



International Agreements Committee

Corrected oral evidence: UK-NZ trade negotiations

Wednesday 17 November 2021

4 pm

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Members present: Baroness Hayter of Kentish Town (The Chair); Lord Gold; Lord Kerr of Kinlochard; Baroness Liddell of Coatdyke; Lord Morris of Aberavon; Lord Razzall; The Earl of Sandwich; Lord Watts.

Evidence Session No. 2

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Questions 11 - 25

Witnesses

I: Dr Nick Fenwick, Head of Policy, Farmers' Union of Wales; Huw Rhys Thomas, Political Adviser, NFU Cymru; Beatrice Morrice, Political Affairs Manager, NFU Scotland; James Lowe, Chairman, Northern Ireland Agricultural Producers' Association; Victor Chestnutt, President, Ulster Farmers' Union.

Examination of witnesses

Dr Nick Fenwick, Huw Rhys Thomas, Beatrice Morrice, James Lowe and Victor Chestnutt.

Q11 **The Chair:** Welcome to this meeting of the International Agreements Committee. My name is Baroness Hayter and I chair the committee. Today, we are taking evidence about the New Zealand agreement in principle on agriculture. We have with us an array of experts on the agricultural sector from Scotland, Northern Ireland and Wales. Shortly, I shall ask them to introduce themselves.

I think everyone knows that our role is to scrutinise the agreement in principle, so we are looking to our witnesses for some guidance about what they find good and bad, and in particular any mitigations that could be made in the deal to alleviate any of the problems they foresee. In due course, we will prepare a report that will be debated in the Lords.

I will start with a general question about the opportunities and risks you see in the agreement with New Zealand for the people you represent. Our witnesses from Northern Ireland might like to comment in particular on the impact of the operation of the agreement as it relates to the Northern Ireland protocol. It is easier for me to start in the order I can see you, if I may, so I turn to Beatrice Morrice from NFU Scotland.

Beatrice Morrice: Good afternoon. Thank you very much for inviting me to give evidence today. I am delighted to be here on behalf of NFU Scotland.

We are very disappointed with the trade deal agreement in principle with New Zealand, which gives unfettered access to and total liberalisation of the market again. We have several reasons for that. New Zealand has a very large agricultural production system and we have great concern about the impact that could have on domestic production in Scotland. We understand that the TRQs included in the agreement in principle are short term. Ideally, we would have liked them to be there for the much longer term. We also have great concerns with regard to the precedent it sets for trade deals being negotiated by the Government going forward.

The Chair: Thank you. We might come back to some of those points in questions afterwards. Can I now turn to Mr Thomas from NFU Cymru?

Huw Rhys Thomas: Good afternoon to the committee and thank you for the opportunity to appear before you.

In short, we see the risks as many and the opportunities as very few. What is outlined in the agreement in principle represents a significant liberalisation of the UK marketplace and opens the door to significant extra volumes of product coming in. If there are discernible benefits for our members, we cannot make them out; we have not come across them yet.

We are also talking about opening up a market of 66 million people in exchange for access to a market of about 5 million people, so there is

huge asymmetry in the opportunities flowing either way. New Zealand is, as we all know, a major producer of agricultural products; it does so competitively, and we see a lot of downside risk in return for very little, if anything, from the agreement in principle that has been set out so far. In particular, for Wales, with our family farm structure and the way the Welsh language is wrapped up and bound in the agricultural community in Wales, there is a risk, which I do not think has been fully appreciated by the UK Government, of cultural damage being done if agriculture in Wales is degraded as a result of this agreement with New Zealand.

The Chair: Thank you for that. We will stick with Wales for the moment. Dr Fenwick?

Dr Nick Fenwick: I too thank the committee for the opportunity to speak to you. I hope you can hear me.

I will not reiterate all the points already made. I agree entirely with what Beatrice and Huw said. One thing I emphasise is that not only are the benefits for agriculture negligible, but the benefits for the UK are negligible. The Department for International Trade's own assessment suggests that the benefit to UK wages, for example, will be 1/1,000th of 1%, which equates to between 6p and 12p per week on top of the current average wage. We are not just talking about adverse impacts for agriculture in particular; we are looking at negligible impacts for the UK as a whole.

The Chair: Thank you. Perhaps we can now move to Northern Ireland and Mr Chestnutt.

Victor Chestnutt: Thank you for the opportunity to give evidence to the committee today.

