



Select Committee on the European Union

Environment Sub-Committee

Corrected oral evidence: UK-EU agrifood trade

Wednesday 16 December 2020

10 am

[Watch the meeting](#)

Members present: Lord Teverson (The Chair); Baroness Bryan of Partick; Lord Cameron of Dillington; Lord Carter of Coles; Lord Cormack; Lord Giddens; Baroness Jolly; Baroness McIntosh of Pickering; The Duke of Montrose; The Earl of Stair; Lord Young of Norwood Green.

Evidence Session No. 1

Virtual Proceeding

Questions 1 - 21

Witnesses

I: June Arnold, Head of Policy, Grain and Feed Trade Association (Gafta); Andrew Skea, Chair of the Brexit Committee, British Potato Trade Association (BPTA); Helen Roberts, Development Officer, National Sheep Association (NSA), Cymru/Wales Region; Martin Morgan, Executive Manager, Scottish Association of Meat Wholesalers (SAMW); Jimmy Buchan, Chief Executive Officer, Scottish Seafood Association (SSA); Duncan Buchanan, Director of Policy for England and Wales, Road Haulage Association (RHA); Peter Alvis, Chairman, Royal Association of British Dairy Farmers (RABDF).

Examination of witnesses

June Arnold, Andrew Skea, Helen Roberts, Martin Morgan, Jimmy Buchan, Duncan Buchanan and Peter Alvis.

Q1 The Chair: Welcome, everyone, to this public meeting of the House of Lords EU Environment Sub-Committee. This morning we have a round-table public session of evidence on the UK-EU agrifood trade. I will make one or two procedural announcements. I remind everyone that, as well as this being a live recording that will be webcast, we are also taking a transcript of this session. If any of our witnesses feel that there is any inaccuracy there, please let us know. I ask members to remember to declare any interests that they have the first time they speak.

The purpose of this meeting is to explore the potential solutions and mitigations in relation to the export of agrifood products to the EU following the transition period, which is only a few days away, of course. At this point, we do not know whether there will be a deal or, indeed, what the shape of it is likely to be, so we will explore a number of those potential scenarios.

First, I ask our witnesses from throughout the agrifood sector and the United Kingdom to introduce themselves not just to the committee but to listeners and viewers.

June Arnold: Good morning, everyone. I thank Lord Teverson and the sub-committee members for inviting Gafta to join this round table. We are the international association representing the agrifood commodity trade, and we have about 1,900 members across the globe in about 98 countries. We are probably best known for our contracts and arbitration services: about 70% of the world's grain is traded according to Gafta's standard contract terms,¹ and we have a resolution and arbitration service to back up that system. Our main mission is to promote the free trade of agricultural commodities, as our members are those shipping grain and feed from areas of surplus to those of deficit. That is a little introduction to Gafta. I am head of policy in Geneva, representing Gafta and representing Gafta's UK trade committee.

The Chair: Thank you. Coming from Geneva, you make us even more international than we were expecting in this meeting.

Andrew Skea: I am here today as chair of the Brexit committee of the British Potato Trade Association, which represents potato traders who are responsible for the marketing and movement of seed and ware potatoes across borders and internally in the UK. Personally, my business is involved in breeding potato varieties, and I supply seed and ware potatoes for seed and consumption to customers across Europe. About 45% of my sales are to the EU, which is probably a bit higher than most of my contemporaries in the association.

¹ The witness subsequently clarified that about 80% of the world's grain is traded according to GAFRA's standard contract terms

Potato production in the UK has a value of about £1 billion ex-farm, but this will be considerably more by the time you include marketing, packing, processing and delivery. Seed, in particular, is export-focused: about one-third of our production in the UK goes to customers around the globe. A smaller proportion of table and processing potatoes also goes overseas, particularly to Ireland.

Potato tubers are a living plant and, unfortunately, capable of transmitting a plethora of diseases to other potato crops, so their production and movement is tightly regulated across borders. As a result, the default position is that our markets in the EU will come to a complete halt from 1 January, unless we can obtain third-country equivalence from the EU. The EU only imports seed potatoes from Switzerland, where dynamic alignment is in place, so there is no model for the UK to follow. We face this problem in the event of either a deal or no deal, so that is the big cliff edge in front of us at the moment.

Supposing that this hurdle is overcome, there will still be considerable extra bureaucracy, including phytosanitary certificates and other documents to allow us to continue our business. These are our main concerns, but there are numerous others, including the loss of harmonisation of plant variety registration. However, it will not be such a crisis if that is not sorted out so quickly.

The Chair: Thank you, Andrew. It is good to remind us right at the beginning that we do not necessarily break free, if you like, even if we do have an agreement. We will come on to discuss this, but there are all sorts of issues, whether we do or not.

Helen Roberts: I am the development officer for NSA Cymru, and I have been in that position for the last 15 years. The NSA is a membership organisation; we have nine regions throughout the UK, with development officers in Scotland, Ireland and the remaining regions within England. Roughly, we have upwards of 6,500 members plus 80 breed societies which are affiliated to us, and all their members get that information. As a purely membership organisation, our funding comes from our members and the events that we put on throughout the year. This year has badly affected our income, given the issues that have been going on.

With regard to Brexit and how it will affect our industry, from a Welsh perspective, 90% of what we produce in Wales is exported to Europe, and about one-third of the lamb that we produce goes there. If we have no deal, the imposition of tariffs will obviously affect us, but it is the other non-tariff issues that we feel will have a serious effect on our trade.

The sheep industry has had a very good trading year: you could say that things look quite bright for us, but, whether there is a deal or not, the extra burden that will be put on us could have a serious damaging effect on how the industry goes forward. It is not just our food and our exports; lamb and the breeding side will be seriously affected. On the Northern Ireland Protocol, having been in a webinar yesterday, I wonder how we will get breeding stock across the Irish Sea and back. There is obviously a

serious problem at the moment with some lambs that are stuck in Scotland, unable to go.

Those are our concerns all round. It is not looking good. I am a farmer's wife. We live on a farm with 500 ewes; hopefully they are all in lamb. That crop will be produced next year, but we are not looking forward to what the market might be for us.

The Chair: Thank you, Helen. That was an excellent introduction. One of the things that is often at the top of the list of concerns is the sheep market, particularly the importance of exports, the tariff levels and, as you say, the importance of non-tariff barriers, which we will come on to.

I come next to Peter Alvis, who is chair of the Royal Association of British Dairy Farmers.

Peter Alvis: As Lord Teverson said, I am the chair of the Royal Association of British Dairy Farmers. We represent dairy farmers across the UK to help to promote the improvement of the technological advancement of dairy through the UK. From a personal point of view, I am dairy farming and cheesemaking here, so I have first-hand experience of exporting to Europe. As a business, 30% of our sales go to export, with about 20% of that going direct to the EU.

As an industry, we are very concerned about the level of paperwork that will be required, the European health certificates that we will need for all products travelling to Europe from this point forward, and whether we have the capacity with vets to be able to get health certificates in the volume that will be needed compared to where we have been historically.

We are also concerned about transport issues such as getting our vehicles across the channel and possible waiting times, with relatively short-life products in some cases. That is not currently on the priority list, and there is concern that up to 20% of dairy products being shipped to Europe could actually be in an unfit state when they arrive.

So there are lots of concerns based on delivery, paperwork and the ability to deliver European customers, notwithstanding any tariffs or other issues that may or may not come.

The Chair: Thank you, Peter. That is quite a challenging list there. Next we turn to Martin Morgan, executive manager of the Scottish Association of Meat Wholesalers, so north of the border.

Martin Morgan: The association represents all of the Scottish red meat processing sector. We have 21 members spread across 26 sites in Scotland. We have a combined annual turnover in the region of £2 billion and directly employ 3,000 staff. As Peter just alluded to, the extra costs of exporting will be immense.

Our biggest concern is the loss of our long-standing customers in Europe, not just for prime cuts of beef and lamb, which have already been mentioned, but the all-important fifth-quarter material—hides, skins, offal

and so on—for which there is absolutely no market in the UK, so we trade internationally in these products into Europe and further afield. If we lose these markets or they are restricted, then the consequences for the entire supply chain will be severe. We saw that before when exports from the UK got shut off, such as over BSE back in 1996 or during foot and mouth: the whole supply chain suffers. We are fearful that that will be the case come January once we finally exit.

The Chair: I guess there are some examples in history of what we might face if things are not good, although obviously we are working to make sure that we get some of those issues solved.

