HOUSE OF COMMONS

International Trade Committee

Oral evidence: UK trade negotiations: Agreement with Australia, HC 1002

Tuesday 26 April 2022

Ordered by the House of Commons to be published on 26 April 2022.

Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Sir Mark Hendrick; Anthony Mangnall; Martin Vickers; Mick Whitley; Mike Wood.

Questions 196-249

Witnesses

II: Miles Beale, Chief Executive, Wine and Spirit Trade Association, Robert Hodgkins, Shepherd, Gerald Mason, Senior Vice President, Tate & Lyle Sugars, James Russell, Senior Vice President, British Veterinary Association, and Nick von Westenholz, Director of Trade and Business Strategy, National Farmers Union.

Examination of witnesses

Witnesses: Miles Beale, Robert Hodgkins, Gerald Mason, James Russell and Nick von Westenholz.

Q196 **Chair:** Order. Welcome to the second panel of the UK trade negotiations with Australia inquiry. We have a big panel this time. I issue a memo to colleagues to pick up the pace: be brief and quick if you can. I know that it is a big ask and a lot of you have things you need to say. I ask you all to introduce yourselves—starting on my left—with name, rank and serial number.

Robert Hodgkins: I am Rob Hodgkins. I am just a sheep farmer, I'm afraid, in Hertfordshire. We farm 2,500 New Zealand Romneys, 16,000 acres of arable and have a sheep milking enterprise, as well.

Chair: I look at you with great envy.

Nick von Westenholz: I am Nick von Westenholz. I am the director of trade and business strategy at the NFU.

Gerald Mason: I am Gerald Mason from Tate & Lyle Sugars. We refine cane sugar and have been doing so for just over 140 years, in two factories in east London.

Chair: I visited there one time, a number of moons ago.

Miles Beale: Good morning. I am Miles Beale; I am chief executive of the Wine and Spirit Trade Association, which does what it says on the tin, I think.

Chair: An excellent line of work.

James Russell: I am James Russell, and I am senior vice president of the British Veterinary Association—serial number 6314811.

Q197 **Chair:** That is name, rank and serial number done. That is the first time I have had that response—very good. I had asked for it.

I look to you, Robert, with great envy, as I have 32 or 33 sheep myself. The numbers you gave are not quite as bad as the Australians or New Zealanders, who tell me they have, "26"—pause—"thousand sheep". That puts things in perspective.

The agreement includes provisions to liberalise market access for Australian sheepmeat producers. What do you expect the impact of those will be on the UK sheepmeat sector? I should be clear and declare that my interest is small, but it is there—it is not as large as yours.

Robert Hodgkins: Absolutely. At present, they do not import very much, and I expect that to continue in the short to medium term. The biggest threat to us as UK sheep producers is that we cannot produce as cheaply as they are able to. Nick will have the figures to hand, but when I was last looking through, I think it was quoted that, per hundred kilos of meat, the Australian figure was about $180, the UK figure was $450—those are New Zealand dollars.

We did some back-of-the-napkin maths yesterday. We have an imported New Zealand sheep base, and I have a kiwi farm manager and Scottish shepherds—we like to have the best—but even so we were down at $250. I'd like to think we are a very efficient operator. We constantly rank in the bottom 5% on the Tesco cost of production schemas. My argument would be that if I cannot compete, not many other people will be able to.

Q198 **Chair:** What weight of sheep of this?

Robert Hodgkins: We have New Zealand Romneys, which we imported.

Chair: That is $180 per—

Robert Hodgkins: Sorry; $180 per 100 kilos of lamb meat produced was the Australian cost of production figures.

Q199 **Chair:** Do you have any concerns about food security in the future? Although we mentioned food security in the Committee a year ago, it was glazed over very quickly. However, with the advent of the Ukraine war, people are more aware of supply chains. We have seen news in the last 24 hours that there will be 20% less grain sown in Ukraine this year.

Robert Hodgkins: Absolutely. You only have to look at the current price of things. We are now selling wheat for £270 per tonne; a year ago, before the war in Ukraine, it would have probably been £150 or maybe £160. We simply cannot sell enough of it. We have real issues that are becoming apparent in the new global paradigm that were not here a year ago, or were not considered relevant or fashionable.

Q200 **Chair:** Do you feel that this agreement gives Australia an emergency market? If any shocks come their way, they can use that emergency market for a while to dump, or to sell—"dump" is a pejorative word that I should not use—into the UK market. That could then destroy a sector—the sheep sector in this case—and then they could sell somewhere else.

Robert Hodgkins: Yes, absolutely. That was what I was trying to allude to. We do not have any short-term issues at the minute. Australia export massively to Indonesia, China and the middle east—that is not a problem. However, if they do start having an argument with China and they suddenly have millions of tonnes of sheepmeat to drop off somewhere, we are probably the target. If there is a true free trade agreement, with no limits at all, we are probably quite a natural choice. As I said before when I was trying to put some figures around it, we would not be able to compete at all.

Q201 **Chair:** My final point relates to the point you have just raised. Australia have several markets, and they have a thing called carcase efficiency, which I think the British Poultry Council also uses within Europe and the

UK. There is a preference for different types of meat cut. Is part of Australia's efficiency—$180 per 100 kg, versus $450 per 100 kg—accessing different markets about sending a cut to certain places?

Robert Hodgkins: Absolutely, it would be. Part of it is, to be honest, that we operate a slightly different system. If I have a lamb die in a field, I have to go and pick it up. In Australia, you don't have to. Seemingly, that is not a big thing, but on our size of operation, on an outside lambing system, we typically have about 10% to 15% lamb losses, so I am looking at having 300 dead lambs across Hertfordshire. You put that up against 25 million lambs, and that is 2.5 million lamb carcases across the UK, which I am sure from a public moral point of view would definitely not be acceptable. Those are the things that we are fighting with one hand tied behind our back.

Chair: Thank you. I am sitting on 4% lamb losses, I have just realised.

