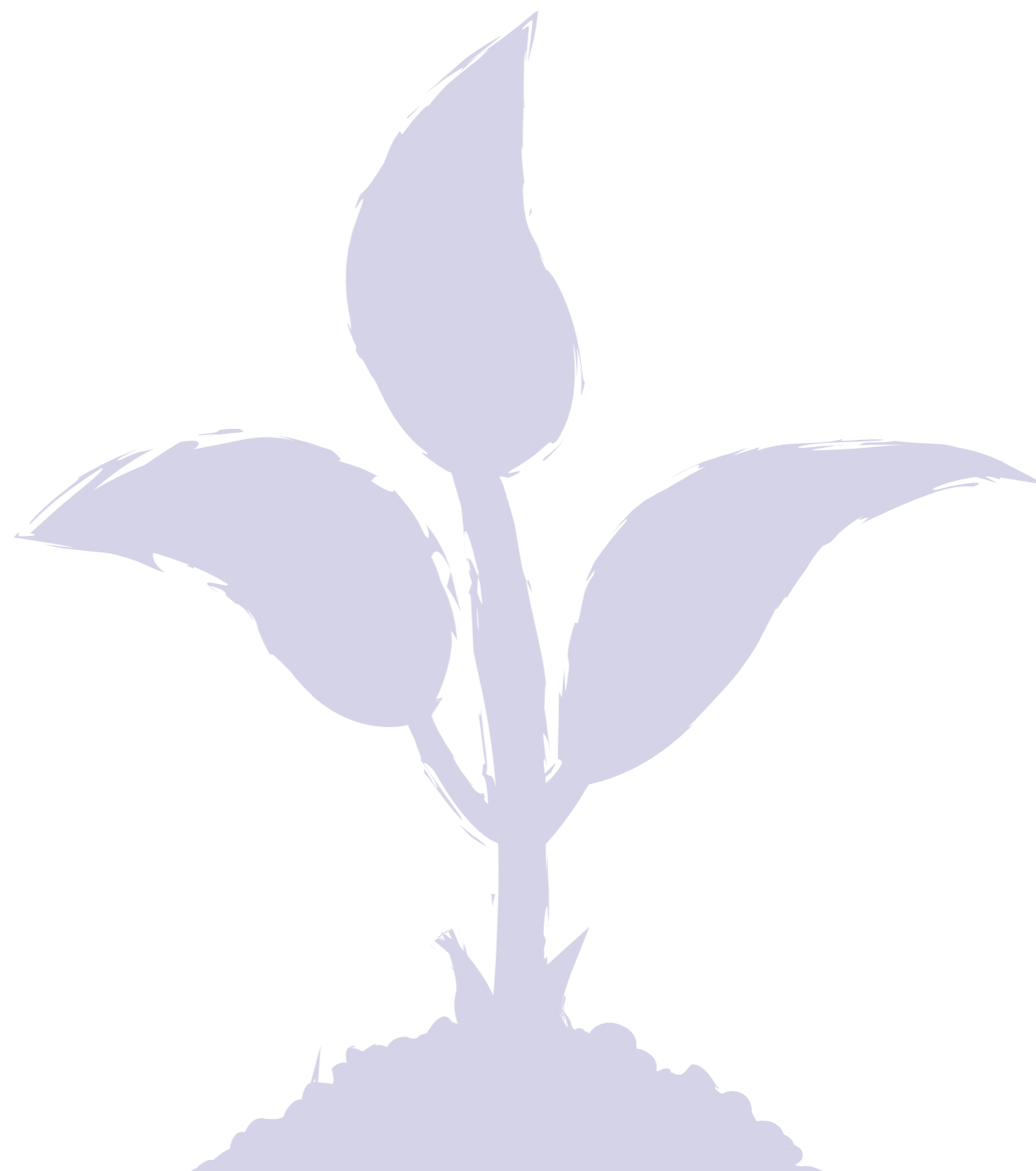
The UK government should reflect on these changing patterns in building a long-term trade strategy which has the consumer, as well as business interests, at its heart.

COVID-19

The legacy of the COVID-19 pandemic will be long-term. Growing food poverty and the challenges of affordability are profoundly concerning. There is already a measure of public anxiety that the UK government will have to enable imports of lower cost and lower standard food into the UK to maintain national food security, or even an expectation that public resistance to lower food standards will weaken. Our research suggests that this is not the case. The UK government has already given its commitment that this will not happen. We agree and support this. In any case, short-term gains from lowering UK import policy standards would erode the profitability of the domestic food industry and, in the longer term, we will be far worse off.

The UK government should also look at the lessons of 2020 and the way in which the domestic food supply chain reacted to the COVID-19 pandemic. Massive contractions in food service markets were in some, but not all, sectors, accommodated through increasing throughput in the domestic retail market. Often this happened with government support. This demonstrated that it was possible to respond quickly and be flexible in supplying domestic markets, which had previously been considered too onerous due to regulation.

