HOUSE OF COMMONS

International Trade Committee

Oral evidence: The Impact of Coronavirus on Businesses and Workers, HC 286

Thursday 30 April 2020

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Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Robert Courts; Mark Garnier; Paul Girvan; Sir Mark Hendrick; Mark Menzies; Martin Vickers; Matt Western; Mick Whitley; Craig Williams.

Environment, Food and Rural Affairs Committee Member present: Neil Parish, Chair

Questions 68-93

Witnesses

I: Professor Bob Doherty, Professor of Agri-food and N8 Chair in Agri-food, University of York, and Professor Fiona Smith, Professor of International Economic Law and N8 Chair in Agri-food, University of Leeds.

II: Andrew Opie, Director of Food and Sustainability, British Retail Consortium, and Ian Wright CBE, Director General, Food and Drink Association.

Examination of witnesses

Witnesses: Professor Bob Doherty and Professor Fiona Smith.

Q68 **Chair:** Welcome to the second virtual meeting of the International Trade Committee. We will look at the trade in agri-foods, as part of an inquiry into the effects of Covid-19. I am glad that we are joined today by two panels of two guests. I will ask our first panel of experts to introduce themselves, starting with Fiona.

Professor Smith: Good afternoon. I am Professor Fiona Smith, professor of international economic law at the University of Leeds.

Chair: Thank you very much for making the time to join us today. I hope you did not have to travel too far; that is one of the benefits of this new world.

Professor Smith: Not too far.

Professor Doherty: Good afternoon, I am Bob Doherty, professor of agri-food and N8 chair of Agri-food at the University of York. I am also professor in marketing at the York Management School and sustainable food theme leader at the York Environmental Sustainability Institute. I run a large research programme called IKnowFood, which is funded by the global food security fund of UKRI. In addition, I am also a trustee on the board of the Fairtrade Foundation.

Q69 **Chair:** In the interests of openness and clarity, I make a declaration of interest: I keep some sheep myself, but not enough to make much money. When I tell New Zealanders that I have 30 sheep, and they tell me that they have 26,000, it puts things into some perspective.

We should be joined by a guest *[Interruption.]* And just as I utter those words, I think I see some semblance of possibility that Neil Parish, Chair of the Environment, Food and Rural Affairs Committee is joining us. He is a welcome addition to our Committee.

I will kick off with a scene-setting question. Professor Doherty, how would you characterise the UK agri-food sector?

Professor Doherty: First, it is very important to the economy; it is worth £113 billion and is the largest manufacturing sector. It employs nearly 4 million people, so it is very important. It is highly integrated internationally; we import around 47% of our food, and 30% of our food comes from the European Union, while 10 to 15% of those imports come from developing economies. Our grocery sector is highly concentrated; nearly 70% of the grocery retail market is represented by four major retailers. Their system is very "just-in-time"; it is very lean and, because of advances in technology and logistics over the past 15 to 20 years, those supply chains are very quick. For example, a retailer can create its own order from its electronic point-of-sale data, place that order before 12

noon today—it could be for leafy salads or vegetables from southern Spain—and that order will go straight to the pickers and packers and will be delivered at some point the next day. They call that "day one for day two", and it very much relies on a frictionless trade system.

The other key component of our food sector is the out-of-home sector, which has obviously been severely affected by Covid-19. Another part of our food system is our exports, 60% of which go to the European Union—that is also very important. Covid-19 has showed our food sector as a system—I think that is very important—the activities, from farming and fishing to the consumer, the outcomes in terms of food security and the socioeconomic and environmental interactions with those activities. Covid-19 has been a great example of how we need to look at our agri-food sector through a food-systems lens.

Q70 **Chair:** In the past, I have heard—as I think you alluded to there—that stuff ordered on day one goes on a lorry in Spain and can be on the shelves in the south of England at the very least within 12 hours of being picked. Peaches were an example I was given. Are there any more examples? Maybe we do not always appreciate that rapidity of movement.