I endorse what the previous respondents have said; I agree with every point. We recognise that the UK is only 60% self-sufficient, and as it stands at the minute, with trade in Asia and the Chinese market being so strong, it probably will not have an immediate effect. Having said that, we have taken down all the safeguards and, if the Chinese market was to switch off overnight, Australia and New Zealand could flood our markets. Farming is a long-term business. When we decide to keep a ewe lamb until she is in full production, or put a bull to a cow before she is in full production, it is a long-term business. We simply cannot react as quickly as that. We think that to open up the market without the safeguards of tariff-rate quotas is very foolish.

Food security is something we value. We can see that at the minute with energy; we have seen it in the past with Covid. Northern Ireland is a region that feeds 10 million people and we are very proud of that fact, even though we are a population of just 1.6 million and have 24,000 farmers. Anything that would weaken our market in the UK would be a real concern to us. Animal welfare standards are completely different. For instance, journey times are completely different. We are worried that we

are producing to a higher standard and could be undercut in the case of the Asian market crashing.

You mentioned the Northern Ireland protocol. If there was a flood of New Zealand product coming to the United Kingdom mainland, it may well not land on supermarket shelves in Northern Ireland because of the protocol, but given that the negotiations are at a very critical stage—I met Lord Frost last night—it will unsettle our European neighbours. We need to be aware of that fact.

The Chair: Thank you. Mr Lowe?

James Lowe: I thank the committee for having me here. The Northern Ireland Agricultural Producers' Association, commonly known as NIAPA, totally endorses what previous speakers have contributed. I concur wholeheartedly with Victor. The agreement has nothing to offer our producers on the ground. We are already hearing of processors being told they will be able to get produce cheaper from New Zealand, which is unhelpful.

The Chair: We may come back to that. If there are no points arising, perhaps we can turn to my colleague Lord Morris.

Q12 **Lord Morris of Aberavon:** We have heard that the Australians have ambitions to increase beef imports to the UK tenfold. My brother went to New Zealand on a Churchill fellowship and was very impressed by the advantages of scale and climate.

I have two questions. First, do you have any idea what impact the escalation of imports over the years will have on our lamb producers? Secondly, is it correct that the much-vaunted 15-year deal means that in year 1 it will allow a 30% increase in duty-free lamb, 44% after five years and no tariffs after 15 years?

Huw Rhys Thomas: Lamb is quite totemic in relation to New Zealand. New Zealand is the second-largest producer of lamb in the world and it can produce lamb competitively. Its costs of production are quite a bit lower than the UK's; they are estimated to be about 63% lower. The factors of production in New Zealand are much cheaper. Land is much cheaper; the climate is far more benign and friendlier to the production of livestock and grass growth. New Zealand has a huge advantage in those terms.

People say, "What is the Welsh sector concerned about, because the New Zealanders do not fill their quota to the UK at the moment?" We all know how precarious global events can be. Products can have a home in a market one day and the next day they are shut out of that market. The New Zealanders are perhaps looking to hedge and diversify their customer base to be able to send product to this country, if need be. We fear that greatly.

China had an outbreak of swine fever recently, so it has been looking for alternative sources of protein. Once that is resolved, China may not want

to take as much New Zealand product, so it will be looking for a home somewhere in the world. We have to bear in mind that the New Zealanders pressed for quite high quotas for a reason. The reason is that they want the headroom or space to send product our way if they need to, which is quite rational from their point of view, but quite bad news from our perspective.

The figures you quoted, Lord Morris, are correct; they are the figures in the agreement in principle. After 15 years we will be looking at full liberalisation of lamb and there will be no tariffs or quota safeguards; it will be a free-for-all, and the New Zealanders will be able to send as much product here as they wish.

The Chair: Beatrice Morrice, I think you signalled that you would like to come in.

Beatrice Morrice: I agree with everything Huw has just said. We are talking a lot about the long-term impacts of the TRQs, but one thing that is not quite clear just yet is the detail of how the TRQs will be delivered. What does weight mean? Is it by product or by carcass? That could have a real short-term impact on some sectors across the UK. That detail is not available. We would be very keen to get more on that so that we can understand the possible short-term impacts.

Lord Morris of Aberavon: In the absence of an impact assessment, do you have any idea how many hill sheep farmers there will be in Wales, Scotland and Cumbria after 15 years? Is the deal a manifesto for an economic and cultural desert and a no-win situation for hill farmers?

Dr Nick Fenwick: You highlight the ambiguity in our knowledge about the future. A lot of the positive predictions about this deal having no impact on agriculture that were referred to by Huw Thomas earlier are based on an analysis of the last few years, which have been very abnormal years. We cannot have any understanding of what will happen in 15 years.