Q202 **Mick Whitley:** This is to Nick and Rob. The Secretary of State said that the agreement offers British farmers three levels of protection—namely, tariff rate quotas, general bilateral safeguards and product-specific bilateral safeguards. How adequate are those protections?

Nick von Westenholz: They are clearly better than nothing. The intention of the way they are structured is to allow time for UK farming to adapt to the new trading arrangements. As you just heard from Rob, there is a question mark over whether, in any period of time, it is possible to adapt when there are such significant cost of production differences. Clearly, those three small "s" safeguards are designed at least to allow some time to do so.

The first that you mentioned—the tariff rate quotas—are in some products very large. In beef, the first year is 35,000 tonnes. We think that, even in year 1—particularly if Australia were to export high-value cuts, so would need to fill boats with smaller volumes—well below 35,000 tonnes could start having an impact on the UK beef sector. They are big, and of course they disappear after a period of time. The longest quotas are for beef and sheep, and after 10 years they go.

Then just for those two products, we have the second safeguards—the product-specific safeguards. At that point, those are getting pretty large. Those safeguards kick in for lamb at 75,000 tonnes, and at a higher tonnage for beef. You are talking really big volumes at that point. It is worth saying that we don't know the degree to which the Australians will utilise the trade deal to increase volumes. It is an unknown, but if they were to, those are significant volumes before any tariff would be applicable, so they would be likely to seriously cause downward pressure on the UK market before you could reimpose tariffs through either the TRQ mechanisms or the product-specific safeguards.

The final element is the bilateral safeguards, which are applicable to anything. They last for a further five years after tariffs are liberalised. For example, on something that is liberalised on day 1, you can use those for five years and then they go. The point is that after 15 years there is no safeguard available for any products. After 15 years, which may seem like a long time but in trade policy is quite a short time, there are not any safeguards. None of those three things will be in play under this FTA. You can use certain safeguards under the WTO agreement.

It is also worth saying, on the bilateral safeguards—the third lot—that you need to evidence serious harm or the threat of serious harm to be able to use them. That, in our analysis, is a pretty tricky test, not least because you have to demonstrate that that harm is specific to Australia. Given that we are about to do a trade deal with New Zealand as well—or we have signed one and that is to be ratified—the impact on, for example, beef and lamb in the UK is likely to come about because of the cumulative effects of a number of trade deals that we are currently doing. If that is the case, it is quite difficult to see how you could use those bilateral safeguards, because they are country-specific. The short answer is that they aren't totally meaningless, but we don't think any of the three safeguard mechanisms are particularly strong.

Chair: Okay, thank you. Anthony Mangnall has a 10-second question with a 15-second answer.

Q203 **Anthony Mangnall:** Very briefly, one of the defences about the uplift in the tariff rate quota over the 15 years is that Australia won't look to the UK in a sizeable way when, on their doorstep, they have the fastest growing region in the world. Is that a good defence or a red herring?

Nick von Westenholz: Nobody knows. If we did, that would be great—you could speculate on the markets—but nobody knows the extent to which Australia are going to look to fill their quotas. They seem to me to be so big that it seems unlikely that Australia would fill those quotas.

Q204 **Anthony Mangnall:** What does your analysis say about the expected impact cost of shipping or transporting that product over to the UK, and what impact does that have on your farm in those circumstances?

Nick von Westenholz: That will clearly be a factor. New Zealand already ship considerable volumes of sheepmeat to the UK and EU, so clearly, if the price is right, shipping costs won't be a problem. But it clearly will depend on the movement of global prices.

Q205 **Martin Vickers:** This question is for Nick and Rob. What will be the main economic opportunities for UK farmers within this agreement? Rob?

Robert Hodgkins: As a primary producer, we are fairly limited, to be honest. They produce so much cattle—beef—and sheep that we are not really going to be exporting over there, not sensibly. We can't compete with their cost of production, and we would have to try to send it the wrong way around the world compared with where all the shipping containers are heading currently—from China to here. So, possibly processed foods, but nothing, really, that is going to impact farmers per se—

Nick von Westenholz: I think that's right. The other thing worth noting is that Australia is already largely liberalised, so under this FTA, there isn't, for many products, any movement in tariffs. If we are not already selling beef and sheepmeat into Australia where it's already zero per cent. tariff, this FTA isn't going to change that.

What I will say quickly is that the NFU are launching our export campaign tomorrow. You have all been invited to that; I hope some of you will be able to turn up. We are setting out a whole load of building blocks that we need in order to improve our export performance in agrifood across the world and export more. Some of the key elements of that will be around identifying target markets, where you need key criteria. For example, you would like countries to be net importers of food—certainly net importers of the sort of food that the UK is good at producing. You want countries who are not necessarily themselves producing those sorts of foods and who have a high degree of favourability towards British branding, etc.

Essentially, it's highly unlikely that Australia or, indeed, New Zealand tick any boxes that fulfil those criteria. There are export opportunities for UK farmers in the future, but countries that have relatively small populations, that are on the other side of the world, and that are very, very effective and efficient at producing the sort of food we produce and are already liberalised, are not really going to be presenting opportunities.

Q206 **Martin Vickers:** But in the medium to long term, with successful marketing and so on, there are opportunities, even though they may be limited.

Nick von Westenholz: Yes. Rob is right—maybe in some processed foods, some manufactured goods. There may be some opportunities in, for example, dairy. There are tariffs into Australia on cheese—we produce delicious cheese, obviously. Those tariffs will come down, and there may be producers out there who can capitalise on those opportunities and start selling a little bit more into the Australian market. I absolutely wouldn't say there's zilch. There are some opportunities, but they are modest. They are not going to be the sorts of opportunities that we are really hoping for, which can benefit farming as a whole in the UK.

Q207 **Chair:** Just before we move to Anthony Mangnall, let me ask this. It was quite well known, in the early parts of this agreement and these negotiations, that the farming, sheep and NFU sector had concerns about this agreement. Do you still have concerns, and would you go as far as to say that it would be a lot easier and better for your lives if you didn't have this agreement at all?

