



# Select Committee on the European Union

## Environment Sub-Committee

### Corrected oral evidence: Future UK-EU relations: energy, environment and health

Wednesday 20 January 2021

9.55 am

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Members present: Lord Teverson (The Chair); Baroness Brown of Cambridge; Lord Cameron of Dillington; Lord Carter of Coles; 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 - 9

### Witnesses

I: Nick von Westenholz, Director of International Trade and Business Strategy, National Farmers' Union; Andrew Opie, Director of Food and Sustainability, British Retail Consortium; Dominic Goudie, Head of International Trade, Food and Drink Federation.

## Examination of witnesses

Nick von Westenholz, Andrew Opie and Dominic Goudie.

**Q1 The Chair:** Welcome to this meeting of the EU Environment Sub-Committee. Today, we continue our inquiry into future UK-EU relations for the energy, environment and health sectors. This morning we have two sessions. The first is on the agri-food sector, with some emphasis on the health side of agri-food as well.

I remind everybody that this is a live webcast. As is the tradition of the House, we are also taking a transcript. If, when we distribute it to our witnesses, you see anything that is not correct, please let us know and we will make sure it is corrected. Can Members declare any interests they have when they first speak? In relation to that, I am chair of the Cornwall and Isles of Scilly Local Nature Partnership. I remind Members that it is probably easier to say which witness they want to answer their question first.

We are delighted to have our three witnesses with us. As they are from a sector that is very much under pressure at the moment, with a lot of change going on, which is what this inquiry is about, I thank them for being able to appear before us during a particularly busy period. Before we get started, could our witnesses introduce themselves briefly?

**Nick von Westenholz:** I am the Director of Trade and Business Strategy at the National Farmers' Union.

**Andrew Opie:** I am the Director of Food and Sustainability at the British Retail Consortium, the UK trade association for retailers.

**Dominic Goudie:** I am Head of International Trade at the Food and Drink Federation. We represent manufacturers of all sizes of food and drink across the UK.

**Q2 The Chair:** Thank you again for being with us for this session. I would like to start off with a very general question that gives all three of you an opportunity to give us a bit of background and more of a bird's eye view of the situation at the moment. What is your reaction to the Trade and Cooperation Agreement? Are you pleased or disappointed with what has been agreed? Nick, would you start?

**Nick von Westenholz:** The overriding reaction from us, the NFU and farmers more broadly, was probably relief. The implications of not securing a deal between the UK and the EU were pretty serious for agriculture, primarily because of the impact tariffs would have had on trade and agri-food products, from our point of view exports into the EU, but, more broadly, tariffs applied to imports as well. Those tariffs would have been pretty high on a number of agricultural products—for example, beef at 80%. We export quite a lot of sheepmeat, with about 35% of our production going to the EU, and it would have had a tariff of over 40%. Avoiding was hugely important. Before Christmas, it looked at times as if it might not be avoided, so the securing of the deal was a relief.

More broadly, as we see now, and as I am sure we will discuss, we are beginning to witness the other implications of the deal around increased friction on trade. Going back a few years, the NFU urged that the deal between the EU and the UK should be relatively close and reduce those frictions as much as possible to try to get towards a frictionless trading relationship. That has not been achieved. We knew for some time that it would not be, given the desire of the Government to leave the single market and customs union cleanly. That has happened, so that aspect of the deal, which is the fundamental nature of our relationship now with the EU, is less welcome and means significant frictions on trade with our largest trading partner.

**The Chair:** Your own sector was probably the one that would have been hit most by tariffs. This sub-committee was very aware of that. As you say, we have avoided that, even though we may have friction.

**Andrew Opie:** I certainly echo what Nick said. Achieving a deal with zero tariffs, maybe with the exception of the implication of rules of origin, which I am sure we will come to during this session, was really worthwhile. We calculated that for UK consumers the hit to the 10 major supermarkets of an additional tariff cost was about £3.1 billion. Much of that would have been passed, unfortunately, to consumers, so you can see that for consumers coming into supermarkets it was really important to achieve a zero-tariff deal because prices would have risen with tariffs in place.

I echo Nick's points about friction. We are yet to see the real implications for UK consumers. To be clear, we have some members who have stores in Europe, but our main concern is about imports and the impact on British consumers. We remain concerned that if friction levels rise in this period, when we are heavily dependent on imports from Europe of fresh produce in particular, we could see some impact on consumers.

The third issue, which is a real concern for us, is the continuation of the grocery market in Northern Ireland. The agreement on Northern Ireland and the Protocol on how we can continue to source into Northern Ireland, with Northern Ireland, in effect, being compliant with EU rules on food, came very late in the day. We did not see the full guidance until New Year's Eve for something that came in on New Year's Day. There has been real difficulty for us to integrate our supply chains, but the main problem lies ahead.

We were given grace periods, to exempt us from export health certification for three months, and to continue to export some products that you cannot export into the rest of the European Union, such as fresh meat preparations, for six months. Currently, we do not know how we will continue to transport beyond those periods. We know that the Government are working with the EU to find a pragmatic solution, but we remain really concerned about the impact on Northern Ireland consumers in particular if we face the full regulatory system that you would face if you were exporting to the EU. That is our conclusion at the moment.

**The Chair:** Thanks very much. I am sure we will get on to rules of origin and maybe some of the odd things around third-party status issues as well. Northern Ireland is certainly an area that the sub-committee has been very concerned about, and we will certainly come back to that during the session.

