

CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE

8th Meeting, 2024, Session 6

21 March 2024

Review of the EU-UK Trade and Cooperation Agreement inquiry

1. The Committee is conducting an inquiry in relation to the [Review of the EU-UK Trade and Cooperation Agreement \(TCA\)](#). The inquiry has a focus on how trade in goods and services between the EU and UK is currently working and if there are areas where it can be improved, and whether there is an interest in developing the trading relationship further.
2. The call for views on this inquiry opened on 29 September and closed on 30 November. It received 16 submissions which are available to view [online](#).
3. At its meeting on [8 February](#) the Committee held a scene-setter for the inquiry, a roundtable session with members of the Scottish Advisory Forum on Europe. On [7 March](#) we heard from a panel of representatives of NFU Scotland, Quality Meat Scotland and Agricultural Industries Confederation. On 14 March we took evidence from the [UK in a Changing Europe](#).
4. At this week's meeting the Committee will host a roundtable session with businesses that trade with the EU and are members of Food and Drink Federation Scotland or Agricultural Industries Confederation, these businesses being—
 - [Devro](#)
 - [Aldomak](#)
 - [Innovate Foods](#)
 - [Macswen of Edinburgh](#)
 - [Cefetra](#)
 - [DLF Seeds](#)
5. A SPICe briefing is attached at **Annexe A**.

CEEAC Committee Clerks
March 2024

SPICe

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Constitution, Europe, External Affairs and Culture Committee

8th Meeting, 2024 (Session 6), Thursday, 21 March

Inquiry into the review of the EU-UK Trade and Cooperation Agreement

Background

The UK's relationship with the European Union (EU) is governed by the Trade and Cooperation Agreement (TCA). The TCA entered into force on 1 May 2021 and there is provision in the agreement for a joint review of the implementation of the Agreement five years after its entry into force. The Committee is looking at the TCA now so that it can contribute to the discussions at the UK and EU level that may take place in the run up to such a review.

Today's evidence session with food exporters is an opportunity for the Committee to focus on how trade in animal and plant goods between the EU and UK is currently working under the TCA and if there are areas where it can be improved. This evidence session will build on the evidence the Committee took on 7 March 2024 from the National Farmers Union Scotland, Quality Meat Scotland and the Agricultural Industries Confederation.

This briefing covers issues raised in the [evidence session on 7 March](#) along with the [written evidence provided by Food and Drink Federation Scotland](#).

Food and Drink Federation Scotland submission

The key issues raised by Food and Drink Federation Scotland in its written evidence are:

- Tariffs and Trade Barriers - non-tariff barriers, such as customs checks and regulatory differences, continue to pose challenges for food producers
- Rules of Origin – meeting rules of origin requirements to benefit from tariff free access to the EU can be complex for industries with global supply chains, potentially affecting the cost and efficiency of production.
- Regulatory Compliance - maintaining access to the EU market requires compliance with EU regulations. For food producers, this involves meeting

specific food safety and quality standards, which may differ from UK standards.

- Customs Procedures - customs procedures, including documentation and checks, can create delays and additional administrative burdens for food producers which is a particular issue for perishable goods.
- Supply Chain Disruptions - changes in customs procedures and regulatory requirements can disrupt established supply chains impacting on the timely delivery of raw materials and finished products, affecting production schedules and overall efficiency.
- Certification and Labelling - food producers must ensure that their packaging and labelling continue to meet EU standards to maintain access to this market
- Services and Labour Mobility - changes in the free movement of labour can impact the availability of skilled workers in the food production industry.

Issues raised in the committee evidence session on 7 March 2024

As referenced above, on 7 March 2024, the Committee took evidence from the National Farmers Union Scotland, Quality Meat Scotland and the Agricultural Industries Confederation. The evidence focussed on issues linked to the export of goods to the EU within the framework of the Trade and Cooperation Agreement.