If the positive scenarios continue, and New Zealand keeps sending the vast proportion of its lamb to China, we have nothing to worry about. If that does not transpire, we have entered an internationally binding agreement that opens the door to very low-priced product flooding our market and creating an inherently downward pressure on prices and, therefore, threatening a number of the family farms in Lord Morris's area of Wales, and in Cumbria, Scotland, et cetera. It is precisely our concern that there are no safeguards. This is an internationally binding agreement, and once that door has been opened it cannot be closed.

Q13 **Lord Gold:** Good afternoon, everyone. Thank you very much for joining us.

I want to ask about the quota. What I do not understand, listening to Mr Thomas's and Dr Fenwick's comments a few moments ago, is why New Zealand, which over the years has used less than half of the UK's existing tariff-free quota, will in the future suddenly change, or change at all.

There is no particular reason why that should be the case, is there? I have to say that, when I looked at this, I thought it was a case of crying wolf, or perhaps I should say sheep. Is this a real issue? It is quite possible that New Zealand lamb may compete with Australian lamb imports, or displace EU lamb rather than UK lamb. I realise why there is such concern, but I wonder whether you are worrying unnecessarily at this stage.

The Chair: Dr Fenwick?

Lord Gold: I have stunned him into silence. I am so sorry.

Dr Nick Fenwick: I understand the question, but I would turn it on its head. Without wishing to be too facetious, if it is such a low probability let us just take it out of the agreement, as suggested by Huw Thomas earlier. Clearly, New Zealand will not mind taking out that part of the agreement if it does not intend to use that part of the quota and it is not a probable outcome. Just take it out. The fact that New Zealand would go ballistic if that happened indicates that it has every intention of using that headroom if it can.

To address the point about displacing other products, we would all like to see everything displaced, ideally, as we would argue, by Welsh lamb and no doubt Scottish lamb, as Beatrice would argue. At the end of the day, if it is displacing EU lamb, what little of it is on our market, it is displacing something that fairly matches our standards; whereas it would be displacing it with a very different product grown on the other side of the world in a completely different environment, to very different legal standards, and at different cost. The same arguments go for beef. It is not just about displacing one with the other; it is the quality and price of what is displaced.

Lord Gold: I thought that when it came to health issues the quality was the same as here. Are you saying that is wrong? That is certainly the case for New Zealand.

Dr Nick Fenwick: It is a far bigger issue than health. It is to do with the bureaucracy associated with it. I do not think we would question the safety of New Zealand lamb, but when you look at animal health and welfare standards, they are very different from those that we have enshrined in legislation and enforced, whether it has to do with transport distances or a whole host of other things.

Lord Gold: If I may press you, you used the word "different". So that we fully understand it, would you say those standards are inferior to the ones here?

Dr Nick Fenwick: Yes, we would say they are inferior. For example, our traceability systems are far more robust, as are the penalties associated with breaching the far higher standards on reporting movements within a very short period, tagging our animals within a certain period, or having to tag them before they leave the farm, and the fact that every single

one has to be tagged. Those are inherently higher standards and the penalties associated with breaching them are very high.

Lord Gold: Thank you.

The Chair: Perhaps we could turn to something one of the witnesses touched on earlier. Lord Kerr would like to come in.

Q14 **Lord Kerr of Kinlochard:** I am slightly with Lord Gold's perspective on this. I agree with Dr Fenwick that the big market for New Zealand lamb is likely to remain China and it is likely to be a growing market. It seems possible that if the Australia-China trade war develops or grows that may provide further opportunities for New Zealand in China. Of course, distance and seasonality reduce the risk of New Zealand exports to our producers.

My worry, if I were you, would be primarily about precedent. I heard an NFU spokesman say, "There is a host of other large agricultural exporters who will naturally insist on similar levels of access for their producers to those granted to Australia and New Zealand". That seems quite plausible. What would happen if the Government were to negotiate equally liberal arrangements with, say, Canada and Mexico, where negotiations are imminent, or with Brazil, Argentina and Ecuador, and of course with the United States? I do not think negotiations with the United States are imminent but they are a possibility.

Of course, the negotiators from the other side cannot insist on getting terms as good as the Australians and New Zealanders have, but we can bet our bottom dollar that they will claim that the precedent should apply. What arguments would you envisage the Government using if they decided that they did not want to be as liberal to other big agricultural producers as they have proved they want to be with Australia and New Zealand? If they wanted to, how should they resist the idea that the precedent should apply?

The Chair: Beatrice Morrice, I think you mentioned precedents in the opening, so perhaps you would like to start on this.