**Dominic Goudie:** I concur with Nick's and Andrew's comments, particularly on tariffs. It is very welcome that we have a deal. A no-deal scenario would clearly have been disastrous for the food chain in the UK, so ensuring that we avoid those tariffs is important for us.

We produced a two-page summary of the deal shortly after it was announced, which I will be happy to share with you—it is mercifully brief—looking at how the deal shapes up in comparison with what we wanted the deal to look like to deliver the best outcomes for the industry. Both sides have talked about it as being a best-in-class trade deal. When it comes to tariffs, I agree that is the case, but when you look at the other chapters, particularly the rules of origin and sanitary and phytosanitary chapters, we do not have a particularly good outcome in many cases. On rules of origin, we have less generous access than Canada has for some of the product-specific rules, and for sanitary and phytosanitary checks the reality is that there is very little difference from a no-deal scenario.

It is interesting that we have less generous access on sanitary and phytosanitary checks than New Zealand, who do not even have a preferential trade deal with the EU, so we have a great many concerns about that and the sorts of frictions it loads on to businesses. In many cases, businesses will be able to overcome that in time, but the biggest challenge we face right now, which is a challenge for everyone involved in the implementation of the deal, from manufacturers right across the food chain to hauliers, freight forwarders and particularly the people at the borders who have to implement the deal, is the lateness of the notification of the precise terms and requirements. That is making life very difficult indeed for everyone involved and is causing a lot of the problems that we are starting to see.

**The Chair:** Do you still have teams in the Federation going through the Agreement to understand it, or is it all pretty clear by now? Is it something that still requires analysis even at this stage?

**Dominic Goudie:** We have a good level of clarity on the deal itself. It is with the application of it that there are difficulties. We are seeing challenges with the interpretation and application of it on both the UK and the EU sides, and we are fundamentally struggling to get answers in many cases about what is required. We find that some border officials are making requirements of businesses that simply do not feature in the deal. That is causing some of the challenges we see, particularly for the seafood industry and small businesses operating groupage at the moment.

**The Chair:** Groupage is a major issue, certainly in the fisheries industry.

Let us move on to Lord Young. Are you with us, Lord Young? We have a problem there. Let us move on to Baroness McIntosh to ask the next question and come back to Lord Young.

**Q3 Baroness McIntosh of Pickering:** I am an honorary associate of the British Veterinary Association. Welcome to our guests.

Away from the border, would you describe any problems that you are experiencing as minor bumps in the road that you think could be ironed out quickly? We will come to border issues in a moment, but on export health certificates and rules of origin, are you being asked to fill in physical paper forms, or could it be done digitally?

Dominic, you mentioned the lateness of the notification. I understand there is a grace period for goods to Northern Ireland, but has there been a grace period with the rest of the EU? How do you see events panning out? Will it be easier after the initial three months? Dominic, will you comment first, and then Andrew and Nick, looking particularly at export health guarantees and rules of origin, but away from the border at this stage?

**Dominic Goudie:** We have a grace period for Northern Ireland; it runs until April. It is particularly important that we get a longer-term solution in place to make sure that trade can continue. That is a huge area of focus for us and many other players in the food and drink industry at the moment.

As for grace periods elsewhere, we have the phased introduction of the border operating model for imports, but there is very little, if anything, for goods moving in the opposite direction. A lot was made about some flexibility and easements on rules of origin and the provision of supplier declarations, but in practice that offers very little benefit for businesses, because they need certainty that the goods they are trading under preference actually qualify for preferential origin and that they will not face a rather hefty tariff bill later in the year, if they find out that their suppliers have not given them the ingredients that qualify for the preferential rule of origin.

As far as export health certificates and rules of origin are concerned, a lot of work is still paper-based for the industry. A lot of the systems in place operate for government, but businesses have to do a lot of manual form-filling. One of the particular challenges on export health certificates is that there is a section on the export health certificate where you have to put the vehicle registration number. That is causing significant problems for a lot of businesses, particularly smaller companies requiring export health certificates, because often when they get the certificate they do not know the details of the lorry on which it will be shipped. Some businesses are facing the very challenging requirement of having a veterinarian on site permanently to be able to fill that in because it cannot be done after the fact.

The one thing we look to are the joint committees that are created from the Agreement. On customs, there is a group that can look at the

possibility of things such as e-certifications. We would very much welcome that as a real priority to try to smooth things over and make them work much more seamlessly.

**Andrew Opie:** Building on Dominic's points, I have a couple of comments about EHCs in particular. Dominic is absolutely right. Although much of it is online, the process of filling them in is incredibly time-consuming. A lot of information is required, particularly if you are a supermarket sending multiple products of composite origin, by which I mean ready meals and processed products where you need supporting attestations to finally sign off the export health certificate in the depot. It is an incredibly bureaucratic system. That is one of the points we have raised about Northern Ireland. Should we be adopting exactly the same system for Northern Ireland, or should we be looking for something that is both robust and pragmatic but may cut out some of the bureaucracy?

The other problem with your point about the situation away from the border is the notification period that is required to send products of animal origin to the European Union, which currently is 24 hours. That does not suit a just-in-time delivery system, such as supermarkets. In the early days, we were aware of retailers that source in the Republic of Ireland simply being unable to dispatch the lorries from the distribution centre because they did not know at that time exactly what was likely to be on the lorry 24 hours in advance. As you can imagine, stores are selling products constantly throughout the day. That system goes back to the distribution centre, which will load the lorries to replenish stores. That is what makes for the highly efficient and effective supply chain that we have.