Nick von Westenholz: The Government's own impact assessment suggests there will be a negative impact on primary producers and the semi-processed sector, and that there will be a reduction in output. As it sits, this deal discretely, on its own terms, does not contain many benefits for UK producers, but it contains some serious risks. More broadly, there are legitimate arguments about how this paves the way for CPTPP, for example, where there might be more opportunities. Clearly, we are just looking at it from a farming point of view. There may be wider benefits for the UK economy, but as the NFU has clearly said, we do not see very much in this deal at all to benefit UK farmers. I do not think that is controversial.

Q208 **Chair:** From a farming point of view, is it thumbs up or thumbs down?

Nick von Westenholz: We would say thumbs down. We do not see where the huge benefits in this deal for farming, which some have suggested there are, lie.

Chair: Thank you for that clarification. I am just checking up on your position now versus your position earlier.

Q209 **Anthony Mangnall:** On that, the NFU wrote a positively emphatic report about UK membership of the GCC and the opportunity for farmers, but if we can't scale up—we have just been hearing about the potential for us to scale up in a significant and meaningful way to increase our exports—where is the benefit of any of our trade deals for any farming group in the UK?

Nick von Westenholz: Over time, we may be able to scale up. It does not have to be around volume. This can be around finding high value markets for our goods, particularly with the direction of travel here being around sustainability and high welfare and so on. Those are the sorts of things we excel at. What we want to do, like any business sector, is to increase our market opportunities and penetration. We need to do better on exports, and that will focus on countries such as those in the GCC.

Q210 **Anthony Mangnall:** I think the Government's impact report on the Australia trade agreement was produced before we were in the situation that we are in with Ukraine and our move towards food security. Does that change your analysis in any way?

Nick von Westenholz: It may do. I was referring to the Government's own analysis. I think it would be good. We have encouraged the Government to do a more serious deep dive on food security issues. In the current environment, a lot has obviously changed, and a lot could change again. If the conflict in Ukraine is ended, we will see another significant change on some of those issues. It is difficult to model on the basis of a very volatile geopolitical situation, but, clearly, what has happened in the last couple of months will have had some impact on global agri-food trade flows.

Q211 **Anthony Mangnall:** It might be helpful if ELMs included something along the lines of public money for public good being farmers actually producing food.

Nick von Westenholz: We have said that for a long time.

Chair: I am starting to get worried about the time.

Q212 **Anthony Mangnall:** James, the agreement that has been signed has got chapters on SPS, animal welfare and antimicrobial resistance. How effective are they and will they improve food production standards in relation to animals?

James Russell: We are pleased to see an FTA that contains a chapter on animal welfare and AMR, and that includes a recognition of animals as sentient, which is something that we have called for—for it to be put in place in a very ambitious way—in any of these discussions that the BVA have had input into. That is a really welcome point. It is worth noting that it is the first time that Australia has committed to that, but I think the aspiration of that chapter is somewhat limited. That would be especially true given the amount of leverage that the UK has already given away in terms of tariff-free market access.

On AMR, there are some welcome points about co-operation on welfare and antimicrobial resistance. There is also a welcome comment that there is a non-regression commitment on animal welfare standards, but we would welcome that more if we had confidence in the starting point in Australia. I am very happy to expand later on some of the concerns that we have and to pick up on some of the points that Professor Bartels made earlier.

On that, we have the Animal Welfare Act that covers all animal keeping across the UK. There is no equivalent in Australia. There is no national strategy for animal welfare in Australia. There are moves towards that, but, as we understand it, those moves are quite slow, and therefore we just cannot see how we can have confidence in the implementation of standards and the continual improvement of those standards. We recognise as well that where those standards are being drawn up in regionalised ways, there is a comment—I put it no more strongly than that—that those standards may have been very heavily influenced by industry, perhaps, rather than by a direct animal health and welfare perspective.

Q213 **Anthony Mangnall:** Are you talking to your opposite numbers in Australia about this? How soon would you want to see that body set up, and how quickly is it likely that you will see that body set up? Does the fact that this is not included in the dispute settlement chapter mean that this is just tinsel and virtue signalling?

James Russell: Let me take those in order. We have spoken with the Australian Veterinary Association as well. Like us, they are not a regulator. They can only advise and comment, and, certainly, they have been very vocal around commenting. To that other point, there are genuine moves towards improving health and welfare standards and towards improving their consistency, but, I do not have, I am afraid, any kind of knowledge base on which to say that it will be done by then, and also on what the standards will be at that point. We just do not have that confidence at the moment.

I think we can compare that with where we are at with New Zealand. We are building there on a pre-existing New Zealand-EU FTA, which does go further than this Australian deal, and it does have a much fuller statement on animal health and welfare in that chapter. There is a real commitment in there to mutually work together to broaden and develop the OIE animal welfare standards. That is what we feel is not present when we then look at the Australian deal.

Chair: Thank you. We have a brief question from Sir Mark Hendrick.

Q214 **Sir Mark Hendrick:** This is to Mr Russell. Professor Bartels earlier made reference to animals being given painkillers and to the fact that high percentages of animals have this sort of treatment to try to reduce pain and increase animal welfare. I noticed that, in the background, you were shaking your head quite vigorously at some of the figures being given by Professor Bartels. Can you touch on how you feel about that situation?

James Russell: Absolutely. Thank you for the opportunity to comment on that. It is really important to get it on the record that we are absolutely confident that the TAC has done a good-faith assessment, but what we recognise—we recognised this in our written evidence to you—is that they have done that within very narrow legal terms of reference. I do not believe that they have answered the question of whether this FTA will have a positive or negative effect on animal welfare. What they have answered, as Professor Bartels has alluded to, is this: does anything in this document limit the legal space for the Government to respond to animal health and welfare challenges? The answers to those have perhaps become a little bit conflated. There is perhaps a feeling among the broader public that the former question has been answered rather than the latter.