Tariffs and Trade Barriers

On Tariffs and trade barriers, whilst witnesses welcomed the nature of the TCA being tariff free and quota free, they highlighted the impact of new frictions to trade caused by non-tariff barriers. For example, the National Farmers Union Scotland told the Committee:

“The TCA has not afforded us the same trading relationship with the EU as we had when we were a member state. The headline might be that it is tariff free and quota free, but it is certainly not friction free. In various ways, that has caused challenges and issues.”

Quality Meat Scotland told the Committee:

“The broad picture is that our exports to the EU have recovered, after an initial dip. Beef exports are within 4 per cent of where they were and lamb exports are within 0.5 per cent. However, the balance of what we are trading has changed. There is a specific challenge with meat preparations such as sausages and mince. We cannot export those into the EU at all, so there has been a change in how some of our exporters manage those products to ensure that they can still service the contracts that they have.

At the broadest level, the changes have added significant cost, which has, along with other increasing on-costs in the past four years, created a really challenging business environment, especially for our processors and manufacturers.”

A veterinary agreement?

Members will recall that sanitary and phytosanitary (SPS) requirements are measures designed to protect humans, animals, and plants from diseases, pests, or contaminants. Goods subject to these measures are food products, live animals, products of animal origin, animal feed as well as plants and plant products.

Following Brexit, UK exporters of agri-food products are now required to meet the EU's SPS requirements. These exports are subject to checks at the EU border and where appropriate will require the checking of export health certificates. A veterinary agreement would potentially allow the EU and UK to recognise each other's standards such as the EU has with New Zealand whilst the EU also has an agreement with Switzerland based on Swiss alignment with EU SPS and animal health rules.

Quality Meat Scotland highlighted the impact of new export procedures following EU exit which were not addressed by the TCA:

“The biggest challenges for the red-meat chain are the added cost and risk. Instead of the European market being treated in the same way as the domestic UK market, which would allow us to freely access those markets, the big change for us has been that every time a product crosses into the European community it must now be signed off by a vet and given an export health certificate, which comes at significant cost to business.”

Using the example that in February 2024, about £250,000 of stock had to be written off after being held up at a checkpoint in France, Quality Meat Scotland highlighted its wish for a veterinary agreement between the EU and the UK to smooth the export process from the UK to the EU:

“At the moment, at least 15 per cent of shipments have to be checked: that is the EU baseline. To give an example, I point out the EU's veterinary agreement with New Zealand, which means that only 2 per cent of its imports are checked, which will reduce to 1 per cent. Even with the new border target operating model, we will not get down to 2 per cent, but it would certainly help our businesses in reducing cost and reducing risk to move towards the 2 per cent level that such a veterinary agreement would give. We would definitely view that as favourable.”

The Agricultural Industries Confederation also argued for the negotiation of a veterinary agreement along with the lines the EU has with either Switzerland or New Zealand.

Regulatory Compliance - alignment or divergence?

A big issue during the evidence session revolved around the need for Scottish businesses to follow EU rules to continue to export to EU countries and the challenge of ensuring continued awareness and compliance with those rules. In addition, there was some discussion about the balance between the Scottish Government's commitment to EU alignment alongside the need to ensure continued rules alignment within the UK internal market from a level-playing-field perspective.

The Agricultural Industries Confederation Scotland highlighted the impact of regulatory divergence following the UK's departure from the EU. The AIC told the Committee:

"Now that we are four or five years on from that process, we are experiencing the pulling apart through divergence, which we are really starting to feel. AIC businesses, which come before farms in the supply chain—although grain merchants are post-farm—are having to work out for themselves, with help from us and other trade bodies, what divergence means. We are, in effect, having to work out the way through it.

There can be divergence in policy. For example, there is divergence in areas including precision breeding in England, which also creates internal-market challenges. There are divergences in carbon border adjustment mechanisms, farming policy and support, which are all starting to come through. Deforestation is another interesting legislative area, because we have to work out what that means for moving goods in both directions.