Up to perhaps four hours in advance, you do not know what you will be sending in a lorry for a store in the Republic or Northern Ireland, so a 24-hour notification period is extremely difficult to work with. We are finding that it has an impact on choice. At the moment, particularly where companies are cautious about lorries not being stopped, there are fewer ranges than we would normally have, which means less choice for consumers, because companies are trying to cope with both a bureaucratic system and one that they can ensure gets the lorries through to the stores on the other side of the border.

We are only in the foothills of all these issues. It is important that the committee remembers that the UK has not put its own border controls in place. Our businesses, which are primarily looking at the import issue, will not face certification until April, and full border checks until July. Our concerns are as follows. Is everything ready on this side of the border, with infrastructure and checks? Will our European suppliers, who face just the same challenges as Dominic's members currently face when exporting to the EU, be able to cope with the very bureaucratic system that the UK has adopted into our legislation? We will not know that for certain until we get to April when we see full certification, and certainly when we get to July when lorries are actually being stopped and physically checked.

**Nick von Westenholz:** Farmers are often one step removed from many of the requirements Dominic and Andrew have spoken about. I do not have anything particular to add to the specific points they have raised, other than to agree with Andrew in particular that these are not bumps in the road. They may be bumps in the road right now, but they will get bigger; they are not the teething problems to which some people have referred. We are beginning to feel the effects at farm level of the problems many traders are having. It is probably modest and slowly building at the moment, but over the next weeks and months we expect the effects to become more keenly felt.

Another issue that is already being felt by a few of our members has not been touched on. Small businesses often use delivery companies, parcel firms for example, to send stuff to the EU. They do not use trucks or logistic firms; they simply use well-known parcel delivery companies. We have heard that many of those are now refusing to deliver packages of products of animal origin—for example, from a small dairy company shipping high-quality cheese in single packs to EU customers. That has simply been stopped, probably because of overly zealous interpretation of the Agreement on how the SPS rules apply, but we are beginning to detect that as an issue. For some companies, using delivery companies to sell stuff in the EU is an important part of their business model. It looks as if that is becoming seriously problematic at the moment.

**Baroness McIntosh of Pickering:** Can I ask Dominic and Andrew about fresh meat and certain goods such as seeds, flour and milk in sausages and pies? Can you say a little bit more about what impact that is having on your members?

**Dominic Goudie:** You raise a really good point. The list of prohibited and restricted goods that came in on 1 January means that seed potato producers and producers of certain types of fresh and processed meat products have had a hard stop to their trade with the EU and are not able to continue exporting, so it was an overnight block for them. Those sectors are working to try to find a way round it. In the case of the seed potato industry an application has gone to the EU to try to get approval for its sector, but at the moment the trade completely stopped overnight. That is very worrying indeed for those producers, and, in the case of seed potatoes, for the manufacturers who rely on the potatoes that are subsequently grown from those products around Europe and their ability to produce later in the year when harvests are due to come in. It is a very live concern.

The Government managed to address some of the products that were on that prohibited list. We had very late notification, for example, that the UK was added as an approved third-country exporter of products of animal origin. We sorted out the organic problem quite late in the day. That was all very welcome, but we cannot overlook the fact that there are some important businesses producing a range of products, including the great British banger, that can no longer be exported to the EU unless they are deep frozen.

**Andrew Opie:** That is absolutely right. It has a real impact on British producers, particularly Nick's and Dominic's members. Our members cannot export those products where they have stores in the European Union, so they have to find other ways to source those products, whether within those countries or the European Union itself. We cannot send those now.

Currently, it is relatively limited; there are not that many retailers who operate outside the UK. Our main business is within the UK, but Northern Ireland is a huge threat because those businesses are run as UK businesses. We do not differentiate Great Britain and Northern Ireland, and a huge volume of product sold in Northern Ireland stores would be covered by the prohibited list to which you refer. Fresh beef mince and meat preparations such as sausages are routinely transported from Scotland to Northern Ireland and sold in Northern Ireland stores. We have a six-month grace period at the moment when we are allowed to continue to send those products, but no certainty—

**The Chair:** Sorry, Andrew, we will come to Northern Ireland in a minute.

**Andrew Opie:** I just wanted to make the point that the prohibited list is limited at the moment, but it will have a bigger impact. I reinforce the point that what it drives companies to do is look at reorganisation of their supply chain and, unfortunately, move product away from Great Britain.

**The Chair:** Andrew or Dominic, can you give a brief practical example of where rules of origin have been a particular problem so that we get a feel of a real case on that? Is that possible?

**Dominic Goudie:** I have spent the last few weeks focusing pretty much exclusively on rules of origin with our members and trying to help them understand exactly what they mean. They are highly complex to interpret so as to work out which ingredients you need and the proportions you need, given the various sub-clauses and how they operate.

One practical example is to do with sugar confectionery. In that case, we have less generous product-specific rules than is the case in the Canada-EU agreement. Effectively, they restrict businesses to using sugar produced in the UK because it does not include a value-based rule; it treats a manufactured good as a collection of ingredients and does not account for the value added in the manufacturing process by the business, whereas in the case of chocolate there is a value-based as well as a volume-based rule, which gives businesses flexibility to work with it.