Professor Doherty: It is very speedy. Obviously, it relies on free movement of goods across borders, and on advanced logistics, transport and technology. It also relies on a roll-on roll-off ferry facility, so the Dover strait—the Dover-Calais maritime strait—is very important.

Even if you look at our ordering of tropical fruits from west Africa, say prepacked mango or prepacked pineapple from Ghana, that is also day one to day three. That can be ordered on a Monday and delivered on a Wednesday to the regional depots of major supermarkets in the United Kingdom.

These supply chains rely on advanced transport capacity, free movement of goods and frictionless trade. That is the way, and I think that the current pandemic, paradoxically, has exposed the vulnerabilities of that system, because it clearly relies on that speed and frictionless movement. Initially, particularly, when we had panic buying and stockpiling, it really exposed that system—which has been seen as an advancement, in a way.

Q71 **Chair:** What we learned from last week was about having parallel supply chains or resilience in place. Something else you might be hinting at there but almost reluctant to mention is "Brexit". Potentially, the problems that Brexit might give are another interruption coming this way, but before we go down that avenue, I want to check something. Does the stuff that you have coming from west Africa from day one to day three go via Europe, or come direct air freight into the United Kingdom?

Professor Doherty: To take one example, it comes British Airways from Accra straight into Heathrow. That is how that system works.

Q72 **Chair:** There is not the potential disruption of Brexit and free movement that other foods might have coming from Spain or wherever.

Professor Doherty: It is also important to point out that 32% of our vegetables come from the European Union, mainly Spain. In terms of our food imports, that 30% that I mentioned is really five key trading partners: Italy, Spain, France, Germany and the Netherlands. By produce type, if you take vegetables or leafy salads, 32% comes in from southern Spain, so that is obviously very important. For the grocery trade and those retail supermarkets, that is very important to their income. If you walk into a supermarket, the first thing that you see is an array of vegetables and fruits. That is very important for their business model.

Chair: Thank you. I am tempted to go down this route and to inquire a lot more about this, because I find it a fascinating subject, but we had better move over to Neil Parish, who will take up the next points. Mr Parish? We need to unmute his microphone.

Neil Parish: Hello? Connected now? Hello, Angus.

Chair: This is obviously an upgrade from the EFRA Committee, I am tempted to say, but I will not go down that avenue at all.

Q73 **Neil Parish:** I very much appreciate you inviting me, Angus. My question follows on from yours in a way. How vulnerable is the UK agri-food supply chain to the impact of Covid-19? What are the strengths of the chain, and which parts are the most likely to have disruption in the future, or if this carries on for a very long time?

Professor Doherty: The single market stood up pretty well. If you look at the supply of ambient goods and fresh produce, it stood up reasonably well. Obviously, in the initial stages of the pandemic, you had panic buying and stockpiling, and because of those just-in-time supply chains that I just explained, you had a number of different out-of-stock situations. That also created a problem for those people in the United Kingdom who are food insecure. A large number of food banks—independent food banks particularly—rely on donations within supermarkets. They will also take their financial donations and go into supermarkets to buy their produce—they might buy 80 bags of pasta or 80 tins of tomatoes. They could not do that because of that panic buying and stockpiling. The volume restrictions that the retailers introduced at a later stage were good, but they should have done that earlier. That would have been a better decision. If we get a second wave, that is a lesson to learn from the initial situation.

I am more concerned about the 10% to 15% of our food that comes from developing economies, because we are seeing some significant impacts on the movement of goods in developing economies. We are also seeing produce standing at ports because of labour shortages. You have travel restrictions, and there are some hotspots—there are some potential problems down the line of poverty and loss of livelihoods. We have already seen a lot of smallholder farmers lose their markets and workers being made redundant, particularly in sub-Saharan Africa. There are problems with rice in Asia, so the rice price is increasing at the moment significantly—I think it is the highest price we have had for seven years, because a lot of that rice is stuck at Indian ports.