The reason I was shaking my head is that there is probably some disagreement around those figures. Again, I am not going to call into question the figures that Professor Bartels was quoting, but let us look at figures from the Australian Wool Exchange. We are looking just at those merino animals that have undergone mulesing, and there has been a voluntary opportunity since 2008 to notify at the point of sale whether mulesing has occurred and whether pain relief was used in the animals from which that wool was harvested.

In July 2021, the national percentage of bales with a declared mulesing status was 74%, and, of that, the percentage that declared "non-mulesed" or "ceased mulesing" was 15% and 4% respectively. The percentage that claimed that analgesia was used was 41%. If we broaden it out and look at the whole piece, perhaps we can see where Professor Bartels's figures come from, but if we just look at that wool sector, which Professor Bartels said that we do not need to worry about, because that is something that we are not producing here and therefore it cannot be factored into this free trade agreement, we are talking about a maximum of 41% of these animals that are mulesed having any pain relief at all. Let us just be realistic about what that might mean. That might mean a shot of local anaesthetic at the point where someone cuts the skin off the back of your legs.

Q215 **Mark Garnier:** Thank you for that. Sir Mark was crashing around in the exact question that I wanted to ask, but I might move it on to Nick. The TAC seemed to suggest that you have been crying wolf over this idea that Australian lamb is produced at a lower standard. How would you respond to that?

Nick von Westenholz: I would say we have not. If you look at the evidence that we have supplied to you, the main point we have made is around the economic impact of the market liberalisation and the points that Rob was alluding to in our ability to compete on cost of production. Our primary concerns are about the economic impact on UK farming, particularly the beef and sheep sector. Certainly, there is nothing in the TAC report because it does not cover those issues. It is not looking at the economic issues. The concerns we have raised primarily about this deal are totally separate to the issues the TAC has reported to.

There are issues we have raised around differences in standards. First, it has primarily been on the basis of a principle. Where there are differences in standards, is there anything in this deal that allows the UK Government to exercise any additional import controls, for example, compared with what they can already do under their WTO obligations? The TAC very clearly set out that, by and large, the answer was no. If they are already able to do so, they can continue to do so. If they already find it difficult to exercise those WTO obligations, there is very little in this deal that allows them to go above and beyond. It is a very simple deal, in that sense. On differences in standards, the point was raised, for example, about pesticides. At the moment, if Australian farmers use certain pesticides that are banned in the UK and there are no residues or the residues are minimal on imports, they can come in. There is nothing that the UK at the moment can do to prevent imports of food that are grown using pesticides that are banned in the UK.

The question then arises about whether that would be changed by the FTA. No, the FTA does not change that at all. The same would be true, for example, if the UK were to lift the ban on hormone beef; there would be nothing in the FTA that allowed the UK to specifically ban hormone beef from Australia. Professor Bartels has set out why that might be a reasonable approach. It is just a fact. The deal does not do anything.

The third point is that we did look, as Professor Bartels spelled out and as did Mr Russell just now, at those issues where it relates to specific trade with the UK. For example, if you take an issue such as live animal exports, which is due to be outlawed here in the UK, it is very much a part of Australian farming, although I should say there is a strong debate there as well about whether to continue with live animal exports. However, at the moment, it is considered to be a very important part of the Australian cattle industry. We do not, obviously, import any live animals for slaughter from Australia, so even though there may be a competitive issue there, that was not something that fell within the TAC’s focus.

It is worth saying that the TAC’s focus was very specific and narrow. On the good side, it found that there is nothing to prevent the UK regulating around animal welfare and the environment as it wishes. Equally, where there are differences in standards, it does not provide anything over and above what the UK is already either able to do or not able to do.

Q216 **Mark Garnier:** Rob, you have 2,500 sheep. You talked about the difference of cost. I think it was $180 per 100 kg for Australia, and $430—

Nick von Westenholz: $450.

Robert Hodgkins: It is $450, I think, for a UK lowland farmer.

Q217 **Mark Garnier:** How much of that difference can you attribute to different standards?

Robert Hodgkins: Quite a percentage. We farm, as UK farmers, under a certain amount of social licence. To give you an example, one of our fields, where we outside lamb, is a site called Youngsbury. I counted, and on a bank holiday weekend, we have 150 people walk through that field every day.

Q218 **Mark Garnier:** Is that a good thing or a bad thing?

Robert Hodgkins: It is a very good thing. I have spent some time on Australian farms. On my friend Mark's farm, he probably had 150 people go through his front door a year.

Mark Garnier: A popular sheep station, by the sound of it.

Robert Hodgkins: They are able to farm in a way that is not necessarily under the same amount of public scrutiny. Not only do we have to comply legislatively; as a social conscience, we have to be seen to be doing the right things. I talked earlier about picking up sheep carcases. If I had 300 sheep carcases littered around my fields, I would be phoning the RSPCA every week.

Q219 **Mark Garnier:** There are some very significant economic differences. The cost of land in Australia is so much cheaper than it is here, although I know it is less productive. Similarly, if they were to pick up all the dead lambs, tragic though it is, there is an awful lot of space—you would need a helicopter to go and pick them all up.

Robert Hodgkins: Absolutely. Because we have to check sheep every day, I have to have a shepherd. Our sheep units per shepherd would be much lower, I think. In New Zealand, they can typically operate on 3,000 to 4,000 sheep to one shepherd. At the moment, we operate on 1,000 to 1,200. That is very good, but you still need to have a Hilux and a house. Go to Hertfordshire and try to buy a house where you can have a pick-up truck and sheepdogs. There is a level of cost that we just cannot compete with.

Q220 **Mark Garnier:** To take the example of shepherds, we require a shepherd per 1,000 sheep, and they can get away with a shepherd per 3,000 sheep.

Robert Hodgkins: Absolutely.

Q221 **Mark Garnier:** It is because of our regulation. Is that right?