Now we move on to a different sector altogether with Jimmy Buchan, the CEO of the Scottish Seafood Association.

Jimmy Buchan: I have had a long and varied career. I started fishing as a 16 year-old and was in that sector for over 40 years, so fishing is in my blood. I have seen quite a lot of significant changes over that 40-year period. Latterly, in the last four years, I have been shoreside and I have been privileged to head up the Scottish Seafood Association, a trade association with a membership of approximately 80 members. It is primarily based in the north-east of Scotland, so much more rurally based, but it also supports the fishing fleet that lands 80% to 90% of its catches back into the north-eastern ports of the Shetlands, Fraserburgh, Kinlochbervie and of course Peterhead. The members that we are supporting are pelagic, shellfish, whitefish processing and of course some aquaculture, so pretty much all things fish.

We play a significant part in the export market, and part of our main market is the EU, so it is important that a trade deal is come by, however we get to that. However, as all my colleagues who are giving evidence have alluded to, it looks as if paperwork and so on will be a huge and cumbersome problem for each individual sector.

If there are any positives in this, it looks as if the seafood sector may be a beneficiary of Brexit in that control of the waters will come back to the UK. The debate over how the politicians will decide to divvy up any gains or losses is still open, but if we become a sovereign state we control the waters, and who will fish and where they will do it will depend on the UK. That should result in opportunities for the seafood sector in the UK in future.

The Chair: It is important that we see some of the positives as well. We are a neutral committee as far as that is concerned; we are trying to be objective about the issues that arise here.

As so many of you have already mentioned, to put all this to work we need to transport products to the EU if we are exporting to it. Next, we have Duncan Buchanan, who is director of policy for England and Wales of the Road Haulage Association.

Duncan Buchanan: The RHA is a trade body representing commercial road haulage, primarily operators of lorries but also vans. Our 7,000 or so members are primarily SMEs businesses. That is the nature of the whole industry; there are a small number of big companies and a huge number of small ones.

The RHA is not pro-Brexit or anti-Brexit. We have to deal with whatever regulatory environment we work in. It is just a case of "It is happening. We have to deal with it."

On our concerns, you have already heard a number of people talk about the paperwork. Our concerns are focused very much on the first quarter of 2021 in particular, when we will have wholesale change in the paperwork requirements whether or not we have a deal. The question of a deal is not quite as important for our trade as perhaps for some other people who are on this call.

We are going into a world that is far more complex, more data-driven and bureaucracy-driven than what we have now. The changes will have to be implemented by a lot of people who do not have the expertise, skills or knowledge—at least initially—to administer the systems. It is 16 December now, so we have two weeks to go, and we are going into a world where the systems are unstable and are not necessarily published. Changes and clarifications are happening all the time. Even now, we are finding things moving about—at-risk goods for Northern Ireland, for example, which have been lauded recently, still have a load of obscurity around them. Our point is that business cannot prepare if we do not have stable rules.

As I say, January will be the biggest challenge, but it will continue through the next few months. I fully expect it to be a bit of a shambles, to be fair. I think I have said enough at the moment.

Q2 The Chair: That is a good way to finish. Hopefully today we can try to lessen the risk of a shambles slightly, but we will see how it goes. What impresses me from what you have all said is not just the theoretical experience of your sectors but the very hands-on experience that you all have in those sectors.

I see this round table as having three parts. First, we will look at the business implications of new non-tariff barriers away from the border. I then want to have a session on the practical implications of additional border checks.

Lastly, as you may have noticed, we have not yet managed to do a deal with the EU, so we want a session on the impact of transition tariffs. We will try to do it in that way and try not to move too much from one issue to another during a session.

First, on the business implications of new non-tariff barriers away from the border, perhaps I could start by asking how your sectors will handle such barriers and what the Government can do to help with that, which is obviously what we are trying to do. I suggest that those of you who

would like to come in on this do so—not everybody has to come in on every session—and then I will open it up to my colleagues to ask supplementaries. If you want to come in on any questions, please put your hand up or indicate to me where you would like to come in.

Duncan, perhaps I could start you off on that. You are all going to be queuing up on the Kent border, are you not? How is that area looking to you?

Duncan Buchanan: We will not be queuing up on the Kent border. Most of the hauliers will get access permits; they will fill in the paperwork. You asked how we would handle the non-tariff barriers coming in.

The Chair: Particularly for the agrifood sector, yes.

Duncan Buchanan: It is not exclusively about the agrifood sector. That sector will be part of the whole mix of things.

One of the problems that we will have is that people without correct paperwork will find that their goods will not even be collected or transported. We are advising our members not to pick up goods if the complete paperwork is not in place in advance. By doing that, we create discipline in the system and make sure that people can get through the border. One thing that the Government have focused on is: "Make sure that you are prepared. Make sure you are ready. Get the paperwork done". It is almost impossible from where we are at the moment to get that right, but we say to our members: "Don't pick goods up if you don't have the paperwork".

I would expect price increases as well. Some of our members are removing themselves from the market, as are some of the European hauliers, who are 85% of our trade. That behaviour is happening right now. A lot of it will have to be a wait and see. We will see what happens in the new year.

The Chair: Lord Cameron wants to come in in a minute, but perhaps we could have comments from one or two other sectors.

Martin Morgan: One key aspect is that for any company in the UK to trade with Europe we have to be recognised as a third country by the European Union. That has still not happened, so it just puts a stop on all export activity. I understand from officials in the UK Government that that process is ongoing and they are hopeful of a positive outcome, but until we get that nailed down, I do not think that anybody would seriously contemplate sending any consignments into Europe in case they got stopped and suffered a significant financial loss.

The Chair: Yes, obviously once you have loaded the vehicle and it is on its way and it runs out of time, that is a financial loss.

June Arnold: From Gafta's perspective, a main concern is clearly tariffs on exports and imports, and having timely information, grain statistics and data. On the non-tariff barrier side, we are representing those

importing and exporting, and, for us, a real issue will be standards and regulations and how consistently they are applied. That could be in food and food safety, quality, phytosanitary, GMO and all the various issues. The closer we are aligned to those standards in our exporting market, the easier it is for the trade to operate.

As I mentioned previously, as a sector the trade can deal with a lot of these issues in our contract terms. We have a system that has been in place since the late 1800s, so it is well developed. Those quality issues are worked out between the buyer and seller. But what we absolutely cannot manage is sudden policy shifts by government in the middle of a grain marketing year. From our perspective, clear communication and engagement with stakeholders on all these issues are essential for the trade to function.

Andrew Skea: I have to take every opportunity to mention that our trade comes to a complete standstill on 1 January unless we can get third-country equivalence. It is basically the same issue that the livestock people are concerned about; I am not so sure about the fish people.

Assuming that hurdle is cleared, there will be a huge increase in the volume of paperwork. The requirement to have all that paperwork ready before goods are dispatched will be new to our industry. We will have to get phytosanitary certificates from local government offices to the farms where the potatoes are dispatched from, and they will have to go with the truck.

By comparison, we are using that paperwork now but only for markets that are a good bit further away, such as Egypt, all of north Africa, Thailand and all over the world where we are sending potatoes. We know how to do the paperwork, but currently, for these faraway markets, the goods are in transit for a number of weeks and the paperwork normally follows by courier a day or two after the goods have left. With the new system, with the EU market being on our doorstep, we will have to set up completely different systems for getting that paperwork done on time.

There will also be a huge increase in the number of orders. Orders for local markets tend to be smaller, more dynamic, with a bigger number of customers and suppliers, whereas exports to much further away markets tend to be bigger volumes and therefore involve a smaller number of transactions.

The Chair: Is this literally paperwork? Surely we are in a digital age these days. Do you not just press a button and it all happens?

Andrew Skea: Phytosanitary certificates have to be created. They are currently created in paper format by local ministry of agriculture officers. Somebody has to run up and down the road, pick up the papers and put them with other papers—maybe invoices, certificates of origin or other paperwork—and that normally gets sent by courier, DHL or whatever, to those faraway markets. It normally arrives, in Egypt, Morocco or Thailand, before the goods arrive.

So there is currently a lot of paperwork. Yes, electronic phytosanitary certificates would make a massive difference. That is definitely something that the Government could work on.