I am quite concerned about the impact of labour shortages and the restrictions on movement of goods for that produce at this moment in time, not only from a UK perspective but also from a smallholder farmer perspective in those hotspots—northern India for tea, sub-Saharan Africa, South Africa for citrus fruits and so on. The single market has stood up pretty well, but I am really concerned about some of the situations in some of the developing economies.

Professor Smith: Thank you for your question, Mr Parish. I want to add a couple of things to what Bob said, thinking about the supply chain from farm through to fork, in terms of the impact on the consumer end. Because the disruption to the food market was overnight, with the Government closing some retail outlets like restaurants, getting that food from the supply chain to the restaurants back into the main supply chain to supply supermarkets is not as easy as it looks. In actual fact, some farmers' supply chain is directed straight into restaurant chains like McDonald's. Because of the just-in-time supply network, as Bob said, these contracts are not as easy to shift overnight, so we have seen problems with diverting food out of the restaurant sector to the supermarkets and the consumer; that has been problematic. I know that Leeds City Council has been involved in trying to sort that, and I think that that is the case with regional councils as well. At the farm end, we have also seen disruption to inputs into the farm, in terms of animal feed. That has a knock-on effect further down the line, but it is important to point that out now.

Following on from what Bob said about developing nations, we are seeing ports being closed. To get the food from these developing countries to the UK, it has to be taken to a particular port to ship it out, which slows down the food coming out. Obviously, we have had difficulties in terms of countries closing borders, so some of the traditional supply routes are becoming a lot more challenging, with countries like New Zealand and Australia stopping flights coming out.

Q74 **Neil Parish:** On the carcass balancing, and specifically beef, there is a lot of mince being used, but we are not eating as many steaks and good joints, because we are not going out to restaurants so much. So I think we need to promote British food more in that regard. Then I have a supplementary question. When we are buying in the supermarket, should we—?

Chair: Have we lost Neil? Sorry, Neil, I think you froze there. Am I right? Neil, can you repeat your question?

Neil Parish: [Inaudible]—conscious they are in short supply, and whether we ought to buy more potatoes and less rice, or more pasta, if the pasta is in better supply. I just wonder whether we have got international responsibilities as well.

Professor Doherty: We have seen a real change in consumer habits, because everybody is in lockdown. Apparently, according to Kantar Worldpanel figures, 503 million meals more are eaten in the home per week than they were before lockdown, so you are seeing an increase in

certain things, like bacon or readymade meals. Also, however, as Fiona rightly said, because of the loss of the out-of-home sector you are seeing impacts on the dairy industry, where 80% of milk and cheese was supplied into the out-of-home sector. So you are seeing a change.

Also, what you see with some of the livestock farmers—some of the British beef farmers—is that they are finding markets direct to consumer. We have had some really good examples of resilience, where farmers and growers are going direct to consumer with a higher quality product, bypassing the retailer, at a local level. So we have seen a relocalising of food supply, which I would say is one of the positives to come out of the pandemic.

Professor Smith: We need to think about our legal responsibilities and our moral responsibilities to countries outside the UK. There is a human right to food. It is not something that I have written about in my own work, because I am a trade specialist, but we certainly something need to think about individuals' right to food in other countries.

Regarding some of the legal rules, which I think you want to get on to later, there is management of the UK's response to problems in our supply chains. We have to balance our response against our legal responsibility to other members of the World Trade Organisation and to other trading partners.

Chair: That is a good point—the human right to food, as well as just the economic or financial right of the buyer, which is the fact you can buy the food. I think that in Belgium at the moment it is almost patriotic to have two portions of chips a week; they have a glut of potatoes.

Moving to my favourite part of Wales at the moment—the middle east of Wales—and Craig Williams.

Q75 **Craig Williams:** It is equally patriotic to eat Welsh lamb here, of course. Building on what you were saying, Professor Smith, about the impact on supply chains, I wonder whether I can dig into that. Montgomeryshire is one of the biggest rural and agricultural constituencies in the country, and of course we have premium products, which we export, and we are finding a new market for them. Equally, however, our beef and dairy have been impacted by the kind of supply problems you have seen in McDonald's, etc.