Robert Hodgkins: Yes. By law, we have to check sheep every day. We have to go through and look at every sheep every day from an animal welfare point of view, and that requires trucks, diesel and so forth.

Mark Garnier: James, do you want to come in?

James Russell: Yes. I am jumping the gun on answering your question, but I will pick up on a couple of bits of it. I will pick up on the bit around what this FTA gives us in terms of prohibiting imports from Australia. Our understanding is that, potentially, it enhances our right to say that we do not want this procedure to be carried out on goods that then come into this country. We would want to be pushing the Government to say that that has to come into play in terms of the next steps of discussions.

If I may, I will pick up on the accusation of crying wolf. I really do not think that we have been, and I do not think that the report suggests we have. We probably started out asking slightly different questions. We recognise that there is fantastic veterinary involvement within the membership of Professor Bartels's group, and we really appreciate the attention that has been given to the serious health and welfare concerns that exist in Australia, but I am afraid that I would point again to the level of consultation that has gone on between the TAC and the veterinary community. We were given the opportunity to put in two sides of size 12 Times New Roman—incidentally, as a dyslexic, it is impossible to read—and that is the limit of the communication that we have had.

Q222 **Mark Garnier:** On exactly that point, this is the first time you have done this. Are you confident that this is a learning process in terms of the scrutiny of all this stuff? I think this is the first TAC report that has been produced. You are clearly not happy with the process, given the amount you have been able to put into it. Do you get the sense that the TAC will look at the next one in a slightly different way as things develop? Do you think it will evolve?

James Russell: I sat and listened to Professor Bartels's evidence earlier, and the thing that I heard was that the TAC is comfortable with its current terms of reference.

Q223 **Mark Garnier:** Terms of reference are different from working practices, though, aren't they?

James Russell: Fair comment, but whether we will still be asking and answering the same questions is probably a conversation that we can have afterwards. Anthony pointed earlier to exactly that question of how far you are able to go in interrogating this from the point of view of protecting health and welfare standards.

Mark Garnier: If you have any thoughts on this in the future, it would be very useful if you could write to the Committee and let us know if you do not think they are evolving in a Darwinian process.

Chair: I noticed that the TAC was mentioned as being specific and narrow, and that feeds into our current struggles with the Department. On the 150 people a day, maybe you should have a mobile phone number that they can phone if they see a sheep lambing—if they know what a sheep lambing looks like.

Q224 **Martin Vickers:** Could I turn to you, Gerald? There is an eight-year transition before the UK market opens up to Australian sugar. How will that affect your business?

Gerald Mason: As a cane refiner in the UK, we welcome the agreement. We would have liked to be able to buy cane sugar from Australia duty-free and quota free much earlier than in eight years, because the way UK trade policy works allows EU sugar manufacturers unlimited duty-free, quota free access to the UK today, but it prevents us, as a UK manufacturer, competing with them, by limiting where we can buy cane sugar from. We would have liked to see duty-free, quota free earlier that eight years.

It gives us a chance to start the relationships with the sugar cane farmers in Queensland again. The typical size of a sugar farm in Australia is 100 hectares, so it is not what you imagine when you think of Australia. Until 1973, we used to buy 20% of our sugar from them, but we lost the relationship when the UK joined the EEC.

Contrary to a lot of what you have heard, the other really important thing for us is that it allows us, for the first time, to buy a much bigger share of the raw material for our business in the UK from suppliers who produce to the highest ethical and environmental standards. To give you some idea, around 40% of the sugar mills that we could buy from in Australia are independently certified to the highest standards, and the average among cane sugar producers globally is about 7%, so this is not an industry where we expect to buy vast armadas of cheaply produced, poor-quality sugar from them. The reason we want to buy from Australia is that it is an industry, at least in sugar—I don't know a lot about all the other markets—that produces to the highest standards.

Finally, it might surprise you to learn that the data we look at, and the calculations we have been working on for the last few years, suggest that the carbon footprint for bringing cane sugar from Australia to the UK and refining it in our operation in London is going to be pretty competitive with the best beet sugar producers in the EU. So we welcome the agreement, although we would have liked it to come before eight years.

Q225 **Martin Vickers:** Do you think there will be benefits not just to yourselves, but to the UK economy generally?

Gerald Mason: Yes, absolutely. The benefit to us is that it really helps us to ensure that our manufacturing business in the UK is competitive and, more importantly than ever, sustainable. Our customers—the retailers, the big food and drink manufacturers, the food service providers—all want us to be buying sugar from suppliers who take ethics and the environment seriously, so it will help us maintain those customers. It will help the UK maintain two different models of sugar production—beet and cane—which we think is good for consumers, choice and competition.

Martin Vickers: Thank you, Chair.

Chair: Now we have a short and sweet question from Sir Mark Hendrick.

Q226 **Sir Mark Hendrick:** When I questioned the Secretary of State not long after she was appointed on the carbon footprint of transporting goods of whatever kind from Australia or New Zealand as compared to Europe, she gave the impression that there was very little carbon produced through shipping. I don't quite know what technology she was proposing to use, but I found that difficult to believe, but you have just made a similar point about the carbon footprint from the EU as compared to Australia. How can it be even comparable?

Gerald Mason: You have to look at the whole model of production, not just the freight element. The freight element of sugar that we could bring from Australia and refine in the UK would be about 25% of its carbon footprint. It is wrong to say that there is no carbon impact of transporting something 12,500 miles—there is. With sugar, you have to look at the whole chain.

Sugar cane, for instance, is a grass. It gets harvested each year. You don't have to move thousands of tonnes of soil a year to plough the field and replant it each year, whereas with sugar beet you do have to do that, so that helps offset that. In sugar cane, when the crop is harvested in Australia and then processed in the mills, it is the fibre from the plant that powers the mills—the bagasse—so they don't bring in fossil fuel to power the plants, whereas in beet factories in Europe they will generally use either natural gas to power the factory or, in some cases, they still use coal.

The models are completely different. There is more freight carbon with cane sugar, but there is a lot less agricultural and processed carbon. When you add it up, that is why the two are broadly comparable.

