

Impact of Brexit, what is situation in UK, value of international dialogue and discussion along the supply chain, our roles and common pathways in the international arena.

Introduction: Thank you's

Delighted to be here – Good to see friends and colleagues from your trip to Switzerland last year. Incredibly impressed with everything. Struck me that we have many common interests. Share the same values, of animal welfare, high environmental standards, ambitious approach to climate change, focus on productivity and sustainability.

Swiss innovation and ingenuity are world renowned. We have a shared belief that science, research and technology will help address the challenges of future. Whilst at the same time we continue to harness our vital human and environmental resources to deliver the best outcomes. Sounds like farming to me!

As a farmer who has literally left his family farm to be here today, I want to share my perspective on;

- how the UK's departure from the EU has impacted the UK's food supply chain,
- what more we can do in a stable political environment to maximise the opportunities and
- what (I hope) we can all do together to help deliver global outcomes for the benefit of not just our own citizens, but for everyone.

Slide 2 & 3 : About the NFU

But first a few quick words about the NFU England & Wales and the organisation I represent.

Slide 4 – Economic situation (Inflation)

I don't want to dwell too long on Brexit and the tumultuous period since **17.4million people voted on 23rd of June 2016** to leave the European Union.

Since then, the UK has had 5 Prime Ministers, UK farmers have had 7 Secretary of States for the Environment, Food & Rural Affairs and we have a new Monarch – King Charles – who's government is represented here tonight by Ambassador Squire and the excellent team at the UK Embassy based in Berne. Babette, Rachel, Joel...who I know are always delighted to engage with local businesses and help you navigate opportunities and relationships with the UK.

But suffice to say, it has been an incredibly demanding and somewhat fatiguing period for every sector of the UK economy. At the same time as we contended with our departure from the EU –

- We, like you have faced the effects of the global pandemic,
- The unthinkable continues to occur with war on the European continent and the terribly tragic situation in Ukraine
- We are grappling with rates of inflation last seen in the UK more than 30 years ago. Which is driving up interest rates in the UK to 5.25%.

- Thankfully the UK inflation has dropped to its lowest level in more than a year, falling to 6.4% in July, down from 9.6% last October. But we do continue to see food price inflation as a major contributor to the high rates, albeit that too is starting to slowdown, particularly with respect to bread, dairy and cereals.
- However, the UK's inflation rate remains almost four times higher than the Bank's official 2% target - and far above other developed countries. In the US, inflation is 3%, and in the eurozone it is 5.5%. In Switzerland 1.6%.¹

Unprecedented rises in production costs have been a key concern for farmers and growers across all sectors. It is therefore unsurprising the latest NFU farm confidence survey shows farmer confidence is at its lowest in the last three years, with 88% saying they are being negatively affected by input costs such as energy, fuel and fertiliser. We are now seeing price falls, but farmers are still operating in an environment where farm input costs are up by 44% compared to 2019

Despite these challenges NFU members and the farmers and growers of Britain, (as I have no doubt is the same in Switzerland) continue to bring in the harvest, to produce the nation's food and to keep the country fed through tough times.

In 2022 UK farmers produced 60% of the nation's total food requirements, rising to 73% of the food that can be produced in the UK.

Slide 5 – International Trade

Those headwinds have had an impact on our international trading situation. 2020 and 2021 were especially difficult years for UK trade. But in 2022, the UK exported £15.57bn worth of agri-food. This is up 17.3% on 2021 and approaching 2019 figures (sitting 1.3% below 2019).

The outlook for 2023 appears to be more positive, with data for the first half of the year available with exports running 3% up on 2019.

However, the apparent recovery of exports, especially to the EU must be viewed through the lens of unprecedented levels of inflation. The food and drink sector has experienced particularly high inflation, with businesses forced to raise prices to meet rapidly rising input costs. In this context, the apparent growth in export values does not necessarily represent increased exporting activity from businesses.

Unfortunately, in volume terms official figures show a significant drop in trade of agri-food products since 2019. Overall volumes of agri-food are down more than 20% compared to 2019. With categories of meat, dairy and vegetables most affected.