For sugar confectionery, it is purely volume based. You are allowed a certain volume of non-originating content and, if you go above that threshold, you have a problem. In the case of some sugar confectionery, if you use imported sugar, potentially fair trade sugar or other such products, the volumes will probably exceed the threshold, so you face an immediate stop to your trade under preferential tariff, and the requirement to reorient your supply chains and find other suppliers that can provide originating sugar that meets the specifications for your



product. That is not necessarily all that simple for businesses to do without impacting on the quality, flavour and mouthfeel of the product they are producing.

**The Chair:** That is really useful. I will ask the Duke of Montrose to ask his question, to stay on practicalities, and then I will bring in Lord Young, now that he is back online, if that is okay with him.

Q4 **The Duke of Montrose:** I declare an interest. There is a family farm in the hill areas of Scotland and I am an associate of the BVA.

We all had an awareness that those wishing to sell perishable products in Europe took steps not to commit too much of their trade in the first two weeks, the exception of course being the fish people, and we know what happened there. We are now at the start of the third week, and the press is beginning to fill up with stories of rotting food. What impact is the Agreement having on border checks for agri-food products on both sides of the GB-EU border? For my own interest, I ask Nick von Westenholz to answer first.

**Nick von Westenholz:** As has been touched on already, the impacts so far, largely negative, have been gradual for the reasons you mention. Many traders held off trading in the first couple of weeks. Many had front-loaded much of that trade before Christmas, both because of the Christmas period and in advance of the end of the transition period. We witnessed some of the problems with that arising out of the coronavirus-related transport restrictions before Christmas.

At the moment, the impacts of delays and refusals at the border and increased paperwork are still being slowly but increasingly felt. One of our concerns is that, in our understanding, trade volumes are still at a significantly lower level than they would normally be for this time of year, although they are growing and may be heading towards meeting normal levels. While they are at lower levels, it often means that product is not moving off-farm; it is not being sold, and it is not being traded. That is probably manageable in the short term, but if it becomes embedded or structural it will begin to create issues for farmers.

We do not see a big impact on prices yet, although there is a very unusual market situation with the lockdown as well, so it will be almost impossible to discern the variables involved for any price movements. We are nervous that there is a glimmer of an indication that farm-gate prices are beginning to come under pressure as well, and we might see those drop in the weeks ahead if the trade situation gets worse.

**The Duke of Montrose:** There is a second part to my question. How do you expect the border to evolve in the coming months, particularly in relation to live animal exports?

**Nick von Westenholz:** Live animal exports are a slightly separate issue. There is government consultation on the future of live animal exports, but there are specific issues with lack of border control posts in the EU to

accommodate live animal exports. Trade in live animal exports is not enormous at the moment.

**The Duke of Montrose:** Is that in Ireland as well as the UK?

**Nick von Westenholz:** In Ireland, there is a specific issue with movements across the border, which is separate.

There is a bigger issue, which goes to the broader question you raise, about what the next few months will look like. Within the Agreement, there is a commitment for a collaborative process on SPS, which is where many of the delays and blockages arise. We have not yet seen the details of that, and we are urging the Government, and indeed the EU, quickly to set out exactly how the new EU-UK body on SPS will operate and what easements they can look to introduce quickly to reduce some of the frictions over the next few months.

As I think Dominic said, New Zealand enjoys a much more streamlined SPS relationship with the EU, with a very small amount of physical checking, which at the moment the UK does not enjoy on trade into the EU. We are urging the Government quickly to get together and use that commitment under the TCA, to examine what sort of easements they can introduce on SPS to reduce the checks and get trade flowing more smoothly.

**The Duke of Montrose:** Dominic Goudie, could you look at the wider scene?

**Dominic Goudie:** Much of the focus has been on the export side so far, and that is where we see the greatest problems. We accept that leaving the single market and customs union comes with consequences, one of which will be that deliveries of food and drink to the EU will take longer. Some of our businesses are managing to make it work and ride out some of the worst problems, but in many cases we are almost playing whack-a-mole with the problems as they come up. Individual isolated issues where there is a misinterpretation or misapplication of the rules make life very, very difficult for businesses.

We have numerous examples where businesses have very large volumes of their shipments stopped at borders and checked, which causes huge delays. The goods are not even subject to sanitary and phytosanitary checks that are lower risk. In some cases, 40% of consignments going into the Netherlands are being stopped; there are challenges particularly in the Republic of Ireland with a huge amount of checking taking place.

In some cases, people run into problems when they do not understand exactly how some of these things work. For composite product export health certificates there is a particular challenge in the Republic of Ireland, where officials repeatedly question the use of particular export health certificates. In some cases, goods are being held up, and then there is a shift change for the officials doing that work, and a new official comes in and starts the process again. It slows things down and causes

real headaches. Some of our businesses report that their customs teams are working 18-hour shifts just to get a single lorry through the border. Some of those problems will settle down in time, and there is an opportunity for both sides to come together, as Andrew well described earlier, to try to sort out some of the technical implementation problems, particularly around pre-notification times.