Can I ask you, Professor Smith, for particular evidence, or the impact of opening up, about what this has done to our exporters of food, as well as our domestic problems, of course?

Professor Smith: I do not have any direct evidence I can give you on that; I can talk about the legal restrictions. But perhaps that might be directed to Professor Doherty, because I know he has worked directly on the impact on the food sector.

Professor Doherty: Exports to the single market have actually held up reasonably well. I think the Government and other Governments have

really focused very well on keeping goods moving. If you look at lamb, milk and cheese, you see that those exports have continued.

Where there is a problem is in exporting to places like China and South Africa, where the ports are closed. There is a problem with pre-contracting: because of the uncertainty in the international markets, people are not pre-contracting at the moment. That is leading to more uncertainty and fluctuations in the prices, so there is some price volatility. Further down the line, if you look at things like pork—at the moment, because of the closure of the out-of-home sector in the US, there has been a lot of stockpiling of pork meat. There is concern about fluctuating prices and a price drop when that comes on to—floods—the market later in the year.

For certain commodities, like rice, we are seeing, because of export restrictions—that is a problem because that is a staple crop—increases in the price of the commodity. We need to keep track of this over time. There are some very good databases. The Food and Agriculture Organisation has a really good commodity database that tracks some of these exceptions and prices. The monitoring and evaluation of that is really important.

Q76 **Craig Williams:** I have a quick follow-up question. You touched on some of the imports into this country, but in terms of our domestic market, where we also rely on exports to keep our farmers' businesses alive, what have you seen?

Professor Doherty: In your part of the world, where lamb and mutton exports to France are really important, those have held up. The demand is still pretty strong, so I think that is encouraging. One of the problems later down the line is whether we can keep that going. We would not want a shock upon a shock—for example, a climatic event or a no-deal Brexit. All those things would really add to the uncertainty and the problems in those export markets.

Q77 **Chair:** I have a follow-up to that. This is related to Welsh lamb. It is not among the interests that I am personally involved with, but a lot of my constituents are involved. What will happen when lambs come on in the autumn? What are we expecting to happen to the price of lamb in the autumn? Is it going to tank? Will the exports be there? That certainly affects Wales, but it affects the Highlands and Islands of Scotland as well.

Professor Doherty: Obviously, those are important factors, but it is probably too early to forecast that. I am monitoring on a daily basis the AHDB commodity report, which looks at British lamb, British beef, British pork and the exports. Their main message is potential volatility in those markets. It is important to keep a close watch on those right across Government, both from a DIT perspective and from a DEFRA perspective.

Professor Smith: We have to think about the impact of the virus on the slaughterhouse workers as well. Going back to the point about lamb, can we sustain it? It depends on whether the slaughterhouses remain open—whether you can ship the live animals to the slaughterhouse and then push it through the supply chain. Are there enough workers? I think that

Reuters reported a couple of days ago that pig farmers in the US are having problems with not being able to ship their pigs to the slaughterhouses because they are closing due to illness and, as a result, the farmers are having either to slaughter their piglets before they are born—to abort the piglets—or to get rid, dispose, of their pigs themselves and just put them into landfill. That issue is particularly prevalent in the US; I am not sure how much it is the case for the UK, but it is an issue down the line, I think.

Chair: Thank you for those points. They were certainly points that I had not considered, and I think there is a lot of this that we had not considered or would not have been aware of.

Q78 **Mick Whitley:** Good afternoon, Bob; good afternoon, Fiona. How stable have UK food supplies from overseas been during the Covid-19 pandemic?

Professor Doherty: Thanks, Mick, for the question, which I think was about stability of those food supply chains. If you take those imports which are about 46% or 47% of our food supply, the ambient goods and the fresh produce coming in from the European Union have stood up reasonably well. There has been a lot of focus from Government on keeping those goods flowing. Obviously, there have been labour shortages, and there has been a lowering of productivity in some sectors, but the goods have managed to keep coming.