There is also divergence in technical standards. There are always individual products, such as herbicides, animal feeds and regulated products that are facing either withdrawal or ending of their licences. Those small misalignments happen all the time and can be really niche and specific. For example, a herbicide for oats has been suddenly withdrawn from the EU but is being maintained in Great Britain. We have to try to keep up with every single one of those changes. There are also issues with maximum residue limits.

Those things are happening across all sectors. We have so many examples of tiny little technical standards. Divergence is taking up the majority of our time; you can probably gather that the AIC is dealing with that, more than anything, at the moment."

The National Farmers Union Scotland highlighted potential issues around the Scottish Government's commitment to EU alignment and the impact that might have on Scottish producers operating in the UK internal market:

"Since the UK has withdrawn from the EU, we are starting to see examples, which [the AIC] referred to, of regulatory divergence from the EU. The Scottish Government's commitment to remaining aligned with the EU, where possible, and to keeping pace with changes in the EU, has started to expose tensions and pressures—not necessarily in trade between Scotland and/or the UK and the EU, but within the UK internal market.

I am—noting the provisions in the United Kingdom Internal Market Act 2020 on non-discrimination, mutual recognition and so on—mindful of what it might look like if we start to get significant divergence in regulation and agricultural support within the UK. I am conscious of where that might place Scottish agricultural businesses in the internal market as much as I am of anything to do with our arrangements for trade with the EU—or, indeed, of the impact of free-trade agreements with non-EU countries, which also comes into the equation.”

On the issue of EU law changes, the AIC welcomed the monitoring of EU law which is taking place in Scotland. AIC explained why this tracking was important:

“The monitoring work is really valuable and should not be underestimated, whether it concerns large policy issues that emerge between the EU and Scotland or more detail when it comes to specific standards that are introduced; for example, if the EU withdraws a key substance or product, we have to keep track of that. The work that has taken place in organisations such as SASA and Food Standards Scotland has been very valuable.”

The AIC also emphasised the importance of monitoring the levels of divergence within the four nations of the UK along with UK/Scotland-EU divergence.

The National Farmers Union Scotland (NFUS) also supported the importance of proper monitoring of divergence:

“I agree with Ed Barker [AIC] that monitoring of divergence is absolutely critical. I am not really sure whether there would be any advantage or disadvantage depending on whether that takes place through the Scottish Government and this Parliament or is a Whitehall function, but it should probably be done at UK level, first and foremost. It is critical to understand the implications.”

On divergence and alignment, the witnesses agreed that there has been a degree of divergence between the EU and the UK/Scotland but that there is a lack of capacity in Scotland and the UK to address the issues raised because of that divergence. For example, the National Farmers Union Scotland (NFUS) told the Committee:

“There is a raft of regulations in and around agriculture, the environment related to that, animal health and welfare and everything that you can think of in relation to the food supply chain. I do not think there has been capacity in DEFRA and other departments to deal with those issues...

... It is also somewhat frustrating when we look at what is happening in Europe around things such as emissions trading schemes and the carbon border adjustment mechanism. In many ways, that was and is happening and would have been relatively easy to adapt to if required, yet DEFRA in the UK—and, to a degree, the Scottish Government—are having to replicate something similar, but not quite the same. It is frustrating that we are doing an awful lot of things that Europe is doing, in order to keep pace with Europe, but doing so seems to absorb an awful lot of resource, time and energy.”

The witnesses all agreed that rather than the EU and UK duplicating, each is adopting essentially the same regulatory approach but in a slightly different way. One of the issues this causes for business is over certainty about the regulatory environment.

Customs Procedures

Both Quality Meat Scotland and the National Farmers Union Scotland told the Committee of concerns around the lack of checks on goods currently coming into the UK and the impression this left for UK businesses of a lack of a level playing field:

“As Sarah Millar said, we have been dealing for a number of years with an asymmetric situation regarding imports from the EU and exports to it. That should have been addressed a long time ago. It will still take some time to bed in—if that is the right expression—and to ensure that we have equity in the flow of goods and services.”