Helen Roberts: It is export health certificates that we obviously feel concern about, and the number that will be needed. Carcasses are split into many types of products. From what we can understand, an export health certificate would be needed for more or less each product. If it is travelling through multiple countries, it is printed out in each language and has to be individually signed by vets. We do not feel that there will be enough vets on the ground to do all this work. To take them away from what they have been trained to do, which is to look after the health and the welfare of the livestock on the ground, will put another burden on the industry.

I know I am representing the sheep industry here, but we need only think of all the TB testing that has to be done and the strain that already puts on the veterinary profession. We have an outbreak of bird flu at the moment. We only need something else to happen in the country and there will not be enough vets around to process and do all those animal health certificates. We also feel that the Government have underestimated the amount of health certificates that will be needed. There needs to be a better calculation of that. I am not in a position to do that. Someone from the processing industry would give you a better idea of what they think the number of certificates that will be needed for these goods to travel should be.

We would also like to see meat made a priority for when it goes to the ports. It is a perishable good, at the end of the day. We do not want to see one of Duncan's lorries all full of meat but not able to go anywhere because it is stuck in a traffic jam, or in Kent, and cannot get through. The media would have a field day if they opened up some of the lorries and found meat going off or whatever. That is not good for our industry or a good perception of what we do when we are trying to produce things to the highest standards.

Jimmy Buchan: There is starting to be a trend here: certification is a huge problem. There is a lack of people certified to issue certifications. In my understanding, it has to be an environmental health officer or, in many cases, a vet. Such skilled people are not easy to get and, even if you could get them or had the ability to employ them, for a specific field it might take years rather than months to get someone to the standard where they could sign these certificates. So obviously that is a huge problem.

Other things that we have issues with include catch certificates. Today is 16 December and I think the catch certification portal is just going live today. These sorts of things are running too near the wind for us, because they should be tried and tested by now. Brexit happens on 31 December and we are really not well equipped enough with the correct tools or the wherewithal to make sure that the goods—especially food goods, which are working against the timeline of a clock—are in a good

position. It costs an estimated £180 per consignment for the various certificates that will be needed to send a seafood consignment. If a trader has five customers, he is looking at finding not far short of £1,000 out of his profit margin. That is where the serious problem will lie.

I am hoping that from this we can convey to the Government that they need to bear that cost. No processor signed up for this. Regardless of what we think about Brexit or how we voted, no processor, including all my colleagues, signed up to have added costs for their business. I would like action from the Government to say that they will lift the cost of this, so that would be at least one burden that could come out of the equation.

However, as you will see as the rest of us feed into this session, there are many other aspects to this, and it will have a huge effect on smaller businesses. Larger businesses have bigger transactions; one consignment could be a lorryload and have a value of £250,000, but it will still cost only £180. Scale that down to the small trader who has deliveries going out to many customers in one consignment; he has a huge cost and that becomes unviable. I hope I am making the point clearly and concisely that the Government need to intervene fast on this matter.

The Chair: One thinks of whole 20-tonne consignments, and yet when it comes to multiple consignments, it gets very complicated and expensive. The committee considered this issue regarding Northern Ireland as well.

Martin Morgan: I just want to let you know that you can now order export health certification for fresh meat online. That system has been up and running since late October or early November, but it is very much in its infancy and already experiencing teething problems at the current volumes. That will multiply by a factor of 10, if not 20, come 1 January, and there is a real fear that the system just will not be able to cope with the sheer volume, the whole thing will fall over and we will have no access to certificates at all.

As Helen and Jimmy pointed out, you need a vet at the factory ready to sign the certificate in person. It cannot just be any vet; they have to be qualified under the Royal College's protocols to provide certification to their own professional standards. So there is a huge cost coming our way, and that has to be picked up or absorbed somewhere within the supply chain.

The Chair: I should just declare that I am an honorary associate member of the British Veterinary Association, but I would not trust me to try to medicate any animals.

Peter Alvis: I want to add our concern over the health certificates. Our business will go from about 70 health certificates a year to 700, and we are only a small business. The requirement for the vets to come on-site to have one of those signed is of great concern. Previously the possibility was mooted of looking at a system whereby sites could be authorised to produce their own health certificates. Every food production site is audited to ensure that they reach the relevant food safety standards that

are required. If we could get phytosanitary equivalence with Europe, it should then be possible for sites to be able to produce their own health certificates, which would alleviate a lot of these issues.

Added to that, there are things like organic certificates of inspection, which are needed to go with a lot of the products that we will be sending to Europe. It is just the build-up of paperwork that we will be finding. All of this has to be done before the product can leave, as we have heard. The net result of that is that it becomes much more difficult for our partners to trade with us. We will have longer lead times and will not be able to react to their customer requirements as quickly, so we will become a less good supplier in the supply chain because of all these hurdles that are being added.

The Chair: Thank you. We must never forget that this is a competitive market and that all these areas are really important. Thank you all for that. It has given us some rather depressing but important and fundamental steers on this issue.

Q3 Lord Cameron of Dillington: First, I ought to make my declarations of interest. I am a farmer and landowner with dairy, potatoes and cereals. I am also president of the Royal Association of British Dairy Farmers, of which Peter Alvis, who we have with us, is the chair. Mine is a nominal position; his is a hardworking one. I am also chair of the UK Centre for Ecology and Hydrology, and I am chair and a shareholder of a travel business.

My first question is to Duncan. I saw that the National Audit Office had produced the figure that HMRC will have to produce 270 million customs declarations in 2021. Is it set up to do that? Can it cope with that extra load?

My second question is to do with the inland ports that it has been agreed will be set up. I think there will be six or seven of them, and they were only designated in September. Are they going to be ready to deal with the issues?

My third question is open to anyone. There was a lot of talk about customs intermediaries to help traders to deal with certification issues and problems. Have any of you seen any sign of them? Are there enough of them, or is there a shortage? I just wondered whether they featured in your lives at all.

Duncan Buchanan: These are areas that we have raised concerns about in the past. You mentioned the 170 million declarations that HMRC has estimated will be required. About 20 million of those are for Northern Ireland, as you should be aware. We currently do about 50 million declarations across all modes of transport: the vast majority will be sea freight, going through container ports, and air freight, going through our airports. In both those cases, the goods are dropped on to the ground and the customs declarations are done while the goods are sitting in a warehouse in temporary storage. Road haulage works completely differently: you have a live driver, and it is much more complicated.

We have 200 million extra customs declarations, which are far more complex than the existing customs declarations. You asked whether we can do it, and your third question was about intermediaries. Quite simply, there are not nearly enough: we are going from needing to do 50 million customs declarations to needing to do 270 million in just over two weeks' time.

The industry has been training more people: we have been investing to try to upskill and get enough people to do the work, but there are nowhere near enough people. We understand that there is an even worse situation on the continent: they have not been investing to the extent that UK companies have in upskilling and getting more people. You have to remember that the customs border does not just have one side; there are two sides.

There are a range of declarations on absolutely everything: export health certificates, health and safety declarations, import customs declarations and export declarations. We are moving into a mountain of processes, paperwork and bureaucracy, and what has been the most frustrating for us is that we do not believe that HMRC has taken seriously the scale of the problem for the industry in relation to adaptation over the last four years. We have known for years that the scale of change is enormous, and there has been too little, too late from officials who have been too deaf throughout this. That is a theme that everyone has been talking about here today. We need stability against which we can plan, and we do not have it. That is where we are.

On inland border facilities, we received a spreadsheet about two weeks ago showing what each of the inland border facilities will do and what tasks they will and will not do. We are still asking questions about some of these sites, so even that is not completely stable. They will be there and they will work, but whether they can process the scale of the paperwork is completely unknown at the moment.

Q4 The Duke of Montrose: I am a livestock farmer from Scotland and a former president of the NSA. It is good to see Helen Roberts here from that organisation to give us the Welsh angle.

In terms of volume, the export of sheep is largely to Ireland or Northern Ireland. Helen covered the question of meat and lambs for slaughter, but there is a bigger issue with live exports. Could she address this and the stipulations that the EU has on scrapie? Could the Government make some phytosanitary equivalents that would help that situation?

Helen Roberts: We have been trying to lobby government on this issue, in view of the lambs stuck in Scotland at the moment. It is not quite such a big issue within Wales, but there are potentially 4,000 Scottish Blackface lambs in Scotland that were bought by Northern Ireland farmers this autumn—something they have always done. They out-winter them in Scotland and transfer them back over once they are 12 months old because they have to be MV accredited to go to Northern Ireland, and they cannot be blood tested until they are 12 months of age.