At the same time, although we have key crunch dates around 1 April and 1 July, as the border operating model is phased in, we are seeing some problems for imports at the moment. Again, the interpretation of the rules and requirements is holding up goods departing from France to the UK in some examples. One of the requirements on rules of origin, where you have a statement of origin accompanying the good, is that you provide an exporter number on that statement, but there is a footnote that if that number has not been issued by authorities you can leave it blank. As I understand it, many EU authorities are struggling to provide registered exporter numbers to businesses to fill in that form. Despite that, some consignments are being stopped and not released from the EU side to come into the UK because of the absence of a number on a form that business have not been given.

Businesses face a significant number of challenges. We think things will settle down somewhat. On imports, things are relatively smoother, but as the phase-in of the border operating model happens, we are alive to the fact that there will be potential challenges, particularly where businesses on the EU side are not fully prepared for the changes. Some of the conversations I have had with our members on the preparations of their suppliers indicate that they do not fully understand the border operating model and are not ready for it. The fact is that they have a grace period to get ready. There are several months during which we in the industry, and the Government, need to focus efforts on making sure that businesses are well prepared and we do not face any significant problems with our food supply as a result of the introduction of more rigorous checks on SPS at the border.

**The Duke of Montrose:** Could Andrew give us his perspective?

**Andrew Opie:** To date, the impact has been pretty limited. We are not really seeing any problems for British consumers with imports. Dominic's assessment is absolutely correct. We are looking to see what happens next week and beyond, when we anticipate that volumes across the channel will return to their normal rates. The short strait is the real challenge for us, because that is the route by which we bring in fresh produce. At this time of year, most of our imports of fresh produce come from the EU and will be using those routes. We are very concerned about that. Hopefully, there will not be a problem.

As a footnote, it is worth mentioning that the Government reflected on the problems we saw at Dover before Christmas and have just introduced a new prioritisation for empty food lorries, which is something we pushed for. Because it is a circular supply chain, we need those empty lorries to

get back to Spain to bring raspberries and salad vegetables back to the UK. If they get stuck in Kent, we will have a problem.

Dominic is also right that we do not really know what is going to happen in April when we introduce controls this side of the border. The only positive thing for British consumers is that by April we start to switch over to UK production, so our reliance on European imports is much less than it would be in January. Although the disruption might be greater, the impact may be less, if that makes sense.

**The Duke of Montrose:** Thank you all very much.

**The Chair:** It is an interesting question. I wondered myself whether we would mainly have a problem with imports, because foreign hauliers would get their equipment and drivers stuck in the UK and could not get them back, but I think you have answered that. Coming from the logistics industry, I am rather concerned that everything goes back out empty. That does not sound very good for the carbon footprint. We will go back to Lord Young.

Q5 **Lord Young of Norwood Green:** Welcome everyone. I have a general question to pitch to all of you. Perhaps you could keep your answers brief, because we want to get through all of our agenda.

It is Defra's policy to ensure that the UK's food system delivers safe, healthy, affordable food. This might be affected, as we heard in some of your contributions, by the UK's new trading relationship, particularly decisions by the UK Government on food labelling and the impact of any non-tariff barriers. These could mean that carbohydrates and fats figure more or less prominently in people's diet. Bearing in mind that at the moment 40% of vegetables and 37% of fruit sold in the UK come from the EU, it could have an impact on people's well-being and health. What are the implications of the Agreement for UK consumers as regards healthy eating, choice, affordability and quality?

**Nick von Westenholz:** I will try to be brief. It is a question that could fill up a whole session in its own right.

It remains to be seen. We have heard what the short to medium-term implications are on trade in food. We hope from the NFU's point of view that, regardless of our international trading relations, we can increase the amount of wholefoods and healthy foods that UK farmers provide for UK consumers. A whole host of policy questions come out of that which probably are not for today—for example, how our future agricultural support policy operates, what sort of business policies the Government introduce to encourage more competitiveness, productivity and farming, et cetera. They are all very big issues. There is an enormous question mark over what the impacts of the TCA and our trade policy will mean for the sorts of things you mention: healthy food, affordable food, consumer choice, et cetera.

The one thing that worries me is that if we see a structural decrease in imports from the EU and downward pressure on productivity in the UK, or

certainly on prices in the UK, it increases the incentives for the UK Government to liberalise their trade policy without taking account of the sorts of issues you mentioned relating to the standards for the food we eat, the way it is produced, the nutritional content, et cetera, such that we need to get hold of food wherever we can at whatever cost. That is a big issue that plays into our wider trade policy, but it concerns me that the UK Government may feel forced into doing quick deals with countries—for example, to secure food imports regardless of how that food has been produced.

**The Chair:** Thank you, Nick. As Lord Young said, could we keep the answers fairly short so we may get through the rest of the session?

**Andrew Opie:** If we can reduce border friction as much as possible and make it as easy as possible to continue trading with the EU, I do not anticipate any problems whatsoever. Border friction is a relatively low cost in the scheme of things, particularly compared with tariffs. If we can overcome the teething problems we have already highlighted, it is possible to continue to deliver that.

Another thing to remember is that the UK has more scope now on some of the labelling issues, to which I think Lord Young alluded, particularly in relation to health. For example, the front-of-pack nutrition label, which has been adopted voluntarily by all the supermarkets and some manufacturers, could be made mandatory now by the UK if it chooses to. It could not have done that before. For me, overcoming border friction is an issue, but there are new tools in the box potentially for the Government as well.