At the same time we have seen exports stagnate, we have seen the value of imports surge – up over 16% compared to 2019.

Slide 6 – Balance of Trade

The increase in the value of imports, coupled with stagnation in the value of our exports, has led to a significant deterioration in the nation's Balance of Trade in Agri-food products. The UK has been running a trade deficit in food and live animals of around £2.7billion a month during 2022, compared to £2billion in 2019. There is a huge amount to unpick when it comes

¹ [Consumer prices decreased by 0.1% in July - Swiss Consumer Price Index in July 2023 | Press release | Federal Statistical Office \(admin.ch\)](#)

to changes in our balance of trade. But the NFU continues to call for a thorough investigation into the drivers, indicators and consequences of the widening balance of trade deficit in agri-food products and especially whether there is a correlation between the rising value of imported goods and inflation.

Slide 7 – No 10 Summit

Earlier this year the Prime Minister hosted the inaugural Farm to Fork Summit. The No.10 summit was the very first food summit of its kind, certainly in recent years, bringing together the agri-food industry and government Ministers, including the Prime Minister to discuss the vital measures needed to build resilience and transparency from farm to fork and strengthen productivity. It was the culmination of over a year's worth of work and campaigning by the NFU. A number of commitments and initiatives were announced that day and more than 3 months on, we continue to press government to ensure there is action.

Let's take a closer look at some of the commitments and initiatives strengthened as a result of political buy in from our Prime Minister.

Innovation in the farming and food sectors

For more than two decades, the NFU has advocated for the development of biotechnology within agriculture and horticulture, and for science to dictate the policy.

We were therefore delighted that, earlier this year the Precision Breeding Act passed into UK law. Biotechnology is by no means a silver bullet, but having access to more targeted precision breeding tools for our crops and livestock could really help bolster climate-friendly food production and support biodiversity in Britain. Benefits of the technology and gene editing could help;

- Combat pest and disease pressures on crops and farm animals.
- Improve animal health and welfare.
- Increase crops' resilience to extreme weather events, such as flooding and drought.
- Help farmers tackle climate change and aid biodiversity through more efficient use of resources, resulting in lower emissions, less waste, and more sustainable and profitable farming.
- Help in the development of foods with direct benefits to the public, such as increased nutritional value, maximised flavour and longer shelf life

The passage of the Bill is only the first step, but I hope this major development in the policy field will complement the efforts we are now see in the EU and potentially in Switzerland in the future.

Skills and sufficient labour

Access to a competent, skilled and reliable workforce underpins the viability of all agricultural and horticultural businesses. This has become increasingly challenging in recent years as the number of domestic workers willing to commit to agricultural careers has failed to meet the sectors' needs. The EU exit saw an end to freedom to movement, to which Covid-19 and the Ukraine conflict has added further friction and complication.

As an example, the horticultural industry relies on approximately 40,000 permanent and 70,000 seasonal workers a year. However, the sector has in the recent past experienced damaging shortages to the workforce resulting in growers scaling back on production and

significant crop losses. An NFU survey carried out during the 2023 season estimates that the overall value of food wasted which is directly due to workforce shortages, accumulates to more than £60 million worth of fruit and vegetables in the first half of 2022 alone.

Furthermore, a recent survey of NFU Horticultural members found that to minimise the impact of a shortage of labour on their business, 41.5% of respondents, who are struggling to recruit and retain workers, have reduced their production levels all together.

Producers have also reported a growing difficulty in recruiting into permanent roles amongst UK workforce for administrative, financial, technical, or managerial roles. The Government has developed a new points-based immigration system, and has committed to expanding its Seasonal Workers Scheme to 45,000 visas in 2023, but this still falls short of where our sector needs visa opportunities to be. We also continue to NFU has recommend changes to the Shortage Occupation List, which determines points under the immigration system to better recognise critical permanent roles.