An issue raised by all the witnesses during the evidence session focussed on the ability of bigger businesses to absorb the costs and challenges of exporting to the EU post Brexit. All the witnesses highlighted that new technical barriers to trade were more difficult for smaller businesses to adapt to. Examples of this include the increased challenges in terms of checks and paperwork of sending food and plants to the EU market. Quality Meat Scotland told the Committee, the effect of Brexit has led to some businesses no longer exporting to the EU:

“We have some businesses that are no longer exporting to the EU and have removed themselves from that market. I have had to look at new distribution routes in the UK for product that previously went to customers such as the highest-value Michelin-starred restaurants that were looking for prime Scotch beef fillet, which we know is in high demand overseas. Those meat businesses have had to look at other markets.”

Quality Meat Scotland did highlight that the effect of the loss of EU market has for now been offset by recent geopolitical challenges allowing Scottish producers to find new markets in the short term.

Supply Chain Disruptions

The Agricultural Industries Confederation Scotland (AICS) highlighted an impact on supply chains as a result of Brexit leading to a concentration on two core crops – wheat and barley:

“I say that we have seen challenges, particularly in the cereal sector, where there was a big opportunity five or six years ago for more growers to consider growing break crops. In Scotland and the UK, we are quite reliant on two crops—wheat and barley. The supply chain would like a more diverse cropping rotation, which is good for soil and great for farm management. However, because of a number of market-based issues, there has been a push towards those two crops.

EU exit has definitely made growing what we call minor-use crops or break crops a lot more difficult. Those crops include oil seeds and pulses, which obviously have a huge benefit for the soil and for which there is a growing market. Because of EU exit, we have to register our chemicals separately under the GB system for registration, evaluation, authorisation and restriction of chemicals. The costs of importing high-quality seeds has gone up, and we also need to export seeds so that there is a two-way flow of trade. If we try to move into other crops, it is disproportionately expensive to bring them into GB. Because it is a smaller sector, it is more expensive for the wider agribusiness sector to support it. That is what we are finding all the time.

Growing of oats is another good example. It is, of course, hugely significant for the Scottish economy. We also know that a number of seed businesses in Scotland are not offering contracts to individual farmers because they are worried about being able to find a market in the EU if they cannot complete orders in GB. There has probably been a consolidation towards two crops, despite the fact that we are, for a number of reasons, doing all that we can to diversify.”

Services and Labour Mobility

The National Farmers Union Scotland (NFUS) explained to the committee how the end of free movement has affected some farmers who rely on seasonal workers:

“On the question whether Brexit has had a direct impact on what farmers are doing, I would say that, largely, it has not, but some sectors of Scottish agriculture are still struggling because of the lack of movement of people and labour issues. I am referring to soft fruit and vegetable production. Fruit and veg are extremely high-value crops that are very important to the total output of Scottish agriculture. Approximately 1 per cent of Scotland’s land mass is used for soft fruit and veg, but that accounts for about 16 per cent of total output from agriculture.

The sector is crucial and is reliant on seasonal workers. We know there have been challenges and issues with that for producers, which is, arguably, forcing their hand, to a degree, in respect of what else they might do. It would be relatively easy—because of uncertainty around movement of people—simply to stop producing high-value fruit and veg and to grow grain instead, for example. Therefore, there are some inherent risks that we are aware of.”

Themes to discuss today

Today’s evidence session with businesses who export to the EU is an opportunity to discuss how exporting goods under the framework of the Trade and Cooperation Agreement is operating and how it might be improved from a UK exporter perspective.

Members may wish to discuss with the witnesses whether non-tariff barriers have affected their ability to trade with the EU and in what ways the trading environment could be smoothed to facilitate better trading conditions between the UK and the EU.

Members may also wish to discuss with the witnesses how they ensure they are keeping track of changes to EU rules (to allow them to export to EU countries) and how divergence between the UK and EU or within the UK itself affects them.

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