Part of the extra stipulations coming in now is to do with scrapie: they have to be from a scrapie-monitored flock—to get to that stage takes 7 years—or they have to be genotype R1s with a blood test, which will cost between £25 and £30 a head, because they can only go to Northern Ireland if they are genotype R1s. Obviously, this is quite a dilemma, because these rules have only just come out. This is a trade that has gone on for years, and we would like to see some help with trying to get these lambs across to Ireland next spring, and we would like to see some derogation.

I will move forward to next year. A lot of pedigree stock, be it sheep or cattle, goes to Northern Ireland and comes back to us. I breed Suffolk sheep, and I know a lot of the Irish boys who come over every year to sell and vice versa. At the moment, in relation to the stipulations that will be put into place, as my Irish equivalent said last night, there will not be a pedigree industry in Ireland the way things are looking, because they do not feel that they have the option to bring their stock. If it comes here for a sale and is unsold, it has to remain here for 40 days before it can go back to Ireland,² so the way the rules are it will just not be possible.

We are learning about this very late. You can say that we have had four years to plan for this and a 12-month transition, but knowing about these rules only now is not helping us. Any help that the Government could give us to oversee that problem would be fantastic.

Q5 The Earl of Stair: First, I declare that I am an active farmer in the dairy, sheep and grain fields. I am also currently in negotiations with Transport Scotland for the provision of the emergency lorry park linked to Brexit.

This question is for the whole panel, and I hope it is not a dangerous question to ask. It has been very clear to me, from the work that we have done in this committee, that one overriding issue that has come up is that there has been very limited dialogue or consultation between government and the different organisations that we have spoken to in the lead-up to Brexit.

Some very interesting points have been raised by all members of the panel about the need for third-country status in relation to changes of policy and paperwork build-up. Is there anything that the panel can think of that we, as a committee, ought to take to the Government as being a single issue that could be critical to altering the flow of trade to Europe after 1 January?

The Chair: I will bring Jimmy in, but I will leave your question until the end of the session for the whole panel to sum up.

Jimmy Buchan: If you are delaying the question, I will delay my answer. It will fit in better later.

The Chair: Then we will ask you at the end for your one bit of optimism, as you were a bit more on that side when we first went round. It would

² Helen Roberts subsequently clarified that any unsold stock has to remain in the UK for six months plus 40 days.

be nice for everything not to be negative right at the end, although I suspect there might be a fair bit of that.

Q6 Baroness McIntosh of Pickering: Good morning, everyone. Like the Chair, I am an honorary associate of the British Veterinary Association. I am a patron of the Institute of Agricultural Secretaries and Administrators. I am honorary president of the United Kingdom Warehousing Association, and I sit on the rural affairs committee of the Church of England.

I want to limit myself to one question, on Britain becoming a third country and the status that we attract there. I cannot remember whether it was Andrew or Martin who referred to this, or both of them, but I am particularly concerned about the maintenance of standards—we have had a lot of chat about that in both Houses of Parliament—what the role of the Food Standards Agency will be, and whether you think that it will be in a position to step up to the plate from day one. My understanding is that it will be responsible for checking produce that is in transit through the European Union as well as products emanating from it, so for anything coming in from Brazil, Argentina or the US via Europe it will be our FSA that comes there.

As a supplementary to that, everyone has said that the problems will be massive on 1 January. Where do you think we will be by 1 April? Would it be worth our while asking for a period where you know what the rules and procedures that you are all going to have to follow will be?

The Chair: You pointed to Martin and Andrew on that, so I will ask them to come back in briefly. Is the FSA up to the mark, and what will we look like in April? Basically, is this just a bit that we have to sweat through and then everything will be fine later in the year?

Martin Morgan: I am not really able to comment on how well prepared or otherwise the Food Standards Agency is in its efforts to monitor the standards of imported goods. That is a reserved area and we have not been involved in it a lot. I know that the UK Government have set up a trade commission to look into these issues. One hopes that our standards will be maintained, but that is a political position that will flow from any future trade deal. It is an area that we will watch with interest, because we do not want to compete with inferior product produced to a lower standard and therefore at a lower price.

On where we might be come 1 April, the Scottish food industry has already written to the Prime Minister asking for a period of grace of up to six months in order to learn how to cope with and abide by the new rules and systems. I think that things will be chaotic in January and possibly into February but will start to bed down as people learn what the new rules are and as systems that are there to support business continue. It would be a great help if the Prime Minister could agree such a period of grace because, as you have heard already, businesses are just not prepared at all. The machinery of government that would support them is not prepared either. We need a little more time just to get our house in order.

Andrew Skea: I am not sure if that question is so relevant to me. The plant health people are separate from the FSA and the vet-type people. Also, potatoes are not quite as perishable as some other products, so we are shipping out as much volume as we can. We have delivered most of our January and February orders to Europe and Ireland already. I think that applies to most of my contemporaries—not all of them maybe, but most of them. We are planning to be as quiet as we can with respect to exports during January and February, hopefully allowing other people to make the mistakes and find the solutions to things.

The Chair: Does anyone else want to come in on the Food Standards Agency in particular?

Peter Alvis: My point is not necessarily so much about the Food Standards Agency as about the process for making sure that the paperwork is correct. I think a lot of dairy exports will not take place in January and possibly the early part of February. Orders will go before Christmas, and we will wait to see what actually occurs with the paperwork through that period, as Andrew has just suggested. We could then look at picking up orders in the second half of February and into March to make up positions at that point. A lot of stock building has been done by European customers during the past few weeks.

Q7 **Lord Carter of Coles:** I should declare an interest: I too am an active farmer, in Hertfordshire, concentrating on cereals.

I have one specific and one general question. First, Duncan, is trucking capacity going to be a serious problem? Do you have an estimate of the actual likely drop in capacity for both domestic and European truckers? Do you sense that there will be a steep increase in price as a result of capacity dropping, and what might the effect be, certainly in the first quarter?

Secondly, on the more general question of cost, once we are through what is obviously going to be a very difficult transitional period, looking at April onwards, do panel members have a sense of what the increased cost just of the paperwork will be on an ongoing basis and what that will do to their relevant activities? What effect might it have on volumes? Forget tariffs and all those things; I am thinking just of the cost of transacting the business.

Duncan Buchanan: I will start with the second question first, if I may, on price. Time has to be paid for. The vehicles earn revenue and it is based on time and distance travelled. The distance travelled is not going to change, but the time to do a journey will. I have written down here, “‘Don’t know’ is the answer to your question”. We really do not know how much time will be added to this. We have administrative time, but we also have the physical time for the lorries themselves. We do not know the scale of the problem until we are in it.

It is the same with capacity. We cannot know what will happen to capacity until we are in the problem. We know that European hauliers are pulling out of the market already and that UK hauliers are doing the

same. We also know that there is a massive amount of stock building, as has been mentioned. It is widespread, which is why the Channel Tunnel and all the routes are very congested at the moment.

I cannot give you any reassurance on capacity. At the end of the day, if people pay people to do haulage, haulage will get done. It may be slower; it may be more expensive, but it will get done if people pay.

The Chair: I think that June and Helen wanted to come in on the last question. Perhaps I could ask them whether they have any comments on the additional cost of paperwork. Then Baroness Jolly and Lord Cormack want to come in, and then we will move on to the next session.

June Arnold: The FSA faces an arduous task in terms of UK domestic legislation being brought up to speed on CRD and pesticide residues on non-tariff food and food safety issues. We are concerned about these non-alignments going forward.

Coming back to the documents question, we also have concerns about phytosanitary certificates. We have been told that we will not require phytosanitary certificates for export to the EU or from the EU to the UK, but when the border operating manual model document was produced, grain was included in the plant and plant products categories, suggesting that we will. It is very worrying that we are in this uncertain situation with two weeks to go, where we are not clear on the documentation requirements and there is confusion in the published documents.

A grace period until 1 April would certainly be useful to all the sectors because we still face so much uncertainty. We have no idea what the tariffs will be on exports to the EU. We have not yet seen the UK global tariffs for imports published. We have advised our members to import and export as much as they can up to 31 December. We hope that there is no major rush for the month of January.

Our crunch time will be more towards harvest time in any case, but a grace period would certainly help with knowing and understanding what the new requirements will be. Again, there is a lack of clarity with customs and trade stats. We have no idea where we can access those, how we can actually trade on a weekly or monthly basis, how we can prepare or what kind of tariff allocations will be given to us. Nothing has been published and nothing is clear, so there are a lot of outstanding issues.