Where technology exists and is affordable there has been investment in automation. The main example is robotic milking in the dairy sector. However, automated systems are more reliant on energy, especially electricity, and so business that have invested in automation have been the most exposed to higher energy costs. There is a lot of focus on automation in the horticulture sector, but the current reality is that there is no replacement for the manual harvesting for many fresh produce crops.

New Farming Schemes

In September 2018, (5 years ago!) the government announced that it would phase out the main form of EU CAP support, Direct Payments, in England. The phase out started in 2021 and the government intends for the last of those payments to be made in the 2027 scheme year.

The seven-year agricultural transition period, known as the Agricultural Transition Period (ATP), is intended to ensure a gradual transition from the current world to the new, avoiding a cliff-edge for businesses. It is also intended to give farmers sufficient time to adapt and prepare for the new environmental land management system which will be piloted and rolled out during the transition.

Since this announcement, Defra has continued to develop this policy in conjunction with industry. However, the protracted developments over a multitude of schemes and themes leaves many farmers still far from clear on what the offer is for them and for their farm. The only certainty continues to be the reduction of direct payments (and even with this element, we do not know the profile of reductions post 2024).

Farmers cannot fully plan until they have the full plan. There is a very real and justified fear that the quantum of support available through government schemes at the end of the Agricultural Transition Period will be considerably less than was available previously, and the cost of meeting the criteria to access such support – e.g. providing public goods – will mean a significant reduction in net income for farm businesses.

Fairer Supply Chains

Farm businesses are built on long-term models due to the investments required and growing cycles. It is important buyers recognise farmers and growers need for certainty.

As farm businesses face unprecedented levels of volatility and inflation, it is more critical than ever that relationships between buyers and suppliers are built over long periods of time are not jeopardised for short term commercial gains.

Part of the power imbalance we see across the agri-food supply chain is the buying power of the UK grocery sector and its ability to apply short term pressure onto suppliers, with a lack of understanding of the consequences in the long term.

We have seen this power dynamic play out, particularly in both the horticulture and poultry sectors over the last 18 - 24 months, where many growers and producers have failed to secure the required cost price inflation to farm gate prices, due to aggressive retail buyer tactics in a bid to protect their own businesses and failing to accept their fair share of the real cost of inflation.

In November 2022, a survey and analysis of the cost of soaring inflation revealed that despite food inflation at record highs, horticulture growers have not achieved the sustainable returns they need from the grocery market, and as a result the report found that growers already had taken steps to scale back production, in some cases by up to 20% for their 2023 cropping plans and in the worst cases even switching out of growing horticultural crops altogether.

The UK's grocery supply chain is dominated by a small number of supermarkets and manufacturers, with over 90% of the UK's food retail market being controlled by just 9 supermarkets. The growth of the discounters has driven significant competition and rivalry into the marketplace through price matching schemes which drive down consumer retail prices. This aggressive commercial behaviour has in turn driven similar competitive behaviours right the way through the supply chain, whether processor, manufacturer, or distributor.

Consolidation is also a contributing factor to market power and this highly centralised system as well as competitive discounting activity has led to the power imbalance and the erosion of negotiation, with farmers often forced to be price takers.

In recent decades there has been a significant increase in consolidation of intermediaries within the agri-food supply chain. Consolidation within processing can bring benefits for farmers and for consumers, in particular finding efficiencies of scale enabling costs to remain low, and the market to remain price competitive for the benefit of consumers. However, with a reduced processing supply base, farmers also have a reduced choice of who they supply. When buying power increases unfair trading practices are likely to occur and farmers are less likely to access alternative buyers. For example, many dairy farmers as a result of consolidation within the dairy industry, now only have one option in terms of potential milk buyer. Furthermore, due to closures of processing plants due to consolidation, some are being charged haulage because of their proximity from their nearest dairy.

It is therefore critical that there is a balance found through regulation to control excessive buying power whilst also fostering improvements to business trading behaviours, to deliver a fair and transparent way of working. Legislation must keep up with the changing grocery landscape, in order for business to trade fairly with their supply chains whilst surviving in the competitive environment they operate within. Strengthening farmers position in the supply chain means making our food system more resilient, providing a trading environment that seeks to continue to remain competitive and innovative whilst providing a degree of risk and cost sharing along the value chain.

