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## Briefing 3859

# AHDB Horizon blog: UK and NZ sign trade deal - implications for our farming sectors

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### Summary

A “far-reaching” [Free Trade Agreement](#) (FTA) between New Zealand (NZ) and the UK has been finalised today, 28 February 2022, according to the Department of International Trade (DIT). The UK’s International Trade Secretary Anne-Marie Trevelyan and New Zealand Minister for Trade and Export Growth Damien O’Connor met today in person to sign this important deal between the two countries, following an [agreement in principle in October](#). Sarah Baker, AHDB Senior Strategic Insight Manager, looks at what it means for UK agriculture.

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This paper is from the [AHDB website](#)

In headline news, this has seen NZ agree to eliminate all tariffs on UK products entering the country from Day 1 of the agreement entering into force. In return, the UK has agreed to eliminate 96.7% of tariffs for NZ products entering the UK from Day 1.

Importantly, the exceptions are the UK’s sensitive agricultural products, including beef, sheepmeat and cheese. For these products, a transitional tariff rate quota (TRQ) will be applied.

For beef, tariffs will be eliminated over a period of ten years. During this time, a TRQ of 12,000 MT in Year 1, rising in equal increments to a TRQ of 38,820 MT in Year 10, will be applied. Any product exceeding the TRQ will be subject to the World Trade Organisation’s (WTO) most favoured nation tariff rate (MFN) – take a look [our previous Horizon report](#) to find out what this means.

Between years 11 and 15, a product-specific safeguard will be in place, limiting beef imports into the UK to 43,056MT in Year 11 and rising in equal increments to 60,000 MT in year 15. Any product exceeding this safeguard will be subject to a 20% tariff. This safeguard will be removed after year 15, at which time beef trade will be fully liberalised.

For sheep meat, the UK will liberalise trade after 20 years. As for beef, a transitional TRQ starting at 35,000 MT for years one to four, rising to a TRQ of 50,000 MT for years five to 15 will be implemented. Any product exceeding these quantities in any given year will be

subject to WTO MFN tariffs. This TRQ is for any given year and will only be triggered once the WTO country-specific TRQ of 114,000 t has been filled by 90%.

Between years 16 and 20 a product specific safeguard will be in place, as for beef, meaning the UK sheepmeat sector will have some protection for 20 years, after which trade will be fully liberalised.

For sheep meat, the TRQs have been expressed in carcase weight equivalent (CWE) but for beef it is expressed in volumes. This is an important consideration for the UK beef market, as higher-value boneless cuts drive the overall domestic price so this anomaly may have a disproportionate effect on farmgate prices.

In the dairy sector, butter tariffs will be eliminated over five years in six equal reductions. The transitional quota will open at 7,000 MT and increase in equal instalments to 15,000MT in year five.

Similarly, cheese will become tariff free over five years, with the transitional quota starting at 24,000 MT and rising in equal instalments to 48,000 MT by year five.

Trade in both butter and cheese will be fully liberalised by year six onwards.

There is no recognition of products of geographical indication (GIs) within the FTA, but there is a commitment that if NZ were to implement such a scheme domestically, that the UK would also benefit from similar protection.

Like the Australian FTA, [Rules of Origin \(RoO\)](#) are designed to facilitate trade between the two parties and make it easier for traders and customs authorities to prove country of origin. For agricultural products country of origin will be determined by change of tariff classification and specific processing rules (for example grinding or refining), reflecting where the majority of the processing has taken place. There will also be a 15% tolerance threshold for non-originating materials by value.

New Zealand and the UK already benefit from a world-leading Sanitary Agreement that recognises the equivalence of sanitary measures maintained by both countries for the protection of public and animal health. The FTA will build on this, alongside each country's WTO commitments. Importantly there is a commitment that sets out the understanding that low-risk food products within the scope of the chapter will not require health certification, other than for phytosanitary purposes. There is also a commitment to enhance cooperation on antimicrobial resistance.

On animal welfare, there is a non-regression and non-derogation clause not to weaken animal welfare for farmed animals in order to encourage trade. There is recognition that New Zealand and the UK's farming practices are substantively different, but each country accords a high priority to animal welfare in those practices and that the different systems provide comparable outcomes.

The agreement also stipulates that NZ will not seek any further market access that may result from the UK's accession to [CPTPP](#).

Next steps will require scrutiny of the agreement by the Trade and Agriculture Commission for a three-month period, then scrutiny by government and select committees before the process of ratification is triggered. This is likely to take until the middle of 2023 to allow time for the necessary legislation to be in place ahead of ratification of the deal.

In order to fully understand the implications of the deal, AHDB have been examining the potential impact in partnership with [Harper Adams](#) University using the same approach we developed for the [Australian FTA analysis](#). The results of this impact assessment will be available later this year. Watch this space.

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Alan Spedding, 02 March 2022

RuSource briefings provide concise information on current farming and rural issues for rural professionals. They are circulated weekly by email and produced by Alan Spedding in association with the Arthur Rank Centre, the national focus for the rural church. Previous briefings are archived on the Food and Farming Futures website. You can locate them by searching for the title you are looking for or simply the Briefing number: [NLAF - Technical and Business Information](#)

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