One lesson that has been reinforced by our experience of the pandemic is that we should never take our food supply for granted.



⁴¹ The Path to Net Zero, 2020: <https://www.climateassembly.uk/report/>

Appendices

Appendix 1: Working Group Members

Appendix 2: List of Stakeholder Engagement Events

Appendix 3: Terms of Reference

Appendix 4: Supplementary Information for Chapter 6

Appendix 1: Working Group Members

Consumer Working Group

Chaired by Kate Nicholls OBE, UKHospitality.

1. David Bowles, RSPCA
2. Sarah Bradbury, Tesco
3. Sue Davies MBE, Which?
4. Caroline Drummond MBE, Linking Environment And Farming (LEAF)
5. Andrew Kenny, Just Eat
6. Dame Theresa Marteau, University of Cambridge
7. Caroline Mason, Co-op
8. Edward Morgan, Castell Howell
9. Kate Thompson, Chartered Institute of Environmental Health (CIEH)
10. James Withers, Scotland Food and Drink

Competitiveness Working Group

Chaired by Nick von Westenholz, NFU.

1. Nick Allen, British Meat Processors Association
2. Ash Amirahmadi, Arla
3. Martin Bell, Scotch Whisky Association (SWA)
4. Richard Clothier, Wyke Farms
5. Meredith Crowley, University of Cambridge
6. Katie Doherty, International Meat Trade Association (IMTA)
7. Dominic Goudie, Food and Drink Federation (FDF)
8. Richard Griffiths, British Poultry Council
9. Phil Hadley, AHDB
10. David Henig, UK Trade Policy Project
11. Patrick Holden CBE, Sustainable Food Trust
12. John Hood, Invest Northern Ireland
13. Cecilia Pryce, Openfield
14. Emily Rees, ECIPE and Trade Strategies
15. Andy Richardson, Volac
16. Robert Sheasby, Agricultural Industries Confederation
17. John Shropshire OBE, G's Produce
18. Fiona Wright, Seafish

Standards Working Group

Chaired by Nigel Gibbens CBE, Former Chief Veterinary Officer.

1. Wesley Aston, Ulster Farmers' Union
2. Tim Benton, Chatham House
3. Helen Crews OBE, former APHA
4. Simon Doherty, British Veterinary Association
5. David Gibson, Moy Park
6. Rob Hodgkins, Mixed Farmer
7. John Mercer, NFU Cymru
8. Jim Moseley, Red Tractor
9. Martin Nesbit, Environmental Policy Consultant
10. Shanker Singham, Competere
11. Sir Lockwood Smith, Former Trade and Agriculture Minister for New Zealand
12. Peter Stevenson, Compassion in World Farming
13. Sophie Throup, Morrisons

Appendix 2: List of Stakeholder Engagement Events

| | |
|-------------|----------------------------------------|
| 09 Oct 2020 | Animal Welfare Roundtable |
| 12 Oct 2020 | Environment Roundtable |
| 15 Oct 2020 | South West England Roadshow |
| 19 Oct 2020 | East of England Roadshow |
| 20 Oct 2020 | London and South East England Roadshow |
| 21 Oct 2020 | Northern Ireland Roadshow |
| 22 Oct 2020 | Wales Roadshow |
| 29 Oct 2020 | Scotland Roadshow |
| 06 Nov 2020 | Ethical Trading Roundtable |
| 10 Nov 2020 | North of England Roadshow |
| 10 Nov 2020 | Midlands Roadshow |
| 12 Nov 2020 | MPs Briefing |
| 18 Nov 2020 | Peers Briefing |
| 23 Nov 2020 | General stakeholder briefing |

Call for Evidence Survey: 1 October 2020 - 13 November 2020

Appendix 3: Terms of Reference

1. Introduction

We are committed to developing trade policies that will secure our long-term prosperity and wealth. In consultation with the agriculture and food production industries, we aim to develop trading positions and policies that drive growth and opportunity for our traders, producers of food and consumers across the UK whilst also ensuring that the UK continues to play a leading role on international agricultural issues. We will not compromise our high standards of animal welfare, production and farming and will ensure that the UK agriculture sector is amongst the most competitive and innovative in the world.

The agriculture and food industries are our largest manufacturing sectors, employing more than 4 million people and contributing £120 billion to our economy. This Commission will play a crucial part advising on how to create further growth and stimulate this critical pillar of our economy.

The Commission, in its advisory capacity, will be able to provide a fast and agile view as we develop trade policies that are fair and competitive to our producers, traders and consumers.