Another thing that the Government did, which was a good move, was to relax competition laws, which meant that the retailers and suppliers could collaborate all together. There has been a lot of awareness-raising on health and safety with suppliers, and there has been a lot of collaboration on sharing supply, rather than having one retailer secure a large amount of supply against another one—there has been a lot more collaboration there. We have also seen a lot of good practice—I can go into that later, if you want. For example, businesses have been saying, "We are going to change our payment terms. We are going to pay the smaller suppliers straightaway." So this has actually brought out some real positives in the market.

What I am more concerned about is, obviously, the supply from developing economies, as I have mentioned, because of problems with the movement of goods and with port closures, and because they do not have the same infrastructure and health systems that we have. So, as Fiona has rightly said, there is a kind of moral responsibility and a real need for international collaboration across the G7 and across the G20; we notice that the G20 has suspended all debt repayments for developing economies.

I think we have yet to see the real ramifications of covid-19 in sub-Saharan Africa and in other parts of the world. A lot of produce is not being harvested because of a lack of labour. For example, a lot of tea in northern India is just not getting harvested because the migrant labour has gone home, and there is a real problem. You will see an increase in

the cost of production, because people are having to social-distance. People are using disinfectant and protective clothing, which is adding to the cost of things such as bananas.

So we will see price inflation in the market, but the produce from the single market, which represents 30% of our imports—or 30% of our overall food supply—has stood up pretty well, despite all the challenges, apart from in the early stages, when we had a lot of stockpiling and panic buying. That exposed the vulnerability of those just-in-time systems, because they are lean, speedy systems, with retailers not keeping a lot of stock because of their business model.

Q79 **Mick Whitley:** Why have we seen a lack of certain products on shelves during the pandemic?

Professor Doherty: That is a good question. People have been stockpiling, overbuying and panic buying certain goods—there has been real panic buying of canned goods—and if you keep a very lean, just-in-time system, that will create "out of stocks". Obviously, to go back to the stability of our system, that has exposed food security in the United Kingdom, because it has affected the food banking system. The food banking system is not only the Trussell Trust and FareShare; it is also a large number of independent food banks that rely on donations from the supermarkets—from people, when they walk out of the supermarket, putting produce into their basket. If that produce is not in the supermarket, that reduces the donations. In addition, a lot of those food banks are run by elderly people and therefore their volunteers have, for good reasons, been fearful of continuing their volunteering. I think it has exposed some of the fragility in our own food system as well, Mick, and we need to be aware of that, going forward.

Chair: Professor Smith?

Professor Smith: On that point, I think it would be very interesting—I know it is not the remit of this Committee but perhaps Mr Parish might want to—to look into the shortage on the supermarket shelves a little further. What we are seeing in the Leeds area, with some of my colleagues—anecdotally, perhaps, rather than scientifically—is that actually there is food available in the smaller retailers—so the smaller shops and also the local markets, which do not seem to have had the food supply problems that maybe the supermarkets have. Now, I don't know whether that is to do with how UK people shop or whether it is to do with the just-in-time food system, but I think it is something that is worth mentioning—that our food sector is broader than just the supermarkets, in terms of guaranteeing food security. That is just one point to mention.

Just going back to the first issue, about the resilience of UK supply chains, I think one of the things we are now starting to see is an increase in export restrictions from major commodity exporters like Kazakhstan. As a large grain exporter, they now have restrictions on how much grain they will export globally. We are also seeing stock-holding programmes, particularly in Asian countries. So the Philippines, Vietnam are actually

increasing the amount of food stocks that they hold, to protect their own population; so, as a result, they are either restricting rice exports, in the case of Vietnam, or alternatively, like Georgia, they are actually buying on the market to increase their own stock hold. That reduces the amount of rice and grain into the market; so that is going to come into our supply chain at some point. I think we may have resilience problems going down the line. That is outside the control of the UK at the moment.

Q80 **Chair:** Is there a philosophical trade question behind the just-in-time philosophy? Just in time is something that probably works quite well, and is probably a philosophy that came into play to squeeze margins all over the place and maximise profits; but what I am trying to get at is just in time works when things are going just quite well, but when one thing goes wrong—an Icelandic volcano, a European trade rupture, a pandemic, another natural event, whatever—we might have problems with this: a quick comment on that, if we can take that a little bit further, just on the trade point.