Q227 **Sir Mark Hendrick:** So it is the production methods and not necessarily the transport—

Gerald Mason: Yes. I would say that you should never see distance as a proxy for carbon footprint. Of course there is carbon with distance, but in all of our supply chains there are lots of other elements to it, and we're all obviously learning quickly now how to measure and assess these things.

Q228 **Chair:** Nick von Westenholz of the NFU, it's not just sheep that you are dealing with, of course; there is more to farming. Last year the NFU said it was incredibly concerned about the opening of the UK market to Australian sugar, as a different rulebook applies to Australian sugar growers compared to UK beet growers. Can you flesh out your objection a little bit more?

Nick von Westenholz: Yes. Actually, we have already touched on this. It doesn't have to be specific to sugar; particularly with a view to pesticides—plant protection products—there is a difference in approach in Australia compared to the UK.

It gets a little complicated when it comes to sugar because, as Gerald has just outlined, they are different crops: they have different agronomic requirements, and these are obviously different parts of the world. But the Australian system for approving pesticides is a risk-based system, and in the UK we use a hazard-based system. Now, there are advocates of both, but the upshot is that the hazard system is far more precautionary and generally will lead to less pesticides being available for farmers. In particular, the hazard-based system will say that if certain active ingredients have certain characteristics, they will not even be considered for approval, whatever risk mitigations you may be able to put in place to reduce risk.

So there are products available in Australia for all sorts of different crops that are not available in the UK. I make no comment about whether that involves higher or lower standards; it's just a different standard that allows farmers in Australia access to tools to help them to control pests and diseases that are not available to UK farmers. This is actually a really good example of where the Australian deal, as I was saying earlier, doesn't introduce any sort of mechanism to address that clear difference in regulatory approaches.

Q229 **Chair:** You think it's undermining farming, particularly in Norfolk and East Anglia, or wherever?

Nick von Westenholz: UK beet growers have had huge issues with pests over the last couple of years and they have had important pesticides removed from use, which has exacerbated that situation. So, yes, producing sugar in the UK is costly. There have been increased costs on it and some of those increased costs can be traced to the regulatory system under which UK sugar producers operate. That is the basic point that we are making.

Q230 **Chair:** Gerald Mason, could you just respond to the NFU—as sweetly as possible, if you don't mind the pun?

Gerald Mason: When we first heard the farmers saying this—that somehow Australian sugar was illegal—obviously it made us concerned, and we wanted to take a look at the situation and understand it. We don't want to buy sugar that is produced illegally. We spent quite a lot of time looking at it a few years ago, and what we found is that the situation is much more complicated than that, as I think the TAC outcome makes clear.

Broadly speaking, it is not that the pesticides are illegal; it is that not every pesticide is approved for every crop in every geography, for good reason. We found that there were 20 active ingredients that were approved for use on cane in Australia that were not registered for sugar beet in the UK. That was the core of the farmers' complaint. But, actually, when you look at it, seven of those 20 were registered for use on other crops in the UK. So it was not that they were somehow wrong; it is just that they were not approved for use in sugar beet in the UK, because they had no use. So there were 13 that were not registered for use in sugar beet production in the UK.

When we looked at it the other way round, we also found that there were pesticides approved for use on sugar beet in the UK that were not registered for use on sugar cane in Australia, and six were not registered at all for any type of crop in Australia. So it works both ways—it's a two-way street.

The other important thing we found is that there was a huge difference in application rates, so it's not just about what's applied. We think that the application rate for pesticides on sugar beet in the UK is about 45% to 50% higher than it is on the sugar cane in Australia. So it's not just the type of products you are using; it's also the amount that you apply, obviously.

For us, the other thing that is interesting is cost. The TAC work said, "Does this give a cost advantage to the sugar cane farmers in Australia?" If you are going to start talking about cost, you have to look at the whole model of agriculture, and of course the one big difference between sugar cane production in Australia and sugar beet production in the UK is that there is virtually no income support for sugar cane farmers in Australia, whereas in the UK at the moment sugar beet farmers get about 25% to 30% extra on top of the value of the sugar beet they sell from income support. All of that is due to change, obviously.

Our conclusion from all of this is that it is true that there are different systems for different crops, because there are different genuses and climates. We are not suggesting that Australia is any better, although in some areas it is, on things like application rates; we are just suggesting that these are both well-regulated markets that are appropriate to their specific situations. It bothered us when we read that the farmers were saying that somehow Australian sugar was illegal; the conclusion that we got to was very similar to the conclusion that the TAC reached.

Q231 **Chair:** The politics of sugar goes a little further than just the NFU or whatever; it also affects other countries, and it can quickly become quite bitter. To go with the flow of this, the Commonwealth Caribbean countries, or Belize and Fiji, to name but two countries—one with the Queen as head of state—are heavily reliant on exporting raw cane sugar under preferential terms granted by the UK. How far will the new market access for Australia be at the expense of such developing countries? It might also have a constitutional knock-on for the monarchy, of course.

Gerald Mason: As the grantee of the royal warrant for Tate & Lyle Sugars, I will not get involved in a discussion about royal issues, Chair.

Q232 **Chair:** The point I am trying to make is that there are a lot of knock-ons with sugar. We have heard from countries that will be affected by changes in sugar, with companies moving elsewhere. Such countries have tailored their economies, as they see it, to supplying people like Tate & Lyle, but then Tate & Lyle simply ups and vanishes. I could use the terms they used, but I will not.

Gerald Mason: When I joined Tate & Lyle in 2004, you would have been absolutely right, because the vast majority of our sugar came from ACP countries and LDCs—countries like Barbados, St Kitts, Jamaica and all these countries that today do not export any sugar to the UK.

Q233 **Chair:** What happens to them when you decide to go to Australia?

Gerald Mason: Today, they do not sell sugar to us anyway. Only about 15% of all the sugar that comes to the UK today comes from ACPs—

Q234 **Chair:** And what percentage was it before?