Cutting red tape

Post Brexit we have been promised a business friendly and responsible Regulatory Environment which prizes more specific, pro-innovation and less burdensome regulations.

There are glimpses of progress with new laws like the Precision Breeding Act, but there are also moments when business has reeled at some of the government's actions.

Slide 8 - Sustainability

[The Environmental Improvement Plan](#), published in early 2023, sets out the actions needed in England to restore nature, tackle environmental pollution, and increase the prosperity of our country.

It builds on both the [25 Year Environment Plan](#) and the [Environment Act 2021](#). The former sets out what we will do to improve the environment, within a generation. The latter sets out our legally-binding, long-term targets to restore nature.

The Environmental Improvement Plan says that government is aiming for between 65 to 80% of landowners and farmers to adopt nature friendly farming on at least 10-15% of their land by 2030.

In addition, farming, through a combination of regulation and public and private schemes, will be expected to contribute

- 80 to 100% of the target to restore or create more than 500,000 hectares of wildlife-rich habitat outside of protected areas by 2042.
- At least 50% of our 25 Year Environment Plan goal of bringing 75% of protected sites into favourable condition by 2042.
- At least 80% of the progress required to deliver a 40 % reduction in nitrogen, phosphorus and sediment pollution from agriculture into the water environment by 2038.
- 90% of the Environment Act target to increase tree cover to 16.5% of England's land area by 2050.

Slide 9 - Boosting Exports & EU relationship

As an independent trading nation, the UK now has more than 70 trade agreements in place. The vast majority of these were "roll over agreements" made to ensure trade continuity at the moment of EU exit. We have also reached agreement with Australia and New Zealand, not to mention, to our satisfaction, and has completed its accession talks with the members of the CPTPP - the Comprehensive and Progressive Trans Pacific Partnership

The UK Government is actively negotiating enhanced agreements with Canada, Mexico and Israel, as well as seeking to renegotiate deeper relationships with Switzerland and South Korea.

Given the extremely damaging concessions already granted to Australia and New Zealand We are concerned that the UK Government will increase market access for sensitive agricultural products, as has been the case with the FTAs with Australia and New Zealand.

I am sure that through continued engagement and increased awareness of our respective positions, the UK and Swiss Governments can go on to secure a truly modern and sustainable enhanced bilateral trade and co-operation agreement; one that delivers mutually beneficial outcomes for farmers and consumers in both countries in the form of increased and good functioning trade, complementing domestic supply in our respective markets.

The EU continues to be our largest customer accounting for 67% of the value of sales in 2022, down from 70% in 2019. Total value of food and live animal exports to the EU was £10.48bn which is an increase year on year of 19%, but is still 6% down on 2019.

The outlook for 2023 appears to be more positive, with data for the first five months of the year available (Jan-May 2023), exports to the EU (£4.545bn) are running 8% up on the same period in 2022 and 3% down on 2019.

The change in our trading relationship with the EU has undoubtedly had an effect on the volume of trade we have with the bloc.

Exports of GB agri-products to the EU have faced considerable trade friction since the end of the transition period. For example, every consignment of product of animal origin (POAO) requires an Export Health Certificate signed by an official vet attesting to EU standards. The average cost of a veterinary officer certifying an EHC is £200, adding an estimated additional cost of £50 million to the cost of those exports in 2022. As a matter of priority, the UK Government should seek agreement with the EU on digitising the certification of EHCs and consider financial support to assist with the cost of EHCs for SMEs.

Some GB exports to the EU remain prohibited, including seed potatoes. In 2019 GB exporters of seed potatoes to the EU were worth more than £12million. The EU also operates a list of prohibited and restricted goods, including chilled minced meat and chilled meat preparations (such as sausages). The UK Government should continue to engage with the European Commission, under the terms of the TCA to address the ban on GB seed potatoes.