**Dominic Goudie:** The bit that concerns me the most is that the new frictions that are being introduced—the non-tariff barriers—load significant costs on to the manufacturers. The ability to produce as efficiently through just-in-time supply chains will be impacted by the new requirements that are in place. For some businesses, particularly those dealing with a huge range of export health certificates and the requirement to have veterinarians signing those off at significant cost, it will load cost on to the industry. This is happening at a time when COVID means that the hospitality sector, which is hugely profitable and a key outlet for many of our producers, remains closed. The ability for businesses to swallow those costs and take them on board is limited.

My concern is that there will be price impacts. In some cases, you may find that manufactured products are threatened because of the rules of origin, at least temporarily while businesses are forced to re-engineer their supply chains. That will come with a cost. At some point, that cost has to come out somewhere. Given the challenges that the supply chain is currently facing, inevitably at some point there will be moderate price impacts on consumers.

**Lord Young of Norwood Green:** I think we have covered it inasmuch as we can. As Nick pointed out, it is a huge subject in itself. I was hoping that the incentive to produce more fresh fruit and healthy foods in the UK

would have a beneficial impact. Do you have any brief comments on that?

**Nick von Westenholz:** We certainly have an ambition to produce in the UK more of the fresh fruit and vegetables we consume. The market is largely served by imports, particularly fruit, and a number of domestic policy levers would be involved in incentivising that.

**Andrew Opie:** We already source as much as we can. What we are really talking about is non-seasonal production. In September, just about all the lettuces sold in major supermarkets are produced in the UK, but at this time of year it is only 10% because it is not efficient to do it here; we do not have the glasshouse production that Europe has. For us, it is balancing seasonal production of fresh fruit and vegetables, but we always look to source in the UK where we can.

**Lord Young of Norwood Green:** There are some interesting developments in technology to extend the seasons, and they are quite energy efficient.

**The Chair:** Down in Cornwall, we are trying to develop geothermal energy to provide cheap, sustainable heat, but we will not get into that area. A lot of Members here would love to talk to you about future domestic agricultural policy, Nick, but not today. I turn to one of those Members, Lord Cameron, to look a little further into the future.

Q6 **Lord Cameron of Dillington:** I have an interest to declare. I am a farmer and landowner and I chair the UK Centre for Ecology and Hydrology.

Given that we have all been rather landed in it, or you have been landed in it, by the last-minute nature of the deal, and the fact there has been no phase-in, at least as far as our exporters are concerned—it was very remiss of our Government not to insist on that—what do you expect from the Government now? What can the Government do now to help you implement the new requirements and improve the situation? What steps do your sectors have to take to make things better so that we get an easing of trade between the EU and us, both ways?

**Dominic Goudie:** I will avoid touching on Northern Ireland, because a fairly major point on that will come up later. It has already been touched on.

The UK Government need to work closely with the EU, and the border authorities need to work with their counterparts, to find ways in which they can practically implement the deal that works for businesses, and try to find improvements in the way things are being done at present so that good food is not rotting at the roadside when it moves in either direction. We have touched already on pre-notification times and the potential use of e-certification for export health certificates to smooth things over and make that work. There are various options to do those things and find improvements in the way they are run, and help

businesses with the bureaucracy and the huge amount of form-filling they are required to do at the moment.

On top of that, one of the big challenges is getting answers from government. One of the particular challenges we face at the moment is HMRC's capacity to talk to businesses and answer the questions that many of them are raising. There needs to be an urgent look at the capacity of HMRC both to implement the deal and to communicate with industry to make sure that it is doing things right and it has the answers and legal certainty it needs to continue trading. HMRC is clearly in as difficult a place as industry with the late notification of the deal, but something needs to be done to make sure that it is adequately staffed.

We have been communicating very widely with industry, and the trade bodies are working together very closely to make sure that businesses have the support and information they need. Yesterday, I was talking to someone in a very well-run business that is managing to get goods out of the UK reasonably well. They made the point that, while things may be working quite well at present, they need to be ever more mindful that with each shipment they continue to do things correctly.

Businesses need to be very vigilant that they are following the processes properly, and continue to check everything they do and make sure that they are in complete compliance, to avoid being added to a list of businesses that might be seen as less reliable traders and subject to more checks in the future. Much of it comes down to the ability of the UK Government to work with the EU side, and for the authorities to work together, to find pragmatic solutions to a lot of the challenges.

**Lord Cameron of Dillington:** Andrew, would you like to comment? Has the SPS committee come into operation? Is it being helpful as a starting point?

**Andrew Opie:** I do not think it has started its work yet. We are very much in the hands of the Commission. For exporters, I am probably slightly more pessimistic than Dominic about the changes. The Commission, which is now running the deal rather than the politicians, is saying, "That is what you signed up to and that is what the deal says. That is how we administer it with all third countries, including the UK".

The one area where the UK Government could perhaps look to influence changes is working with countries whose consumers are more reliant on imports from the UK, the obvious one being the Republic of Ireland. Stores operating in the Republic of Ireland have experienced problems due to the rules set by the European Union for imports. If the Government of the Republic of Ireland were prepared to do it, maybe they could try to influence Europe more generally to adapt a more benevolent approach to imports. Other than that, I am slightly pessimistic.

I am more optimistic on imports, which is a big issue for British consumers. The Government are taking quite a pragmatic approach.