Gerald Mason: It was 100% when I joined 18 years ago—

Q235 **Chair:** Is that because you have gone elsewhere and forced them to move?

Gerald Mason: No, that is because of changes that the EU made to the sugar beet regime. The way that the system worked is that it had to combine trade and—

Q236 **Chair:** Will this make it worse for them?

Gerald Mason: I do not think that it will make a great deal of difference at all. The big difference was made when the EU deregulated beet sugar production—

Q237 **Chair:** You will still be getting 15% of your sugar from them?

Gerald Mason: Yes, we will, roughly speaking, because that is the hard core—we are the biggest buyer of Fairtrade sugar in the world, and we can only get that from the smallholder model in some of the ACP countries.

To reiterate, it is not us that has chosen not to buy from these countries over the years; the fact is, beet sugar production became deregulated in the EU. The thing that gave these countries the value of their preference was that a hole in the market was left for them by limiting beet sugar production, but that was ended in 2017; beet sugar producers can now produce as much as they want, and they did. They expanded their production in the UK and the rest of the EU massively. That has pushed the prices down, which means that most of those countries choose not to sell their sugar to us any more. It is not us choosing not to buy it.

Q238 **Mark Garnier:** Do you import the cane, or the raw sugar, then refine in the UK?

Gerald Mason: We import raw cane sugar: the sugar cane, the plant, is harvested and goes to a mill near wherever the sugar cane is grown, and it gets crushed and turned into a kind of rough brown sugar, which we bring in.

Q239 **Mark Garnier:** You bring that in. My question really is, why is it economically better to do that, rather than to refine it in Australia and bring it back as refined sugar?

Gerald Mason: There are a couple of reasons really. One is that most of the sugar mills that refine cane sugar cannot produce sugar to food grade standard. You would need a massive amount of investment in the dozens of mills that supply our one factory to do that, so it is more cost-effective. Another reason is that the freight cost is much more. You have to move refined sugar in food grade containers, whereas we move raw sugar in these big vessels. A third reason is that, once we get the sugar here, there are about 650 different products that UK consumers want from us, so if we were bringing in the processed product, we would still have to do a degree of transformation once we got it here. That is why the model works.

Q240 **Mark Garnier:** But it is not to do with the weird anomaly that we see in the rice market where unmilled rice does not have any tariffs levied on it, but milled rice does. You are not arbitraging the tariffs.

Gerald Mason: No, most of the free trade agreements that the UK has allow duty-free access for both raw and refined product. We would always say that we can compete with refined product because of those three reasons I just talked to you about.

Chair: We are dealing with life's goodies quite often in this session. We are moving away from sugar to something else.

Q241 **Sir Mark Hendrick:** Could I ask a question to Miles Beale, who has sat very patiently throughout this session so far? Clearly, the sector that you work in, Miles—unlike some of the sectors we have discussed earlier—can see a great advantage in the deal we are talking about, particularly, I would guess, gin and whisky. Can you expand on what opportunities you see for the people you represent and how they see things going forward in this deal?

Miles Beale: By and large, you are correct. The DIT trade strategy White Paper in 2017 made it clear that imports are almost as important as exports to GDP in the UK. Wines and spirits are two products where the benefit of a trade deal is clear. The UK is the largest exporter of spirits in the world. It is the second largest importer of wine by both volume and value. There are tariffs on spirits going into the Australian market. They are low but they will be removed if this agreement goes through. Equally, the good news for UK consumers is that there are tariffs on Australian wine. There is actually more Australian wine on the UK market than wine from any other destination, which might seem odd given that it is the other side of the world, but that is a fact. It is about 250 million litres a year and 330 million bottles. Getting rid of the tariffs will save between 6p and 9p per bottle.

On the basic facts of an improvement in trade terms just on tariffs, there are huge benefits. There are some benefits in terms of technical barriers to trade. That is where we would say more could be done. The agreement in principle included some ideas around a wine and spirit annex. That did not materialise in the Australia free trade agreement, although it has in the New Zealand one. I think we would accept that there was a bit of a trade-off between speed and the perfect outcome.

The only other thing I would say on technical barriers to trade is there are some things we would still like to be done outside of a free trade agreement. For example, mutual acceptance of wine-making practices would certainly open up both markets for both countries. That does not need to be done in bilateral trade deals; it could be done through CPTPP, but actually it could be done through things like the World Wine Trade Group, so there are ways that you could improve on this deal outwith it. Lastly and probably most importantly, there are things that the UK Government could and should do that would improve on a good base. We have had one example where they got it right, which was they abolished wine imports certificates, which has had, at least, the same benefit as getting rid of tariffs will have for trade in wine with Australia.

On the other hand, one could argue that the Government have not shown a co-ordinated approach to some of this, because—just as one example—the most obvious practical technical barrier to trade for the wine sector would be if the Chancellor's proposals on the alcohol duty reform go through. Just to bring that to life a bit, getting rid of tariffs will save about £22 million a year just on trade in Australian wine imported to the UK. That will be dwarfed by a new taxation regime in the UK, which will put about £92 million—almost £100 million extra—on to trade just in Australian wine imports to the UK, so the Government are not joined up in that respect.

Sir Mark Hendrick: Chair, it is Anthony's question next on technical barriers. Do you want to go ahead?

Anthony Mangnall: Unless you have a follow-up.

Sir Mark Hendrick: I think Miles has touched on the technical side.

Chair: The only barrier I am wondering about is when will we see Auz-secco—or Oz-secco—on the market? That is the innovation we are waiting for.

Q242 **Anthony Mangnall:** Let us go to a hypothetical scenario. When retirement is inevitably forced upon me and I retire in south Devon and set up my wine shop—

Chair: Not long to go, Anthony.