Beatrice Morrice: Absolutely. It is something we are very concerned about. After the Australian trade deal was announced, it was something we raised with the UK Government consistently. We were assured that every trade deal starts with a blank sheet of paper and it does not mean that free trade will automatically be implemented for others. Just a few months later, it is exactly the same. We have huge concerns about it. The impact that it could have on Scottish farmers and other farmers across the UK in trade deal after trade deal is incredibly worrying.

One of the points that I urge the UK Government to put across would be the economic impact on communities that rely on the farming sectors, particularly in Scotland. I can speak only for Scotland, but I am sure it is the same around the rest of the country. Supply chain companies are supported; there is direct employment; and jobs are supported. The

farming sector is of absolute importance in rural communities. Anything that reduces domestic production is a real concern economically.

With regard to the environmental side of things, we are working hard to tackle climate change. That could be undermined by food production coming in. Ultimately, for food security, we need to produce food for our country, and anything that diminishes that would be very negative for the country as a whole.

Lord Kerr of Kinlochard: Thank you. Would anybody—

The Chair: Perhaps we can come back to this. We might go to Baroness Liddell. I know that you are interested in it because these matters were discussed during the consultation.

Q15 **Baroness Liddell of Coatdyke:** I am quite interested in the extent to which there has been a relationship between our witnesses and the Government. During the process of negotiation did you feel you were involved as much as you could be throughout the negotiations and the lead-up to the agreement in principle? I get a wee bit of a touch coming from you that maybe it could have been better.

Victor Chestnutt: Thank you for the question, Lady Liddell. We think the negotiation could have been handled differently. It is not altogether surprising that it was handled in this way. It is like sending a schoolboy out to the local market to buy cattle. You would tell him to buy one or two on the first day so that he would get used to it. The UK was doing trade deals for the first time. We think it has given away all of its cards.

We are very concerned about other countries in the world expecting a similar deal. I agree with Nick about the New Zealanders' aspirations and why they wanted the quota raised. The suggestion is, "They didn't use their quota before, so why would they have the big quota?" They wanted that big quota and they did not want it for nothing.

On our engagement, the NFU set up a survey about food security and food standards, which attracted 1 million signatures. The Trade and Agriculture Commission was set up as a result of that. I sat on that commission and night after night we had plenty of debate. At the commission, the negotiator, Lockwood Smith from New Zealand, was there—a farmer himself. He wanted free trade and the liberalisation of everything. We felt we ended up with a compromise position. We presented that to the Government back in March and it took eight months for them to reply. In the meantime, they had signed up to a deal with Australia and New Zealand. We envisaged at that time that there would be a new Trade and Agriculture Commission set up to help the negotiators as they negotiated. Now the new Trade and Agriculture Commission will look over the trade deal after it has been completed and signed. I think that is shutting the door after the horse has bolted. We are very disappointed with how the Government tore ahead on this. To put it frankly, in my involvement in the Trade and Agriculture Commission I feel I was used and abused.

Baroness Liddell of Coatdyke: Does anybody disagree?

Beatrice Morrice: I do not disagree at all. I reiterate that we were incredibly disappointed with the level of engagement. We felt we were not really being engaged with. In some instances, it was like a tick-box exercise and not a consultative process, which we were incredibly disappointed about. Speaking to our counterparts from Australia, they were very involved in the process throughout; they were involved in identifying the TRQs and what that would mean. Speaking for NFUS, we did not have anything to do with that at all. That is the real concern for us. Going forward, we absolutely want better collaborative engagement.

Q16 **The Earl of Sandwich:** We have just heard from two of the witnesses the response to my question. It would be very good to hear from your colleagues as well. I am trying to get at whether the Government are trying hard enough on the question of consultation. After all, the Trade and Agriculture Commission is widely respected as something that should be part of the system and should be allowed to remain and be extended. The Government say they have the ambition to place farmers at the heart of their trade policy. You say they are not doing that. It is not just the TAC; it is also the trade advisory groups. I would be interested to hear what your impression of those is.

I should mention that I am an NFU member in west Dorset, where we have long had relations with New Zealand farmers, mainly as judges of sheep. Obviously, they recognise the problems too.

Dr Nick Fenwick: I again highlight the fact that when you look at the figures the benefits of the two deals agreed in principle are not only negligible for the UK economy, employment, et cetera; there are huge concerns currently, which we are raising, with regard to agriculture. I agree with what I suppose is an implied criticism that the UK Government are not looking after farmers.

I suggest that the real issue is to strike liberal deals and get catchy press releases. Those deals will have virtually no benefits for the UK; they will have adverse impacts for Welsh agriculture, but they will be a good story in the newspapers, because they are a trade deal at a time when we are struggling on trade with the affluent trading nations on our doorstep in the form of the EU. Bear in mind that the population of New Zealand is 1% of the population of the European Union. The EU is next door to us, and because of the barriers that have been raised we are struggling to trade with a market to which we send between 70% and 80% of Welsh food and drink. The benefits are negligible, and I am afraid farming is being abandoned by this Government.