On the checks and the costs, we are probably in a bit of a different situation because we are not really expecting many additional border checks on our exports of barley, feed wheat, oats or beans, and we are shipping huge quantities in large vessels, so for us it is more about port readiness and customs agents' availability to avoid backlogs that would cause knock-ons that would mean we incurred costs. Because we are shipping in bigger vessels, I think we are in a different situation.

The Chair: Thank you. I am going to bring in Helen, and Lord Giddens wants to come in, and then I am going to close the list on this section

because we need to move on.

Helen Roberts: I am not sure where the FSA is, but I know that we, along with a lot of other organisations, have also written to the Prime Minister, as Martin alluded to. We have a session with Victoria Prentis tomorrow to give evidence about the things we think are important. One is the period of grace that we have asked for in order to get used to the transition and because we think we need time to embed. People will say that we have had 12 months' transition, but we are only just getting to find out what the rules are, so having the first quarter of next year to help us through would be fantastic.

We are seeing a lot of lambs being sold at the moment. There seems to be an increase of lambs coming on to the market, so I can imagine that there are quite a few people out there getting the lambs ready, and a big percentage of those are being exported, so the first quarter of the year might be quite quiet for us.

The Chair: We shall move on to Baroness Jolly. I ask that we make questions and answers fairly short at this stage.

Q8 **Baroness Jolly:** What more can the Government do to help to reduce the impact of and perhaps the need for additional border checks, either through future agreements with the EU or through unilateral measures? In what areas is more guidance needed?

Peter Alvis: The equivalence for things like phytosanitary regulations and that sort of thing so that we can reduce the paperwork and return to a system that is more similar to where we are currently, not necessarily needing some of the inspection certificates and health certificates that we will have to be adding to these orders as we come into the new year. It is really about equivalence where we have it currently but will not have it when we come into the new system. That will make the biggest difference to many people. We will still have customs declarations and things like that to fill out, but it is about making sure that the availability and the tech systems are sufficient to cope with the increased volume that we will be seeing there. Equivalence is the big challenge.

Martin Morgan: I would argue, and would strongly press this case with the UK Government, that we already have equivalence, because for the past 40-odd years we have operated according to EU rules and will continue to do so once we formally exit on 31 December. That ability to demonstrate to Europe that we meet the same standards as them is a given, but we do not seem to be pressing very hard on that point. Presumably it is politically unacceptable to say that we will agree to abide by the same EU rules for a defined period, but even six months might spare the industry a lot of the pain that we are expecting to endure come 2021.

The Chair: Indeed. It probably comes down to this issue of sovereignty, but hopefully a certain amount of pragmatism will come about. We will find out.

Q9 Lord Cormack: I am sorry about this. I have been able to watch and hear everything perfectly, but I can only contribute by phone because of a fault on my machine. I have just one comment.

Everything that I have heard this morning has almost taken the festive spirit away from me. I have felt very angry and frustrated. Do our friends—I would be happy for anyone to answer this—feel that if we had taken a proper pause when Covid struck, we would have been doing a sensible thing? I have urged that many times in the House. Can any of our friends say whether they have met a Minister or an official who has really understood the magnitude, the enormity, of the problems that they face, with the forms and all the rest of it? I have not met a government Minister who has really understood what they have unleashed upon us.

The Chair: I should point out that Patrick is a member of the government party, so this is not party political.

Duncan Buchanan: For us, I do not think Covid has made a material difference to preparation. It was a shambles before and has been a shambles throughout; it has maintained a consistent level. From where I am sitting, Covid has not improved things or made them worse.

On the question of whether Ministers or officials have understood the scale of the problem, I have met many officials, particularly at the Department for Transport but across all areas of government, who have understood the problems and the scale of them. However, I would say that the higher up you go in the hierarchy, the less reality and the more politics there is.

The politics of Brexit—deal or no deal, remainer, remoaner, all that stuff—has got in the way of proper preparation. The politics has destroyed Brexit, in a funny sort of way, because we should have been focusing on how to make it work, not on whether it is right or wrong; that is done. We have to find ways of making it work, and unfortunately the name-calling and the people who have embedded themselves into a pure form of Brexit have got in the way of the practicalities of making things work.

So that is a good question, but I just want to say that I do not think Covid has really affected this one way or the other.

Peter Alvis: I do not think they understand the implications of what is coming, because we do not actually know what the rules are. We have only just really started to find out what they are, and without having those rules no one knows what the implications are until we start.

Martin Morgan: I agree with Duncan. The understanding of officials is pretty clear; that of Ministers, less so. On the back of our letter to the PM we had a meeting with Victoria Prentis, and she was not able to give us a lot of answers or positive news. It was not a fruitful experience.

The Chair: Thank you, Martin. I was driving along the M3 earlier this week, and there were big signs that drew attention to the fact that EU

documentation changes on 1 January. That is as far as it went, and I had the impression that that is as far as it goes for everyone, in that we know it will change but unfortunately we do not have a lot of information yet. Obviously, that is the implication of what is being said. From the committee's point of view, a lot of our work has involved asking exactly those questions in a very neutral—neither Brexiter nor remainer—way to get to the bottom of what is going on. That has been the DNA, if you like, of this committee. Lastly on this section, I call Lord Giddens.

- Q10 **Lord Giddens:** That was a terrific evidence session. I found it very informative and, as was said, deeply disturbing. I wonder whether you could list two or three concrete policy outcomes that could be put in place very rapidly in your different areas and which the committee could communicate to the Government, so that this session might at least have some immediate practical output? I found it very instructive and disturbing.

The Chair: As with Jamie's questions, I will leave that to the end, because we have two other areas. I have let the first session go over time because it has been so valuable and covered a lot of the area.

Lord Giddens: I apologise if I came in at the wrong time with that.

- Q11 **The Chair:** I will move on to the border checks. How does the panel expect additional border checks to affect the delivery of their products to the EU market? I cannot remember which of our witnesses said it, but we have border checks on both sides of the channel and the Irish Sea, of course, so it is not completely in our hands.

Duncan Buchanan: I am not confident that we will have a properly functioning border on 1 January or in January at all. People talk about checks, but we need to understand what we are talking about. Is it physical checks or paperwork processing in checks? The latter is what we are most fearful about. There have always been physical interventions and inspections of goods by Border Force and French authorities—they have always existed and will grow.

However, the biggest thing that we are concerned about is the scale of the paperwork, because if you have not got all your paperwork in order, you are wrong. It is either 100% right or it is wrong, and when it comes to customs, that is a serious impediment. To be a bit more reassuring, the EU side are probably better prepared with their facilities. They have gone for it without being reticent about telling people how to do things, so there are better systems in place on the EU side, but they will take time and lead to delays in processing vehicles.

The Chair: Thank you, Duncan. As I understand it, a lot of the Scottish industry exports through Dover on overnight trunking. I used to be in the haulage industry myself—but right down south. Are there any promises that perishable goods will get preference, or will it be that the first to turn up will be first through the port?

Jimmy Buchan: I think it will be a try-it-and-see scenario. We have done as much as we can, raising all the issues with the various

departments: the Department for Transport and Defra. Apparently, 5,000 jobs in Boulogne-sur-Mer depend on fish flowing into the region, so it is in its best interests to make sure that that actually happens. We have the facilities to make sure that, when fish arrive at Calais, they will not stop until they are in Boulogne, where the inspection and certification check will take place. Duncan is right that the EU has, to a degree, done good work here and is preparing for the new opportunities—or lack of opportunities, as some people say.

It will be very dependent on what happens. How strict will the EU be with the paperwork? Will it demand 100% or will there be grey areas? We really do not know. Equally, as much as this is a concern and a threat for exports, I would like to think that reciprocal goods coming the other way would be under the same stringent reviews, so that anything that is hurtful or disruptive to United Kingdom exports could, or should, be equally disruptive to imports. If it is not, you may find that the flow of trade in goods becomes very unbalanced. We have to be very aware of that.

Will there be resistance from other people on the French border? Will the French farmers, fishermen and industry resist any deal that they feel is not in their best interests? Public discipline plays into this as well. There are a lot of unknowns. I agree with some of my other colleagues. I do not think that the government officials are fully grasping the scale of this or giving us the tools that we need in the timelines that we need them. There is much work that needs to be done.

The Chair: Thank you, Jimmy. We have had George Eustice, both in his previous role as Defra Minister for England and in his current role as Secretary of State, saying that we will be letting pretty well anything in on the import side in order to keep the supermarket shelves full.