Q243 **Anthony Mangnall:** Not long to go, Chair. I decide to set up as a wine merchant. There I am, looking at this deal, saying, "Great, we have got rid of export certificates. Great, we have removed tariffs." I am then being hit by the UK's own duty on wine. Can you go into that a little bit more? We are talking most often about small farmers and the impact of this deal. We are now talking about this, being one of the things we most boasted about, and the wine industry saying, "This is fantastic—5% lost." We are then saying that all our small wine merchants are going to be impacted because our own customs and laws are changing.

Miles Beale: That is right. The tariffs have a benefit for you, if you were setting up that business. It is between 6p and 9p for every bottle of wine you import from Australia. The problem will be that the new duty regime will put up the cost and, therefore, the price of at least 93% of all Australian wines on the market. Australian wines will be hit harder than anything else. That is principally because the Chancellor wants to introduce something where duty increases with strength, and Australia has the hottest growing conditions on the planet.

Q244 **Anthony Mangnall:** You will not thank me for saying that I am a prolific cider drinker, and I would have to be in the south-west. What is the share of Australian wine into the UK market versus French, Spanish or Italian?

Miles Beale: By volume, Australia is No. 1. About one sixth of UK wine imports are from Australia. In fact, 20% of Australian wine imports are then re-exported to somewhere else in the northern hemisphere. That's the thing that makes the UK the centre of the global wine trade. So it is very much about trading, not simply about importing for consumption. Australia is No. 1; even by value it comes in at No. 3. Italy and France are the next two, but Australia is No. 1.

Q245 **Anthony Mangnall:** So it hits our small businesses; it hits our wine merchants who export. Why on earth were we getting evidence that this was good for the wine business?

Miles Beale: The deal is good for the wine business. The problem is that the Chancellor's domestic policy on taxation wipes it out and goes further. The point is that they need to be co-ordinated. There is obviously an error; it is not joined up. To give you a practical example, there are almost 1,000 independent wine merchants in the UK. On average, they will stock between 1,000 and 1,500 different types of wine. To give you a guide, Tesco, which does the most volume sales of wine, has only 500. So it is a disproportionate impact on small businesses, such as those 1,000 or so wine merchants.

The other way to give the Committee an example is that 93% of Australian wines will become more expensive. An average Australian red will be about 15% ABV. That will be an extra 68p for that bottle, just in duty. That is additional—VAT is applied after duty. It is already at £2.23. I don't wish to guess what the Committee likes to spend on a bottle of wine, but £2.23 is already tax. Another 60p on top would be quite a significant increase.

Anthony Mangnall: For Angus, the answer is "never enough". Thank you for that.

Q246 **Chair:** Maybe moving on that theme a little bit, I have known many whisky drinkers in my time. Some have consumed a little and some have consumed quite a lot. The one thing they have in common is that they are able to define what they are drinking. They do know they are drinking whisky.

Apparently, in Australia the definition of whisky is not very clear. Almost anything can be labelled as whisky, which is a strange circumstance. Will there be an agreed definition of what is whisky in Australia, so that it can be enforceable? There is also a feeling that the Australians run a discriminatory excise regime that favours domestically produced spirits, over the best stuff produced in Scotland.

Miles Beale: If we take those two in turn—in reverse order, perhaps. There is a perfectly fair comment that says that the agreement in principle talked about protecting definitions of whisky, and Scotch whisky would have expected to benefit from that agreement. It hasn't happened; it should happen. It can be done without reopening an entire free trade agreement, and I think it should be.

Secondly, the definition is really about ensuring that people understand what they are drinking. So it needs to be clear to consumers when they are drinking Scotch versus a whisky produced somewhere else. There are, of course, other parts of the UK that produce decent whisky, and that will be different from Australian whisky. What I think is really important is that we do not fall into the same trap as the Australians, which is to promote through the tax system one particular product over another. As I am sure the Chair would agree, fair competition between the whiskies would see his favourite come out on top, I am sure.

Q247 **Chair:** Absolutely. I can see a number of whiskies on the west coast of Scotland, in particular, doing well. We are rushed for time and there is a camera issue going on as well, but I have a final point on sugar. From 2017 to 2019, Belize exported 22% of its sugar to the UK, Guyana exported 14% and South Africa exported 13%, as did several of those ACP countries. Belize was about 88% dependent on the UK in the 2017-19 period, after the sugar beets stuff; Fiji was 38% dependent. Tate & Lyle was the one refiner. There is an issue being flagged by DIT that it could impact those countries quite badly if you substitute the higher-cost, lower-volume cane sugar from the LDCs and the ACP countries with lower-cost, higher-volume cane sugar from Australia.

Gerald Mason: Fiji has no interest in shipping to us anymore. This year they are going to have the lowest sugar crop in 60 years.

Q248 **Chair:** Might they be interested in coming years?

Gerald Mason: We will always be there, but most of these industries are in decline. They are relatively high cost, and they cannot meet the ethical and environmental standards that our market wants now.

Q249 **Chair:** Belize?

Gerald Mason: We still buy a significant quantity from Belize. Actually, Belize is trying to develop its local market in the Caribbean. As lots of the other Caribbean producers decline, in places such as Jamaica, Barbados and Saint Kitts, Belize sees its future as switching to supplying direct-consumption sugars in the Caribbean. Tate & Lyle owns in Belize as well. If it made economic sense, we would bring the sugar here; it makes more sense to keep it closer to home where it is more valuable now as the other producers go out of business. I can write to the Committee separately about this, as you are clearly very interested in it. I will get some more detail to you.

Chair: Thank you. I appreciate that. There is an offensive interest in making sure that the whisky gets its proper place in Australia, and maybe a defensive interest in sugar—or an offensive interest, depending on which way you look at it. Thank you all very much; time has been our enemy, but I appreciate the five of you giving evidence very much. It is particularly good to have a vet on the panel, who knows his serial number, especially as my daughter is studying veterinary science at Glasgow University. On that family note, it is good to have a vet here. I thank you all—sheep producers, NFU, sugar, wine, and vets—for coming along. It has been really useful—as was our earlier panel with Professor Bartels. Thank you.