Looking to the future, their strategy is much more aligned around businesses, working with businesses on IT systems and making the systems work more easily and efficiently. There is certainly a chance for the UK to show leadership in how to run robust systems on products of animal origin, but still efficiently, without additional costs and burdens for importers and, therefore, for consumers. I am probably more pessimistic on exports and more optimistic on imports.

**Lord Cameron of Dillington:** Nick, do you want to comment? You do not have to.

**Nick von Westenholz:** In the interests of time, I will not add to what Andrew and Dominic have said. I do not think that the SPS committee has met yet. It is important that it does, to try to work through some of the issues and identify some of the easements that it might be possible to introduce.

There is one other point I want to make quickly. There is an elephant in the room. We are dealing with the here and now, but central to the Agreement is the possibility of regulatory divergence in future, maybe in the quite near future, and the potential implications of either side introducing new trade barriers, through tariffs, for example. There is concern about how the UK Government will structure their approach to regulatory divergence in the months ahead. Clearly, they want to look into that and decide how they can do things differently. It is very important that, as they embark on that, they also construct a protocol or an approach that takes proper account of the potential trade barriers that might arise when they do it, so that we do not find ourselves suddenly facing additional trade barriers to those that already exist and that we are trying to mitigate.

**Lord Cameron of Dillington:** Thank you all very much.

**The Chair:** Nick, you raise an important point about future divergence. We will not get into it now, but, as you say, it is the elephant in the room. We will move back to Northern Ireland where, hopefully, we will not repeat too much of what we have said.

Q7 **Baroness Jolly:** Last year, the committee spent considerable time looking at the Northern Ireland Protocol and the impact on agri-food products going between Great Britain and Northern Ireland. Recently, we have heard reports that some supermarkets in Northern Ireland have struggled to fill their shelves. Particularly in the case of time-critical products, companies are adjusting to the new processes. How will the final set of agreements, including the Northern Ireland Protocol, affect the movement of agri-food products between Great Britain and Northern Ireland?

**Andrew Opie:** We saw some initial problems, and generally they have been overcome, so we are back to where we were before Brexit, the problem was the late notice we had of the processes. Companies were



not really told until New Year's Eve how we would be moving to Northern Ireland.

The good news is that it is operating well at the moment. The worrying news is that we still do not know what is going to happen at the end of the grace periods. We have a three-month grace period when we are not filling out export health certificates; we are doing a general certificate to move product to Northern Ireland. That will add a level of complexity that supermarkets will need to adapt to, if they can. We have the potential for complete prohibition of movement in six months' time for things such as fresh beef mince, preparations and uncooked products that are moving to Northern Ireland.

The problems are twofold. You have a complete ban on some meat products and in that case obviously you would need to source outside GB. You would have to shift your supply chain in some way to start sourcing from Northern Ireland, the Republic of Ireland or the European Union to get the same products on shelves. As a reference point, up to 60% of food sold in Northern Ireland supermarkets moves from Great Britain currently, so large volumes of what is sold in a supermarket could be affected. That is one issue.

The second issue is complexity. Eventually, if the system is too complex it is impossible to supply the same universal price as the rest of the UK and supply affordable healthy food in Northern Ireland that companies do in the rest of the UK. A real concern for us is that it could have an impact on the grocery market of Northern Ireland and, through that, how consumers continue to access affordable, healthy food.

We want to continue sourcing as much product as we can from the UK, whether that is from Northern Ireland or Great Britain, but if the system becomes too complex, the only solution is to move those supply chains away, to be able to continue to source the products that Northern Ireland consumers want. If you do that and lose the efficiencies of the supply chain, can you then maintain the same prices for those products from which Northern Ireland consumers currently benefit?

That is by far the biggest concern in the minds of supermarkets at the moment. They want to continue doing what they are doing at the moment, which is supporting British producers and giving Northern Ireland consumers all the benefits they get at the moment, but the systems as they stand will not produce that. Added to that is uncertainty. We do not know currently what is going to happen at the end of the grace periods [*Inaudible.*] very quickly.

**Dominic Goudie:** I agree with Andrew that things have settled down, and the majority of our members operating under those grace periods are able to continue moving goods, but our concern is much the same. What happens when they run out? I think that many suppliers will struggle to supply to Northern Ireland unless there is a long-term solution that makes things significantly easier than reverting to the full EU third-

country requirements that would otherwise be the case. We have serious concerns about that.

Many of our members are supplying their full range of products to Northern Ireland, but the reality is that it is a small market, and in many of those cases the individual product consignments are relatively small, so requiring a veterinary or an export health certificate for relatively small consignments could add costs that mean that some movements of goods are no longer viable. It presents grave concerns for businesses, but particularly for Northern Ireland consumers and the situation they face over there.

Looking at trade in the other direction, things are moving pretty well from Northern Ireland back to here, but there is also an inherent problem, in that a significant volume of food is produced in Northern Ireland. They say they feed 10 million people in a society of only 2 million. A significant volume of those goods comes to the UK via Dublin, and that route is cut off, which creates significant problems for the efficiency of those movements, and for lorry drivers who are forced on to routes that take significantly longer and may cause them problems with driving hours.

There are problems in Northern Ireland that need to be sorted out. That is a major priority for us and the industry. We are working hand in hand with our colleagues at the Northern Ireland Food and Drink Association to try to find practical solutions that we can suggest to government and the European Commission as being in their best interests, given that in four years' time whether or not they continue down this route will be up for vote.