2. Aims

The Trade and Agriculture Commission (TAC) will act as an independent advisory board to the Secretary of State for International Trade by producing a report which:

- considers the policies that government should adopt in free trade agreements to:
 - secure opportunities for UK farmers
 - ensure the sector remains competitive
 - make sure that animal welfare and environmental standards in food production are not undermined
- reflects consumer interests and those of developing countries
- considers how the UK engages the WTO to build a coalition that helps advance higher animal welfare standards across the world
- develops trade policy that identifies and opens up new export opportunities for the UK agricultural industry – in particular for small and medium-sized businesses – and that benefits the UK economy as a whole

3. Out of scope

The group will inform the Secretary of State for International Trade but will not set government policy. It is not a decision-making body. The group has no remit to discuss food and feed safety regulation and policy across the whole food chain that is regulated by the Food Standards Agency, Food Standards Scotland and the Department of Health and Social Care.

4. Timing and reporting

The Trade and Agriculture Commission has a fixed term of six months. At the end of the term, it will submit an advisory report, which will be presented to Parliament by the Department for International Trade.

Appendix 4: Supplementary information for Chapter 6

Explainer: This annex provides the broad contours of an approach, not the details of administrative arrangements, which would be for the UK government to determine.

1. Annex on Distortion Mechanism

Tariffication of the distortion is a mechanism, which could be used in trade policy to deal with situations where countries have agreed to lower tariffs in an FTA but then go on to protect their markets and give their producers an artificial edge by distorting their markets.

The result of the mechanism is a tariff based on the scale of the distortion, which operates as a trade remedy. The mechanism can be used offensively, where a country is preventing market access by the UK by means of the market distortion, or defensively where a distortion in a foreign market leads to excess exports from that market. The mechanism below shows how this can be applied defensively. Offensively, we envisage provisions on distortions in trade agreements that discipline their use, and allow dispute resolution when they are applied in violation of the agreement.

The ACMD mechanism proposed is additional to ordinary trade remedies such as Anti-dumping (AD) and countervailing duties (CVD) (AD/CVD) which continue to apply. It ought to capture considerably more examples of an imbalance in equality of competitive opportunity resulting from the distortions we discuss than the pure AD/CVD mechanisms.

Defensive Mechanism

Initially a causal link needs to be demonstrated through evidence showing that imports have caused harm to a domestic industry, as would be the case for a standard trade remedy. That must be determined through an investigation using specific criteria and procedures set out in the relevant WTO agreements. The mechanism builds on existing trade remedy mechanism but includes an approach to anti-competitive market distortions (ACMDs), which includes other elements beyond existing WTO mechanisms, but which could be agreed in FTAs with like-minded partners.

An aggrieved country would have to show:

1. a market distortion (deviation from an agreed standard in an FTA or an internationally agreed norm, rule or standard at large, consistent with SPS and TBT rules). In addition to the cases above, an anti-competitive market distortion (ACMD) could result from the deliberate derogation from a country's own law in order to promote trade or competitive advantage;
2. impact on competition;
3. excess exports as a result of the distortion; and
4. damage to its producers.

In order to satisfy the four tests above, the questions to be resolved would be as follows:

1. is there either an international standard, which covers the issue, or a related standard agreed within an FTA?
2. is country X deviating from that standard for trade or competitive advantage?
3. is there an effect on trade and competition? To match other GATT provisions, this could be an equality of competitive opportunity test;
4. are there excess exports from Country X into country Y as a result? and
5. are country Y's producers adversely affected and can you prove both damage and causation?

If yes to all the above, then the tariffication mechanism can be applied.

Special FTA Example

The parties would agree a set of broad standards in the FTA in a particular area of interest to them. Any technical regulation or rule that was equivalent to that standard (in the SPS sense – meaning objectively delivering the outcome) would satisfy the provision, but deviations from those would be susceptible to the mechanism proposed. For example, if the parties agreed a standard in the FTA which one party deviated from (outside the bounds of equivalence), then a harmed producer in the importing market could bring a case under the ACMD mechanism for a tariff as discussed in the section above.

General Trade Theory Example

As an example: All countries sign up to an international agreement on climate change, and that agreement has specific provisions related to emissions targets. This is Provision x.

Country A adopts a Law, y, that cannot objectively deliver Provision x. An obvious example is subsidies to industries that generate significant emissions, such that overall emissions would rise, not fall, in that country as a direct consequence of the subsidy.

Given that Country A is a signatory to the international agreement, its Law, y, could be regarded, subject to the tests above, as an ACMD. The Law, y, would give rise to excess exports (over what would have been exported if Law, y, was not in place, and instead a Law were in place that delivered Provision x). Country B, the importer of A's exports could therefore tarifficate the ACMD in the manner outlined above. If Country A withdrew its Law, y, then the tariff would go down to the preferential rate, under an additional mechanism which allowed the country whose exporters were subject to the tariff to make an application of proof of removal of the distorting practice.

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