Professor Smith: From a trade point of view, trade rules, whether that is World Trade Organisation rules or whether that is regional trade agreements that countries have entered into—we have got the EU as a classic example of a regional trade agreement: those agreements have managed to really reduce the cost of trading across borders, which has allowed companies to take advantage of cheaper labour, of better growing conditions around the world. So that has increased consumer choice, so we can have strawberries at Christmas if we want to now, or asparagus at other times of the year. It has increased consumer choice and it has also brought costs down, to the consumer. So these are the things we need to remember on the positive side.

The negative side is, of course, the risks of exploitation in certain parts of the world—Bob has already alluded to that—but also the environmental impact of these long supply chains to do with air travel and other issues of that kind, and also resilience, where we have environmental shocks like the volcano that you mentioned, or the covid-19 virus. There have been suggestions about moving towards self-sufficiency. That is, I know, quite hot on the agenda at the moment. Trade rules—the WTO rules and maybe regional trade agreements—are not going to stop the UK going down that route if that is what they choose to do. Obviously after they leave the European Union there will be a lot more flexibility.

One of the things we have to remember is that, although we are enjoying very nice weather now, at the beginning of the year we had quite severe floods, which, I think, has affected the potato harvest. Certainly, the water quantity in the grain this year will not be that good, so we might have to import flour. It will probably be challenging to stay resilient with a completely local food chain, although, obviously, at times like this, there are really positive reasons why you would want to do that. That is before we get into the quality and safety of food and all those issues that were well known in the Brexit debate.

Chair: Thank you. Professor Doherty, do you want to come in briefly?

Professor Doherty: I have heard this debate around self-sufficiency as well, and I think that we should strike a cautionary note: if you go back to 1988, which is the year in which I graduated, we were still, even then, importing 34% of our food. We have always been this nation that has traded to increase consumer choice. There are a lot of products that we cannot grow here. Bananas, for example, are Britain's favourite fruit. We cannot grow bananas in the United Kingdom, so, as Fiona has mentioned, there are good reasons—geographical reasons, price reasons and growing reasons—why we have this international system. Now, we probably could grow more of our own produce in the United Kingdom, but there needs to be an evidence base. You could extend the growing season for some crops, but there needs to be a proper strategy to do that, and we certainly still have to be a nation that trades food to supply the produce that is demanded by the consumer.

Chair: As an avid consumer of bananas, I can only say "Hear, hear!" to that. Let me move on now to Mark Hendrick.

Q81 **Sir Mark Hendrick:** That issue falls into my question, which is linked to that. I really want to talk about export restrictions. I know that Professor Smith has already touched on the subject. The International Food Policy Research Institute recently said that at least 15 countries have introduced export bans to date. Fiona has mentioned Kazakhstan, and I have a list in front of me. Wheat and rice are typical products. Professor Smith, do you think we are moving towards increased trade protectionism in the area of agri-food? If so, what impact is it having?

Following on from that, if, as expected, measures to combat the pandemic are with us for most of the rest of this year, how extensive could export restrictions become and what legal instruments are there to prevent them? Many of the countries involved are not EU countries; quite a number of them are developing countries. And even while we are in the transition period in the EU, the rules still apply, so there is a differing approach, I would think, depending on which countries are doing it and why. Also, this idea of a move towards self-sufficiency flies in the face of all that.

Professor Smith: Thank you for your question. What is interesting to remember is that we live in a very global world in terms of the rules that apply to us as much as to where our food comes from. It is always important to remember that we have international trade rules in the World Trade Organisation—that is something with which the Committee will be very familiar—but we also have a series of regional agreements that the EU, and the UK as a result, has been a party to. There are more than 300 of those throughout the world, so they are really quite a complex regulatory space.