Q12 **Baroness Bryan of Partick:** The only declaration that I have to make is that I am a consumer: I eat everything that each of you produces or delivers.

I am concerned about the amount of perishable goods that we will potentially be unable to export, perhaps for weeks or months, until this is resolved. What will happen to them? In relation to the haulage problems, if the certification is not correct when it arrives at the border control, what will happen to the contents of that lorry? If there are protestors stopping the delivery of shellfish into France, what will happen to that? As Helen said, people might try to delay, but some things cannot be delayed: if a ewe is expecting a lamb, it will come. Are there contingencies for what will happen to the product?

Helen Roberts: The Government have indicated to us that we may have some sort of compensation system in place, but that is more in the event of us having no deal and having tariffs imposed on us. If we get a deal, I do not suppose they will be too keen on compensating us if we cannot move our product at the right time. Once a lamb is ready to go to market, it is ready. We cannot afford to keep it safe for a month longer

than necessary before it goes on to be processed. It is the delay in the goods going that is the problem.

I heard from someone last night—obviously this is just hearsay—that apparently Europe may not accept chilled mince from us. That might be a product that is not allowed to go. Does that mean that we are not allowed to freeze it beforehand and then send it on? It can only go as frozen or fresh; it cannot go as chilled, apparently. I cannot confirm that, because I have not had a chance to read up on it this morning, but I am sure that rules like that will be thrown at us as an industry, and it will be last-minute things that add costs for us somewhere down the line. For me as a producer, it will no doubt come back to us.

I feel that the Government could be helping us and putting more into our home markets, but we know that with lamb as a product we only eat certain parts of the carcass here. That is why the European market is so important to us, because the other parts of the animal are eaten there. So any help that the Government could give us would be welcome, but at the moment they are offering it only if we have no deal and tariffs are in place.

Martin Morgan: I confirm what Helen said: chilled mince and so on has to be frozen to minus 18 degrees if it is coming from a third country, which the UK will become, and that will have supply-chain ramifications.

On the Government's contingency planning, I understand that they have two or three scenarios under consideration and will see what the scale of the market disruption is before they trigger any support mechanisms, if indeed they do.

To answer Baroness Jolly's original question, I think the market will have to level out. If you are not going to export, you will need to find a buyer in the UK, but there may well be a reduced return, which, as I said earlier, will have consequences back down the supply chain in terms of what processors can pay livestock farmers for their stock.

June Arnold: On the perishable side, we have less of a problem in dealing with those immediate issues. From the trade perspective, we still do not have enough clarity on the various checks for Northern Ireland. We really need clarity at this stage on what the tariffs on exports and on the import side will be, which we have not seen yet. We are uncertain whether there will be changes and what those changes will be.

Those are the major issues that our members are calling for clarity on. If we cannot continue to export to the EU, or if we are obliged to pay high tariffs, we need to start discussing a way forward with more free trade agreements and continuity agreements, which are essential.

The Chair: We will come back to you on that issue in the next part of the meeting.

Q13 **Lord Cameron of Dillington:** Since I raised my hand, this subject has been raised by several people. I will ask Jimmy this question. With regard

to border checks, it seems to me that for fish products—I think we export 70% of our catch, most of it through France one way or another, even if it is going elsewhere—the reaction of the French fishermen will be a real problem. If your product is delayed by 48 hours or three days, is that product then spoiled for its market? I suspect it probably is.

I have a Scottish friend who used to import coal from Poland. During the miners' strike he got very crafty and had to bring his coal in on boats from Poland to Scotland through places like Bideford in Devon and small ports like Wick in Scotland. Do you have any contingency plans to avoid some of the problems that will be created by resentment within the EU? Maybe either you or Duncan could answer this question.

Jimmy Buchan: That is a very good and pertinent question. On the first part of the question, yes, it would not be unreasonable to suspect that there would be some sort of civil unrest, depending on the outcome. It will depend whether we get a trade deal and whether EU fishermen will continue to be able to fish in some capacity within UK waters. There are a lot of unknowns. Assuming the worst-case scenario, and looking at the past, it would be fair to assume that there may be some sort of civil unrest.

I still charge the UK Government with it being in our national interest that they make sure that none of our transport drivers—this was been raised with me by a colleague earlier this morning—is put at any risk. They should be protected at all times, even if they are going into another country. That is a point that I really want to make, because they are getting very concerned that a lot of people are trying to get on to these lorries on their return journey back into the UK as a route into this country. It is important that our drivers and our transport system are protected.

Secondly, if there are delays and it is a spoiling product, we are working against the clock. Every 24 hours that you lose you are losing value in that product, so again we cannot afford to have delays.

Lastly—this is the bit where the Government have failed me and probably the national interest—is there a contingency plan? If there is, they have not shared it with me. That is a disgrace and on them, because we should know what to expect and how we as an industry should prepare for it. As far as I can see, they are still trying to funnel everything out through the Dover-Calais straits. If there is a choke there, the whole system will come tumbling down like a house of cards. The Government have failed the industry in this area, because they simply have not put in enough preparation or shared that preparation with the wider industry so that we can then say, "Well, there are plans A, B, C and D." Right now, we are working to plan A and nothing else.

The Chair: That is a very important statement. I also understand, following on from Lord Cameron's question, that certain ports can be registered to do only certain things. You cannot just come in and out of any particular port with a number of these products; you have to go

through authorised ones. I do not know if anyone has any views or thoughts on that. Duncan, is that right?

Duncan Buchanan: That is my understanding as well: certain products have to go on certain routes to enter the country. You mentioned Boulogne. If you go into Calais, you drive round to Boulogne because that is where the inspection post is. In all fairness to the French, I was there in September 2019 and had a look at the facilities that they had put in then. When I say that the French and some of the European ports are a bit more organised, that is what I am talking about. They actually have procedures that you can look up on the internet. What Helen was saying earlier about clarity and preparation is really the problem; it is the lack of clarity.

Lord Cameron mentioned contingencies. The contingencies that we have had in the past have not exactly filled anyone with a huge amount of confidence. I do not know if you remember the Ramsgate ferry debacle, which was a perfect example. The logistics industry is incredibly adaptable. We will go on whatever route by whatever method is most efficient to get the goods to where they have to go. The customer is paying us to deliver the goods in the right condition at the right time to the right place, and that will always remain the focus of the industry.

What we are facing in January, February and March is a catastrophe of not having clear rules to work against. It will get fixed, but it will not be fixed in January.

The Chair: Martin, I saw you nodding your head there.

Martin Morgan: Yes. I wanted to emphasise that the entire livestock supply chain has shown resilience in the past—Duncan is right—as has the wider agrifood industry, for that matter. We will survive and continue to trade. Prices may take a knock for a period, but we will come through this alive and kicking.

The Chair: To finish off this section before we move on to tariffs, perhaps we can come back to Baroness McIntosh's question about whether, by the time we get to June next year, we will look back at this and say, "Well, that was a shambles"—as I think someone described it—"but actually everything is hunky-dory. All right, we have the extra cost of a bit of paperwork, but the systems are finally working, and we can all get on with a brighter life". Is that how it will be, or are there long-term issues?

Andrew Skea: I think there will be long-term issues. We are moving from being in a domestic market of 500 million people to being in one of 67 million people, with the rest of the 500 million now an export market. It will be considerably harder to service customers where we have all this extra planning and paperwork to do. Just as Duncan said that some of his members would possibly withdraw from the export business, so some trade that we are currently doing will become non-viable.

The bigger orders, the full trucks, may continue as normal with the one piece of paper, but with a lot of the business that goes on, certainly in my own business but I imagine in all sorts of sectors, we have really developed within the European single market, where we can sell directly to consumers in Greece or Ireland. My website is just a small part of my business, but it will close down to export orders shortly, because we have to deliver this stuff before the end of the year. Yes, I think things will change permanently.

Peter Alvis: As Andrew has just said, smaller organisations doing export trade into Europe at the moment will be significantly affected. The cost, even if it is £200 per order, will be significant for many of them and make their export businesses non-viable. A number of our competitors have said that they will not be exporting to Europe shortly, so there are challenges. As for ourselves, we have decided that we can probably get round some of this by importing and then having a reselling agent within Europe so that we can consolidate orders into a single port and try to fill containers, but that is not viable for many businesses and has its own challenges as well. I think that there will be a massive impact on the food industry and small organisations that currently export into Europe.