Huw Rhys Thomas: I entirely agree with what Nick said. When they are striking these deals, the UK Government are not looking out for farmers, certainly not UK farmers. It is very much for the benefit of Australian and New Zealand farmers. You just need to look at how the deals were reported in the New Zealand and Australian press. They were hailed and lauded as fantastic opportunities. That tells you everything you need to

know. As for access to the Government and MPs, the New Zealand high commissioner has probably had better access to Government Ministers and MPs than some of us have enjoyed in the past few weeks.

- Q17 **Lord Morris of Aberavon:** Is not the big hole in this treaty that there is no impact assessment for British agriculture? The danger to our producers is that they are shielded by the temporary New Zealand preference for Asian markets. They might do what the Australians did with wine when I went there. They reduced the price of wine well below £5 a bottle and, when they established a market, they increased it substantially. British agriculture has a vital need for an impact assessment.

The Chair: I see a lot of agreement with that.

Victor Chestnutt: I totally agree with Lord Morris. There is another thing we need an impact assessment on. We have just finished COP 26. We have not talked about the carbon intensity of what we produce in the UK and the wisdom of importing meat. Red meat from New Zealand has 160% of the production of carbon efficiency compared with ours. We are way ahead. We are at 52% of the world average and New Zealand is at 160%. Why bring in red meat to displace our own at a higher carbon intensity? It makes no sense at all.

Along with an economic impact assessment, we need an environmental impact assessment to be carried out as well, as a result of importing food from around the world. I am not talking about the transport costs but the production efficiencies in carbon. Western Europe is way ahead of the rest of the world.

The Chair: That is very helpful. Could I now call in my colleague Lord Watts?

- Q18 **Lord Watts:** It seems that no one on the panel thinks this is a good deal for the UK, yet the Government seem to think it is and cite the benefits to consumers, which I can only assume they think will lead to lower prices and higher standards. The Government say that farmers should be more competitive and productive. What are the chances of that happening, and is there anything the Government can do in this deal to help farmers achieve that aim?

The Chair: Who would like to come in on more production, or anything you would want from government to mitigate the risks you have identified?

Huw Rhys Thomas: We often hear the suggestion that it will make goods cheaper for consumers, but as a proportion of household income spent on food the UK has the third cheapest basket of food in the world. We hear a lot about productivity. Our farmers are as competitive as they can be. Our factors of production are far more expensive. The cost of land in this country is far higher; the climate is not as benign as in New Zealand, so we have some handicaps that we cannot overcome.

As for farmers becoming more competitive and productive, we do not have one coherent UK agricultural policy. The Government seem to forget that we have four different home nations with slightly different post-CAP agricultural support policies that are likely to fall into place in each of them. In our trade offering to foreign countries, we need to recruit staff and have agricultural attachés at UK high commissions and embassies to promote our product in new markets. We need to look at how we extend the shelf life of our product. When we talk about exporting lamb to potential new markets, we need to look at extending our shelf life there. It will take some time to increase our productivity. The direction of travel post CAP agricultural support seems to be taking us in the opposite direction and away from productivity, with far greater emphasis on public goods.

Lord Watts: Does the panel think that perhaps the Government think that they no longer want to support farmers? It seems to me that that is probably the only scope for productivity, but I would be interested to hear your views.

Victor Chestnutt: Quite a lot of Northern Ireland has seriously disadvantaged or disadvantaged land, and you would not question that. I come back to the environment and our family farm structure. If we wanted ultimately to push efficiency—there is always room to improve—we would rip out all our hedges and farm on bigger units. Just try to get planning permission for a 15,000 feedlot, which is commonplace in Australia. You would not get it. I do not think the public want that. Our system is totally different, so we need some of those safeguards.

The biodiversity element of our hills is such that livestock need to be grazed there to keep those hills viable and managed for tourism and other industries. It is not just a simple point about driving efficiencies to get cheaper food. We have diverse elements to look after in our rural countryside. I think the public like our rural countryside—tourism is doing well—and do not want it to become overgrown and present the risk of wildfires.

The Chair: In a moment, I want to bring in Ms Morrice and Dr Fenwick. First, Lord Kerr has another question.