The one thing that really characterises all those trade rules is that they are primarily about keeping markets open. They are aimed at the tendency of Governments to want to protect their local markets—in other words, the tendency of Governments to put in place import restrictions. The idea is that you would want to trade, so why would we even bother about making

rules about export restrictions, because, really, the natural tendency, if you like, is to use import restrictions. As a result, the rules are quite limited in the regional trade agreements, and also in the WTO rules, on export restrictions, so there is a lot of flexibility there. I can obviously go into more detail if the Committee wants to hear it.

It is possible for WTO members to impose a temporary ban on the export of critical foodstuffs—things that are absolutely essential to our diet and well-being here in the UK, in other WTO members, obviously, and in the EU as well. That is possible. It has to be a critical shortage, so it is a temporary measure. When this has been interpreted by the WTO court, if you like, they have said that temporary is not a specific moment in time, but the idea is that it shouldn't go on and on. You should identify what the problem is, and as soon as the problem is over, you should remove that restriction.

You mentioned the IFPRI report. The WTO, as well, issued a report just a few days ago, on 24 April, suggesting that, although the rules say these measures should be temporary, in actual fact, quite a lot of the measures have not been temporary, and what we are seeing is members failing to notify the WTO that these measures are in place, which is an obligation, particularly in terms of foodstuffs, and just failing to remove them, so it is a concern.

The UK has been involved in an initiative at the WTO to try to encourage states throughout the world to keep their markets open. We were involved in a statement on 22 April, along with 24 other WTO members, to try and increase the speed of trade, to encourage all members to avoid export restrictions, and to remove export taxes as well, which make the products more expensive—they do not ban them, but they make them more expensive to export. Obviously that is not legally binding. There were 24 members involved in that declaration, but there are 164 members of the WTO, so that is another problem.

I do not know whether we are seeing a tendency towards greater protectionism. I think it is too early to say. Certainly, countries are wary of going down the export restriction route, because the last time this happened was in the food crisis in 2008, and as a result of significant export restrictions by key exporters like Russia, we saw a lot of price volatility and a big fallout with that. I do not think we are at that place yet, but we may be seeing early signs.

Q82 **Sir Mark Hendrick:** What about legal restrictions?

Professor Smith: Not in terms of retaliatory—there is nothing we can do in retaliatory terms. We could bring a claim to the World Trade Organisation. We could say that whichever country we are particularly concerned about is not complying with the WTO rules, particularly in the GATT, so we could do that. There is a time delay to that. We could raise the issue in the WTO committee. There is an avenue for discussion and possible consultation within the committees.

Dependent on whether there was any dispute settlement mechanism within a regional trade agreement, if an export restriction is banned within a regional trade agreement, there is the possibility of going through the regional trade agreements. Again, a lot of it depends on what the rules say as to how we can respond in the regional trade agreement context.

So, in terms of retaliation, I think it is very limited. We would be better off thinking about whether we want to import more from different sources. Are there new countries we could trade with? If we go down that route, we need to think about the quality, the standards and the environmental impacts of those products. Do they meet our usual standards?

If we are ramping up domestic production, we could go down that route. We could have targeted subsidies, but, again, that is problematic in WTO rules terms. It is not the same as if a country was dumping a lot of cheap produce on our markets, in which case there are trade instruments we could use. We are not in that same place.

Chair: I can see that Mark Garnier and Paul Girvan both want to ask questions. Paul, you're on.

Q83 **Paul Girvan:** I feel that most of the question has been well answered, but from a Northern Ireland perspective, we are so heavily reliant on our agri-food sector and our access to markets other than the UK market for our business. It would have a very negative impact if we were to put on export restrictions or to see export restrictions on certain food types, because it is all part of the overall market, and we add into that as a part. By taking measures that impact on one sector, we could affect the whole market, so we need to ensure that we do not go down the route of looking at export restrictions, because that might cause a knock-on effect on sectors other than our agri-food.

Chair: There is some nervousness in Northern Ireland about restrictions in trade. Professor Smith, do you want to come back on that?