In accordance with the recommendations of the SPS certification working group “Minimising SPS friction in EU trade” published in June 2021, the NFU agrees that efforts should be made to pursue closer veterinary arrangements with the EU, such as an option similar to the equivalence agreement between the EU and New Zealand, or alignment as with Switzerland. Ultimately both the EU and UK Government should consider the possibility of negotiating an UK/EU/EFTA SPS zone. Such a zone could build on the foundations of mutual recognition and equivalence of each other’s regulations and standards, whilst also maintaining the individual parties’ right to regulate.

Recognising the jointly held objectives of achieving net zero by 2050, promoting high SPS, animal welfare and environmental standards, ensuring food security and fair supply chains, and promoting EU/UK trade, the opportunities provided by the TCA should now be used to:

- develop mature SPS systems that recognise the shared objectives of safe and healthy food and the overwhelmingly common legislative starting point of the UK and EU, thereby removing remaining barriers to trade (e.g. seed potatoes),

as well as complex administrative requirements and high frequency of border checks;

- jointly investing in the development of IT enabled trade eliminating paper-based systems and streamlining processes, including simplified certificates where these continue to be required;
- mitigate the administrative burden for authorities, food and drink businesses and hauliers to avoid delays, particularly relevant for mixed consignments and fresh produce;
- ensuring facilities and resources are in place at Border Control Posts where there is a requirement of entry into each other's territories. Seek easements where entry via a BCP is practically not possible, whilst ensuring that biosecurity and human health concerns are upheld;
- cooperating in the development of science underpinning future policy development thereby ensuring a common basis for action;
- introducing processes for consulting stakeholders in Northern Ireland of all regulatory changes that will directly impact their business, including secondary legislation;
- using the TCA level playing field provisions to build processes that provide a basis for the management of proposed future regulatory divergence [SPS Certification Report](#)

Slide 10 - Conclusion

Farmers throughout the world continue to face unprecedented events that are having varying effects on our production systems and markets.

Despite these challenges, it is clear that Swiss and British farmers hold many shared values, including sustainability of production, protection of animal welfare and environmental standards, reduction of anti-microbial resistance, and the importance of food security. We are proud to stand together to uphold those values and to ensure that consumers in our respective countries can continue to benefit from a safe and stable supply of high quality, affordable food produced to world leading standards.

The UK is continuing to develop its post- EU Exit trade and regulatory environment. In areas such as science and technology, our organizations and Parliaments are moving forward with initiatives in areas such as Precision Breeding Techniques that have the potential to improve efficiency, reduce resource use and therefore costs for farmers, whilst also delivering important consumer benefits.

Outside of the CAP, the UK continues to develop its agricultural support policies in a way that must fairly recognise the breadth of public benefits farmers deliver.

In Switzerland, food security and multifunctionality of agriculture is at the heart of the nation's constitution. The Swiss Vision 2050 is a comprehensive strategy that sets out a clearly defined roadmap for the continued development of resilient, sustainable and rewarding food systems in Switzerland. The sharing of intelligence and experiences of such initiatives has been

beneficial for our respective organisations. We very much look forward to continuing this engagement in the future.

Through continued engagement and increased awareness of our respective positions, the UK and Swiss Governments can go on to secure a truly modern and sustainable enhanced bilateral trade and co-operation agreement; one that delivers mutually beneficial outcomes for farmers and consumers in both countries in the form of increased and good functioning trade, complementing domestic supply in our respective markets.

We believe that deepening our bilateral trade and relationships in important shared policy areas, should all be key priorities and objectives of UK and Swiss governmental and farmer's representatives in the forthcoming talks.

In view of the many threats to global food security, including the war in Ukraine, our farmers organisations launch an urgent appeal to our governments and other decision-makers to take food production seriously and avoid measures that will damage food production. Challenges like climate change and biodiversity loss are serious challenges, but they cannot be tackled by strategies that weaken the competitiveness and productivity of the farming sector.

We stand ready to play our part in assisting our governments in delivering a successful outcome of the bilateral trade talks and of the collaboration in international fora. We commit to regular dialogue between our respective organisations and I look forward to continuing that discussion tonight.

ThankYou