Q19 **Lord Kerr of Kinlochard:** I want to follow up the point raised by Mr Thomas about agricultural attachés. I strongly agree with him, but an agricultural attaché in, say, Wellington or Canberra would be concerned with observing standards and would not be an export promoter. Realistically, we will not be selling agricultural products to Australia and New Zealand. The export-promoting attaché should be in places such as Beijing and Shanghai. I was puzzled that Mr Chestnutt, in criticising the agreement with New Zealand, said that nothing of substance was gained for Northern Ireland agricultural producers. What realistically did you expect to gain from the deal with New Zealand in terms of exports?

The Chair: Can I turn to the witnesses I know want to come in—first, Beatrice Morrice and then Dr Fenwick?

Beatrice Morrice: We were talking about ambition. We are a very ambitious sector, but our processing capacity is not able to meet the demand of our country just now and is very limiting. That needs to be addressed. We cannot get enough staff to harvest our products from the fields just now, so if we were looking to increase our exports and become more ambitious and increase production and capacity, the processing side of things certainly needs investment.

I agree with what Victor said earlier about balance. We in the farming sector in Scotland are working very hard to produce food sustainably, help tackle climate change and enhance biodiversity. Those three things all work in unison and need to be focused on.

Dr Nick Fenwick: I want to respond to the comments made by Lord Watts about whether or not there is genuine support for agriculture. You only have to take a step back and look at what is going on. The agricultural budget is being cut. Wales had a cut last year of about £190 million, if I recall correctly, and we are seeing further cuts, in breach of the manifesto commitment to maintain the rural budget. That has been reduced quite significantly in the spending review, both last year and this year.

Increased levels of bureaucracy are being proposed at UK and Welsh Government level, which I appreciate is beyond your remit. We are in the process of elevating restrictions for our own producers while signing trade deals with countries that have far lower standards than those already required of us, and simultaneously cutting budgets on which 80% of our farming income in Wales relies. Only a couple of weeks ago, it was reported by one rural accountancy agency that it anticipated that only 50% of English farmers would break even under the current transition process. Whether or not it is deliberate is different question. It may be inadvertent, but it is nevertheless an attack on UK agriculture.

The Chair: Mr Lowe or Mr Chestnutt, do you want to add anything?

Victor Chestnutt: I was not expecting to see agricultural products. Northern Ireland is very similar to New Zealand if you count the UK mainland, which is part of our country. We are divided by that wee bit of water that makes things more expensive for us, but if you count what we send into the UK, we get rid of 80% of the food we produce, but it is our country, so anything that happens in the UK market affects us.

I was disappointed that safeguards were not put in place to recognise our rural communities. We have long maintained that tariff and quota protection must be retained for sensitive agricultural products. Allow the increase in market access by limited tariff-rate quotas, as and when needed. The UK is not self-sufficient in food; we have to import it. We do not want to say no, no, no to New Zealand, but we need it to be done in a way that does not wipe out our agriculture overnight.

We have been forced to adopt higher and higher environmental standards. We think that the carbon intensity of the food we produce is

quite low, so we would expect that whatever we are asked to compete with is produced to the same standards. Quite evidently, it is not in the case of those countries. My disappointment is that we have opened our doors wide. I do not think it will affect us at the minute while the Asian market or the Chinese market remain good, but in the event of that changing, our doors are wide open and we could be wiped out overnight.

Huw Rhys Thomas: I want to clarify my comments about agricultural attachés, in case they have been misunderstood. I was not advocating that we should necessarily be sending agricultural attachés to Canberra or Wellington. It is about opening up new markets and looking at new export opportunities. Trying to send meat or dairy product to New Zealand or Australia is akin to sending sand to a beach. It is pointless.

The Chair: If we have time I would like to come to a couple of questions on beef and cheese, but I would now like to move to Lord Razzall.

Q20 **Lord Razzall:** Can I move to a rather more technical issue, which is the question of geographical indications? As everybody will know, all the agreement in principle says about geographical indications is that the final agreement will deal with them. I would like to know whether in the agricultural sector you feel that geographical indications are important and, if they are, what geographical indications you would like to see in the final document.

The Chair: Shall we start in Scotland? Beatrice Morrice, do you have any views?

Beatrice Morrice: We have them for two main products: Scottish beef and Scottish lamb. We say that generally this protection should be recognised in any future trade agreement, but for us that is not the primary concern about the trade agreement in principle, so it would be based on other things going forward.

The Chair: Let us go to Wales: Dr Fenwick or Mr Thomas.

Huw Rhys Thomas: As Beatrice said, it is probably a secondary issue in the scheme of things. We have Welsh lamb and Welsh beef. Those are probably the two most important geographical indicators for us. The agreement in principle does not give up-front recognition to GIs; it is only a commitment to review them if New Zealand were to introduce its own scheme. We know that historically New Zealand has opposed GIs in the EU context, so there is no reason to suppose it might deviate from that line with the UK. GIs are important, but are probably a secondary issue in the wider context of the whole agreement in principle.