Q14 **The Chair:** That is very helpful, if not very encouraging. Perhaps some of those industry contingencies will work.

Let us move on to the final session. When we wrote the agenda for this meeting, we did not know whether we would need this section, but we still do because we do not know whether there will be an agreement between us and the European Union.

This section is on the impact of tariffs. I must say that some of the tariff levels here, particularly in areas such as dairy, are eye-watering if we are on WTO conditions—of course, those work both ways. Which of your products do you expect to be most affected by EU tariffs, and will you continue seeking to export them to EU markets if that happens?

Helen, can I start you off on that? Parliament is probably more aware of sheep and export of lambs above all others in many ways.

Helen Roberts: As I said in my opening statement, sheep is the major product of Wales and exporting it to Europe has been our mainstay. To be hit by these tariffs, which have been quoted as between 40% and 80% depending on what cut of meat it is, will be devastating. The Government have said that they will help us out with a compensation scheme, but we do not quite know what that looks like. Obviously, we trade at different times throughout the year. The beginning of the first quarter of the year will see what are known as the store lambs coming back on to the market. Store lamb producers will need to be compensated to start off with, but if the market does not recover going through next year, the likes of me, who will not be lambing until April, would like a ewe premium paid to us to help compensate us going forward. That is quite an easy scheme to implement, because we all submit our numbers, whether it be in England or in Wales, to indicate how many sheep are on our holdings

at the beginning of the year. That could be implemented quite easily. We hope for those sorts of things.

HCC, the red meat levy board in Wales, has said that it will continue to look for other markets for us to sell our lamb into. That is obviously encouraging, and we hear a lot of talk about China being an opportunity, but I am quite fearful of somewhere like China because we know that it can turn the tap on and off and say, "Your product's banned" or "We don't want your product from the end of next month". We would then be back into a situation where we had a glut.

Cutting off our nose to spite our face not to keep trading with the EU will be really detrimental. We would like some sort of level playing field when it comes to standards and equivalence. From an environmental perspective, surely it is better to trade with someone who is close to us than to send our product half way around the world and create a bigger carbon footprint. We are trying to reduce our carbon footprint, so to have that market on your doorstep seems to be the best way forward.

The Chair: Yes, I think that Australia has found out that trading with China can be quite difficult. When the politics get tough, the trade can get tough as well on occasions.

Peter, I am going to bring you in here, because my notes say that the average tariff for dairy products is 37.5%, which is very precise. That sounds to me as if it might as well be 100%, because at that point we just become uncompetitive, but you may have a more optimistic view.

Peter Alvis: No, that would be a pretty good summation of the situation. At that level, we would lose the majority of our export markets. Our business has seen exports into Europe growing over the past few years—that has been a good market—so to lose it would be very difficult for us. Having said that, there are some specialist products, such as organic products, that may well survive some of those tariffs, but it will be extremely difficult, and many people will find that exporting with tariffs at those levels will be virtually impossible. Time delays for liquid products going over to Europe combined with transport issues and border checks, as well as potential quality issues, mean that we must make sure that we do not become a country that loses its position as a quality exporter of quality products. That is one of the key things that we must maintain throughout this.

The Chair: I wonder, perhaps naively, as a consumer, as Baroness Bryan described us, whether dairy is one of the areas—we import a fair bit of dairy product in the form of milk and so on—where there is a substitute domestic market, or do the sums not really add up on that?

Peter Alvis: There would be a substitute domestic market, if we were not importing so much product from abroad. For the artisan cheesemakers and producers there would not be too much of an issue because they are already charging a premium price, and the very big processors will be fine. It is the medium producers and processors that

would probably be hit hardest. We look at the export markets because we can add value to our products and recover a higher return, which we would not be able to get from the UK market. The UK supermarkets have negotiated hard over the years, as you would expect, and they have a relatively low cost of product going in. Many of the medium processors would probably struggle to make the numbers stack up within the UK market.

June Arnold: Tariffs on both the import and export sides are a big challenge for Gafta members. Currently we are exporting up to 1 million tonnes of barley every year. Some 80% of UK barley exports go to the EU, and that has been happening for the last 18 to 20 years. We have the same situation with other niche products, as we have heard already—milling oats, which go to the EU, and several other products such as beans. Without the EU market, or if we face very high tariffs, those niche products will need to be kept on the domestic market to add some kind of value.

If we cannot export for example barley to the EU, we will have to look to third-country markets, and that changes the whole logistics of how we work today. It would mean that instead of exporting the barley to the EU on small coasters of 3,000 to 5,000 tonnes from the east coast, we would need to move to deep sea ports. That would mean more lorries and more cost to the farmer to deliver to those ports, which would mean more CO₂ emissions and so forth. I just see increased costs. To sell to third countries you need a drier product with lower moisture, so again that would lead to increased costs.

Another big concern is that on the import side the UK is not self-sufficient. We need to import proteins for livestock and high-quality wheats for the milling industry. Deal or no deal, that is an annual issue.

We have a draft of the EU global tariffs document. There are inaccuracies in it at the moment, so we will not be able to import high-quality wheat unless those are changed. We would like to see the document published. There are huge fears that if changes are made between now and the end of December, we will not know how we work that out as it is only a couple of weeks away.

We are searching for clarity on a number of the tariff issues so that we know where we are and how to manage that. There are certainly fears and concerns about our export markets. WTO terms are not a good solution. As I have said, the best solution is free trade agreements and continuity agreements, but they take time. Free trade is an important aspect for Gafta members.

The Chair: If it is WTO terms—or an Australia-style agreement, as I think it has been described—obviously you are competing directly with the major global grain producers such as Canada and the US, which have economies of scale. I presume that would be an issue.

June Arnold: Sure.

Q15 The Duke of Montrose: We are talking about the number of producers who might become unviable. I have a statistic from yesterday that 400,000 of our lambs in the UK are exported to Ireland. I wonder if Helen has an indication of how many of them come from Wales or go through Wales. They must be a large proportion of our exports to the EU altogether.

Helen Roberts: It would be a large proportion. Unfortunately, I do not have the percentage, but I can certainly get that information to you. Still, it would be a large percentage. We want to keep that trade going with Ireland. We feel that, with the way the Northern Ireland Protocol has been put in at the moment, Northern Ireland has sort of been put back in the EU. We will have to deal with those rules with a partner that is supposed to be part of us, but we want to maintain that free trade across to Northern Ireland and back. I will try to get you a breakdown of the amount that we export to Northern Ireland.

The Chair: If any of our witnesses want to submit anything to us following this meeting that you feel you might not have had a chance to say, by all means pass that on to Jennifer Mills, our clerk.

Q16 The Earl of Stair: I have a question directed mainly towards Peter, but some of the others may have a point to make on it. We have talked about the 37.5% tariff on dairy products. What equally must not be forgotten is that at least two of the major bulk milk producers that I can think of in this country are owned by European companies. Has there been any feedback to your organisation, or to any of the other organisations, about their reaction to a tariff of 37.5%?

Peter Alvis: I have not had any feedback from them yet on that point. I suggest that those organisations are probably not necessarily moving as much across the border as some of the others. There is a lot of liquid milk being produced. That sort of stuff will be processed and consumed within the UK by those organisations, so there would not be quite the volume in comparison to that overall UK trade travelling across the border. They will have some, without a doubt, and I guess they will be looking at whether they can manage that by producing different products within the UK to some extent so that they do not have to cross the border in the same way that we would see. They will have more ability to manage that within their business because of the size of the organisations that we are looking at.

The Earl of Stair: I was thinking of by-products—from cheese production, for example, you get powdered milk and so on—a lot of which go for export.

Peter Alvis: Some of those will definitely be a challenge. I know that a lot of proteins travel across to Germany for further processing and that sort of thing, and that will be very difficult to achieve under the current rules as we see them at the moment. Yes, there will be big issues there.

The Earl of Stair: Are there any other industries that may be affected in a similar way involving European ownership in this country?

- Q17 **The Chair:** Would anyone else like to come in on that? No? Then I will start to wind up the meeting. I just have a quick question for Jimmy. You mentioned the aquaculture industry, which is often forgotten about in these matters. Norway has traditionally invested a huge amount in the salmon aquaculture industry in Scotland, I think to get within the single market or the customs union, which Norway is not in, even though it is in the internal market. Will that be affected hugely? Is there a lot of export there, or is it mainly a UK market for farmed salmon?