**Baroness Jolly:** Indeed. Nick?

**Nick von Westenholz:** I have nothing to add to what Dominic and Andrew have said.

**The Chair:** We come to the final two questions. Perhaps I could ask for fairly short answers as we are running short of time.

Q8 **The Earl of Stair:** Previous witnesses in our inquiry have suggested, and raised, concerns that trade with countries with less stringent regulation and standards in both food and animal welfare could render the domestic market less competitive. Further to that, if we were to move away from standards by bringing in goods from those other countries and it was detrimental to our arrangements with the EU, tariffs might well be imposed. The country that has come up particularly in the press recently is the USA. Is the agreement likely to affect food provisions in other trade deals that the UK hopes to achieve, for example with the USA? Dominic, could you start, followed by Andrew and Nick?

**Dominic Goudie:** This is a critical question that is currently being investigated by the Trade and Agriculture Commission, which is due to report in February. The recommendations from that group will be instructive as to how the UK handles this challenge. The nature of the deal is such that the UK is keen to have the ability to diverge, but for

manufacturers our most live concern is about divergence within the United Kingdom and ending up in a position where we have different regulatory regimes in Scotland, Northern Ireland, England and Wales that bring problems domestically. That is really concerning us right now.

Trade with third countries is a challenge that the UK has to manage in trade negotiations. It has to look at individual regulations and work out where it is possible to have equivalence agreements, and where there are more challenging areas in which the regulations do not work with each other.

I had the benefit of a trip across the US a couple of years ago and met US food producers. There is a lot of very high-quality US production. While standards may be set at a certain level, a lot of producers manufacture at levels far in excess of that, and they meet UK requirements. In reality, the requirements put in place by manufacturers for what we import are far above the baseline standards domestically in some of those markets. I am sure Andrew's members would say the same.

Concern about UK production being undermined is critical, and we need to be wary, but I probably do not share concern about other countries being lower-quality producers across the board. Given that we have manufacturers and retailers who demand higher standards anyway, we already have quite a useful safeguard in place.

**Andrew Opie:** I am glad that there is a very lively debate about that at the moment, which we saw played out in the press yesterday, not just around animal welfare and food safety standards but for us particularly on ethical standards and compliance with standards. Our concern is not so much about the levels between countries and trade agreements, but how those are enforced in country to make sure that citizens and people in the supply chains are protected to those standards.

On retailer sourcing, he is absolutely right. Retailers apply a universal standard across the board and do not compromise British producers here; therefore, that would be a lesser issue for us. They will continue to source products which consumers here demand. We know where consumers are on levels of animal welfare, the environment and ethical labour and will continue to meet the same standards in that regard.

**The Earl of Stair:** I have a bit of an internet issue. You have been very broken up, so I have only parts of your answer, but I assume it is on the record.

**The Chair:** It was not just you; it was just at the very end. I think we got most of that.

**The Earl of Stair:** Thank you. Nick?

**Nick von Westenholz:** The main takeaway from the EU-UK agreement is that I do not think it does, as some people thought it might, prevent the UK securing other trade deals with countries such as the US. If there

had been very strong dynamic alignment provisions in the deal, for example, they would have restricted the UK's ability to do other trade deals. I do not think that is so. The deal potentially provides the UK with quite a lot of room to diverge and do things differently, even if that might mean increased barriers to trade with the EU. I think a US deal—the one you mention—is still very much on the table.

The Government have been quite clear both in the UK-EU agreement and in other agreements that they want to operate their SPS regime separately and independently from the terms of those trade agreements. If they decide that something is unsafe, they will impose an import control, or if they may decide it does not meet standards more broadly. As Dominic said, that is precisely the issue that the Trade and Agriculture Commission is looking at, so watch this space for what comes out of that in the next couple of months.

I would not want to conflict too much the terms of this agreement with the flexibility or ability of the UK to do trade deals with others. It is still very much up to the UK Government what they want to include, or not, in specific trade agreements.

**The Earl of Stair:** Thank you. Should either of those two—

**The Chair:** I apologise, Earl of Stair. We are running out of time. Baroness Brown has a question. We probably need just bullet-point answers.

Q9 **Baroness Brown of Cambridge:** I would like to pose one short question to each of you. We have heard an awful lot about all the challenges. I would like each of you to tell me what would be the top of your priority list—the one key thing—that the UK Government should be prioritising in resolving their relationship with the EU in the short to medium term within the parameters of the agreement. I start with Andrew.

**Andrew Opie:** Northern Ireland, without a doubt.

**Nick von Westenholz:** I would say it is the need to get the SPS committee up and running as quickly as possible to deal with some of the frictions and facilitate trade.

**Dominic Goudie:** I may have to be cheeky and mention two things. Andrew referred to Northern Ireland. That would absolutely be our No. 1.

The groupage issue needs to be sorted out. We have the announcement of funding to support some of the affected exporters. What they need is an actual solution to the problem that is causing the issue. While the money is undoubtedly welcome, they need solutions to make sure that groupage is sorted out, so that small businesses can continue to export and, in future, import seamlessly.

**Baroness Brown of Cambridge:** Thank you very much for those very quick and focused answers.

**The Chair:** That is very useful. Thank you for that focus. Nick, Andrew and Dominic, thank you very much indeed for being with us during this very busy time. It has been very enlightening. If there is any other information that you want to provide that you do not feel has been covered, please send it to Jennifer, our clerk. Thank you very much indeed.