Q21 **The Chair:** That appears to be a common response. Can I turn back to dairy farming and the five-year tariff phase-out period for cheese? What is your response to that tariff phase-out period?

Victor Chestnutt: We are very concerned. Five years is a very short time. We in Northern Ireland have increased our dairy output, and we are in a region where we have to export it. We have a unique system where

the whole food supply chain on the island of Ireland is integrated. At the minute, 40% of our milk goes to the south of Ireland, basically into the EU, for processing. One of our concerns—I am going off-piste a wee bit—is that it is now becoming a mixed-origin product, even though it is produced to EU rules. Quite a lot of that milk will end up on the Asian and African markets as powder. We are concerned about that.

Our main company in Northern Ireland focuses solely on cheese, mainly for the UK market. Five years is a very short time to see this trade completely opened up—I come back to the same point—with no way of rolling back or having any tariff-rate quotas. We would be concerned about that. Five years is an extremely short time to end up in a completely free trade situation.

Q22 The Chair: I am getting indications that others agree with that judgment. In that case, before I open it up to colleagues for follow-ups, I have one other specific question about the agreement's product-specific safeguard for beef, in addition to a general bilateral safeguard for all goods. Are there any comments on that from the beef sector?

Dr Nick Fenwick: I will attempt to answer. I think it is too vague to give a definitive answer until we start to see exactly how it will be worked out and what coefficients will be used to make the calculations. More broadly, with regard to any of the products, we need triggering mechanisms that relate to a whole host of things, including maybe even adverse impacts on our own main export destinations, which currently would be the EU. We need break clauses so that problems can be reviewed rather than our being on a one-way train to a completely liberalised trade deal, which is an international agreement that you cannot get out of simply.

We need a whole host of mechanisms that can kick in when we start to see adverse effects. I appreciate that there are certain trigger volumes and trade remedies in the agreement, but who knows how effective they will be if we start to see the sort of impact that Lord Morris referred to earlier, with people ending up leaving their communities, and farms going bankrupt as a result of the cumulative effect of a number of these trade deals?

The Chair: Can you give us a little more detail about what you mean by break clauses? What would trigger them?

Dr Nick Fenwick: I am no expert on WTO rules; to be honest, few are. In a normal contractual situation—for example, with a tenancy agreement—you would have a break clause or period after which you can review the contract and say, "Is it going okay? Is it going in the wrong direction? Is it having unforeseen consequences?" For example, "We thought New Zealand would never increase its exports at rock-bottom prices, and it turns out we are now seeing a repeat of what happened 15 years ago and it is happening". We would have an opportunity to renegotiate rather than its being a fixed course, at the end of which we would have zero tariffs and complete trade liberalisation and be on a one-

way course. I do not know whether that is legal under WTO. I hope so and probably expect that to be so.

The Chair: Thank you. Mr Thomas?

Huw Rhys Thomas: I do not have a huge amount to add to what Nick has just said. On the trigger volumes with regard to beef, the tariffs would bite at 20%. The 20% tariff is still quite a bit below the UK global most favoured nation tariff that we would be charging. It may well be that New Zealand could still be competitive in the UK marketplace with a 20% tariff slapped on its product anyway. Currency movements could account for that discrepancy. We need to know how it is going to work because, to date, the detail has been pretty scant. If and when we have that information, we might be able to offer better analysis of it.

Q23 **Lord Gold:** I want to take Dr Fenwick back to his comments about animal welfare. The committee has received written evidence from the British Veterinary Association. I would like you to comment on this because we should get the record straight: "The UK and New Zealand are largely aligned on many aspects of animal health and welfare policy. Animals used in farming in New Zealand are protected by the Animal Welfare Act 1999, including the general anti-cruelty and duty of care provisions. Codes created under the Act provide detailed standards for transport", which I think you mentioned, "painful husbandry procedures, commercial slaughter and specific requirements for farm animals". I would like to give you the chance to explain why that is not sufficient for our purposes if animals are exported from New Zealand into our market.

Dr Nick Fenwick: The point I was making was in the broader context of animal health and welfare. We have been in meetings with the Welsh Government in the last few days regarding changes to animal health and welfare rules. The standards we have to adhere to are by definition higher than the standards New Zealand farmers have to adhere to.