Jimmy Buchan: I would think that that would have a huge effect on EU export. I know from many meetings that I have attended that my colleagues in aquaculture are very concerned about tariffs, especially if, as I am led to believe, smoked salmon could attract a 25% tariff. That is a huge hike on any good leaving the UK. So again, yes, it will affect the export of salmon into the EU. As was rightly said earlier, the first country of arrival is France, but then it is for further onward distribution right across Europe.

I know you are winding up, but I will sneak in one thing that has not been touched on very much: access to labour. When it comes to processing, access to labour for producers will be a huge problem. Again, we are lobbying Defra and the Home Office hard. They need to change their policies and they need to look at rural Scotland. We have two cases: Scrabster, which is in the far north, competing against big industries like Dawnfresh, whose local people would much prefer to work in a warmer environment rather than a cold processing facility. There is a company in rural Islay with a total workforce of 15 that is trying to recruit 10 jobs, and there is no pool of people that they can pull from. At this point, we need policies that allow rural Scotland to operate and access labour markets.

Of course, the replacement that we need for EMF funding has not been touched on at all. If we are to have any positivity at all in a post-Brexit era, we need to start the investment and planning now. Hopefully, I have not stolen all your time.

The Chair: That is a really important point. Like two of the other members here, I come from Cornwall. The very limited seasonal workers scheme is only for food products, but we have a daffodil and flower-picking industry that is also totally dependent on EU labour, so we understand that point very much. After the next questions, I will ask the Earl of Stair to ask his question again so that we can round up with the main points.

- Q18 **Baroness Bryan of Partick:** This is part of the round-up. I ask Helen, Martin and Jimmy whether the Scottish and Welsh Parliaments have been able to play a role in this process? Have they been able to give support in any way? What role would you expect them to have going forward?

The Chair: We will take that question separately in a second.

- Q19 **Lord Cameron of Dillington:** You asked Peter about the scope for increasing the domestic market if things start going wrong. I thought he

answered that very well. My question is part and parcel of that. Might the new border controls and delays restrict, or at least restrain, imports? Is that an opportunity for us to change the marketplace in relation to dairy or fish? Is there an upside to having a new border?

The Chair: I ask for very brief answers, please, first on the devolution side.

Jimmy Buchan: I have a very good relationship with the Ministers in the Scottish Government, and they are very receptive to our pleas. However, the UK Government and the Scottish Administration are on different playing fields, so it gets very difficult for us to get commonality for what we would like. We all want the same things. We just want to arrive at them from different points of view.

However, that makes it somewhat difficult, because fisheries are devolved, so the Scottish Government probably have more of a say, but we still have to go back through Defra and the various other departments to lobby on behalf of the industry. It gets a bit mixed and noisy, and I wish that we could all just sit round a table, air our open grievances and get on with delivering what people in the industry need. At the end of the day, although politics drives this, it is about people, business, jobs and the economy. The quicker we get around the table and agree to get on with it, the better our chance of getting an outcome that is a win-win for everyone.

Helen Roberts: I concur with what Jimmy has just said. We have a good relationship with our Minister in Wales, but when it goes on to talking to the UK Government, there is a conflict and the answers are not forthcoming. The Welsh Government feel very let down by the UK Government at the moment because of the spending review: our budget has been severely cut, and we feel that that will not help us, as an industry, if the money that we receive is less than what we were told and less than the pledges in the Government's manifesto. This is another political issue that we feel is out of our hands, but we would have liked that level playing field.

Martin Morgan: We have the same positive relationship with the Rural Minister here in Scotland and, more recently, with the Secretary of State for Scotland, but that does not seem to be reaching the centre of power, shall we say, in and around the Cabinet Office and No. 10, where the real decisions are being made.

The Chair: I will ask people to say a word or two about Lord Cameron's question during the round-up. Could you repeat it?

Q20 **Lord Cameron of Dillington:** My question was about whether there are any advantages to the industries from having a border that might restrict or restrain imports in some way because of the paraphernalia, the certificates and so on? There must be some European importers of food and goods into the UK who will give up this process as not worth the hassle, which is an advantage, so is there any upside to having a new

border?

The Chair: I ask the Earl of Stair to ask his fundamental question again about how we should move this forward. I ask witnesses to make a couple of points each.

Q21 **The Earl of Stair:** I will summarise. On the Government's apparent lack of consultation with the industry, we have heard some very interesting evidence today, and I ask each of the witnesses for their key priority areas to be addressed most urgently in the lead-up to the final date of Brexit?

Duncan Buchanan: For me, whether there is a deal or not, the most important thing that could be done is creating a short implementation period of at least two months, where we would have systems up and running and complete clarity on all the requirements for all the things that we need to make the border work. At the moment, we have chaos and a shambles, and what we need is a stable, clear path to plan against and implement. That would be my wish list.

Jimmy Buchan: Duncan is the logistics professional, and we can only move goods with good logistics, so I support his comments by saying that we need to take a wee breather here to make sure that we have got this right, because there is too much at risk. Brexit has happened, and we cannot revisit that, but the preparation and paperwork for the logistic nightmare that we are facing head on. Therefore, a delay of some sort to allow us breathing space is vital at this critical stage.

Peter Alvis: To answer Lord Cameron's question first, yes, there may be upsides of having a border. All industries will try to adapt, fill market holes and exploit those opportunities where they become available. There are some upsides. My only concern is that there is more likely to be a waving through of imports by UK border control, making the transition inwards easier than the transition outwards. There are positives, as there are in every situation. We just need to find them and work through them.

On priorities, we currently have equivalence with a lot of European rules and regulations. Let us have those enshrined so that, at least for a period of six or 12 months, we can work on the current equivalence basis for health certificates and that sort of thing. We should possibly look at the system for health certificates. Are vets the right people to be going out and signing these bits of paper for process systems that, in fairness, they probably have not been trained for, when we have professionals in each food production organisation trained to understand those systems? If systems are audited on a yearly basis, those quality professionals within businesses would be much better placed to provide certificates of compliance.

Helen Roberts: I have nothing to add, really. I concur with what has been said by the others. Obviously, we would like to continue with a free-trade, no-tariff agreement with our biggest buyer and to be able to trade back and through with Northern Ireland.

Andrew Skea: To reiterate, our top priority is third-country equivalence. Without that, our exports stop completely after 1 January, although there is not a lot that you guys or the UK Government can do. That ball is in the EU's court, so we will just have to wait for that.

On tariffs, I think there will be winners and losers. Obviously, in potatoes, we are importing an awful lot of frozen product, so the price of frozen product might go up, which might be to the benefit of producers in this country. However, as soon as we start bringing in tariffs, there will be added cost—that goes for all of Brexit—and the big losers will be consumers. One thing that might offset that is a decline in the value of sterling, which I would anticipate, especially if there is no deal. That may offset some of the tariffs that we will face.

My final point is that Brexit will be a huge extra cost in red tape and bureaucracy, and we are just going to have to get used to it.

Martin Morgan: Our ask would be for clarity on what the rules of trade will be and for a little extra time, be it three months or six months, in order to get our house in order to comply with the new requirements.

June Arnold: To answer Lord Cameron's question on restricting imports, from a Gafta and grain perspective, imports of corn are vital for the livestock industries in Northern Ireland and Great Britain. We also need high-quality milling wheat for the flour milling sector. Those quantities are not available. The UK is deficient, so there is no upside to restrictions for us.

To summarise our priorities, a free and open market is the best system for the UK arable sector. We need to export, and we need to import, as I was saying. As we have heard already, alignment as far as possible with regulations and standards can only help. Communication has been mentioned, too. We share the view that we need to know the rules and we need proper guidance on how to export and import and about the procedures, which we are not clear on to date. We would certainly support a grace period, but what is really clear is that we support a deal with the EU, which is a key market.

The Chair: Thank you, June. Coming back to Andrew's point about sterling, some *Financial Times* breaking news on my screen says, "Pound hits highest level since 2018 on hopes of Brexit trade deal", so we will see. The *FT* usually gets it closer than some.

I thank colleagues and witnesses for a fascinating session, one that is so important for your livelihoods and those of your members. We recognise that entirely. That last round in response to the Earl of Stair's question was very useful. There is not a lot of time left, but these are issues that we will continue to pursue. Thank you very much for all the evidence that you have given us. We are most grateful for your time at a point when I suspect there are a lot of demands on it. Please come back to us with any further evidence through our clerk, Jennifer Mills. I bring this public session to an end.