I fully respect the view of the British Veterinary Association if it says they are broadly aligned. There are many of New Zealand's standards we would rather like to adopt here when it comes to, for example, its traceability system. A number of our members would like to have more liberal rules on reporting movements, tagging of animals, et cetera. All these things cost farmers money and all are related to animal health and welfare, particularly in tracking diseases, responding to disease outbreaks and ensuring that anything that is picked up in the food chain can be very quickly traced back properly.

It is about the animal health and welfare regulations that inherently cost British farmers money and which do not exist, or are implemented at a very much lower level, in New Zealand. The same goes for Australia and other countries with which we want to make trade deals. The standards they have to adhere to are literally laughable. They laugh at us when we explain some of the things we have to do by law.

Lord Gold: I have no expertise in this area, as I am sure is absolutely

obvious to you, but does that lead to the suggestion that perhaps there should be a change in our regulations?

Dr Nick Fenwick: We need to retain alignment with our main export market, which is the European Union. The loss of that would mean the loss of a third of our export market for lamb and potentially lower figures, but nevertheless substantial figures, for other key products. We need to retain that alignment, but that does not mean there is no scope for more flexibility within the rules that the EU asks of all EU farmers. We have inherited UK rules within the EU framework that are already more stringent than the EU framework allows for. We have already gold-plated the rules, whether it is our slaughterhouses or reporting times for animal movements. There is scope for us to have more flexibility. To be honest, a large number of farmers who voted for Brexit were led to believe that that would happen. That prompted them to vote for Brexit. We are now seeing an escalation rather than a stepping down of regulation.

The Chair: It is interesting that, although you have used the word “standards”, it seems to me you are talking about enforcement, which is important for consumers, rather than the standards themselves. As long as the rules are kept, from the point of view of the consumer they will be getting the same high-quality product. I was interested in what Dr Fenwick said earlier. The bigger concern is about enforcement and checking, rather than what you are being asked to do. Have I got that right?

Dr Nick Fenwick: There are some areas where British consumers would be surprised at the difference between what is required of a Welsh farmer and what is required of farmers in other countries, and the stark differences between those requirements. Some of them would be interpreted as relating to animal health and welfare. Movement times are a classic example. We have very strict rules on movement times that are nowhere near as restrictive in southern hemisphere countries—for example, Australia and New Zealand. I am no expert on what happens in New Zealand, but Australia has maximum animal journey times without water that are multiples of what we are allowed to do here in our small island.

The Chair: It is possible that my colleagues around the table are aware of those, but if you have that sort of evidence, perhaps you could send it to us. That would be helpful so that we have chapter and verse on it. I think we have come to the end, but do any of my colleagues have follow-up questions?

Q24 **Lord Morris of Aberavon:** As far as agricultural goods are concerned, my understanding—correct me if I am wrong—is that the prospect of exports is minimal. The concern of British agriculture, as I understand it, is imports, and the bottom line is the possibility of New Zealand switching from its existing Asian markets to the United Kingdom, possibly from year 1, let alone what might happen by year 15. We start in year 1 to lower the tariffs.

The Chair: We are getting nods from our witnesses.

Q25 **Lord Kerr of Kinlochard:** Can I go back to Baroness Liddell's question and ask about the process of consultation with Wales, Northern Ireland and Scotland? What should the Government do to improve that process?

Victor Chestnutt: The Government set up the trade advisory committees. It is simply not acceptable that the first they hear about an Australian deal being signed is from Australia and Australian farming organisations. That is the stark reality of the engagement. There is no point in setting up trade advisory groups and appointing people from the regions and not involving them as they go along.

The New Zealand deal was very similar. Maybe we did not hear about it first from New Zealand farmers, but from talking to some of the people on the group, I understand they had no idea that it was going to be signed when it was signed. They were not kept involved on the way through and that is simply unacceptable as far as I am concerned. We need to import food to the UK; we are not against that, but there is no point in setting up an advisory board if you do not keep it involved. It is only a tick-box exercise.

Beatrice Morrice: I reiterate what Victor has just said. We were very disappointed that the statutory Trade and Agriculture Commission took so long to be established. We are pleased that it has now been established, but it has to have weight; it has to be listened to and be given the opportunity to consider the possible outcomes or impacts the trade deals could have on the sector. It has been recently announced; it might have been the same week as the New Zealand deal, but it needs to be up front looking at the negotiations as they go forward, not looking at them at the end. It is important for it to have weight and teeth.

The Chair: Thank you for that. As there are no other questions from my colleagues, I thank you all enormously for joining us today. When we are writing our report, your input will be invaluable. If when you look at the transcript or see our direction of travel you would like to submit anything in writing, that would be extremely welcome. For the moment, thank you all very much. Enjoy the rest of this rather wet and cold evening.