Professor Smith: Yes, I was just going to come back on a couple of points. At the moment, the UK has resumed negotiations on the Brexit trade deal with the EU. The ambition in that agreement is to have frictionless trade as much as possible, and one aspect of frictionless trade is the removal of export restrictions. The hope would be that the UK-EU trade deal would go a long way towards helping to keep trade between Northern Ireland and the Republic of Ireland open.

On WTO rules, I hope that this will not be the case, but because there are significant volumes of trade between the Republic of Ireland and Northern Ireland, there is a duty for the UK to consult the Republic of Ireland should they wish to impose an export restriction. There is a duty of consultation with a major exporter—in other words, the Republic of Ireland would be a major exporter and, as such, Northern Ireland and the UK would be required to consult. But it is a duty of consultation; it is not a legally binding prohibition.

Chair: Can I bring in Mark Garnier at this point? I am starting to get

conscious of time; we are really fascinated by the conversation, but time is another scunner.

Q84 **Mark Garnier:** Professor Smith, I want to come back on a number of things you have been talking about, one of which is the possible move to self-sufficiency as a result of various export limitations from various countries. Let us take the lamb market as an example. We import a huge amount of lamb from New Zealand, and it is a seasonal thing. New Zealand obviously produces way more lamb than it could possibly need. We in turn export lamb to the European Union, which has, in the past, as we know, had problems importing our lamb, with French farmers burning lambs. Admittedly, that was many years ago, but, none the less, we had that problem.

What worries me about some of your answer is that you potentially end up with a sort of bastardisation of the corn laws. If you are a country like France, you may create reasons why you cannot import British lamb at that time of year because you want to promote your own domestic market, and by protecting your own market you can produce more. That, of course, then leads to various other problems and knock-on effects, until eventually you go back to a glut of lamb in New Zealand, where they just cannot sell because everybody is trying to protect their market.

You talk about the global rules-based system that can come in and help with these situations, and you talk about the World Trade Organisation sorting them out. You also talk about the fact that the rules tend to look not at export bans but at barriers to entry for imports coming into these markets. The problem is that you bring all this stuff together and end up with an immensely complicated potential problem, in terms of blockages, gluts and deficits of food here, there and everywhere in the world.

The thing that bothers me the most about all this is that we are looking for something like the World Trade Organisation to try to sort all this out, yet it is not working very well at the moment. Where do you see the global rules-based system being effected from, in terms of trying to resolve this really complicated problem? I am not entirely certain that the WTO has the teeth that perhaps it once had. Do you think we need to really think about how the global rules-based system actually works?

Professor Smith: That's a very good question, and thank you for that. The first thing is a pragmatic point. Even without the World Trade Organisation, there would still be a complex system of regional trade agreements that criss-cross countries with different interests. That would still be a fact. The reason is that these agreements are politically important as well as important economically, so they are a fact of life. It would be very nice for lawyers if there were less of them—certainly, my life would be a lot easier. That is a pragmatic point; I think we are stuck with those at the moment.

Despite problems with the WTO's dispute settlement mechanism, particularly the appeals function—there are significant problems with Italy, as you rightly say—its first-tier court function, or panel function, is working very well. Certainly, the UK and the EU have been involved in

legal fixes so that, even without the appeals function, cases can still be heard. That is working much better than expected, certainly in terms of the WTO's monitoring function, which has been very efficient. The transparency mechanisms within the WTO have also been very good.

There is an excellent report by the WTO on the level of export restrictions. They have been able to identify the ones that have been notified to them and the ones that haven't, and they have produced quite a comprehensive report on what the state of trade looks like. That is a really valuable piece of information. What I see as a trade lawyer is, yes, we are seeing issues. There are violations of the rules, and there probably always will be, for political reasons. But it is holding up a lot better than the pre-1947 arrangements, where you get heavy protectionism, beggar your neighbour-type policies and increased tariffs making it very expensive for everybody.

Q85 **Chair:** One of the first points you made was about trade being a restriction on exports rather than a restriction on imports, which is different from the normal way.

Professor Smith: Do you mean at the moment?

Q86 **Chair:** Yes. The Kazakhstan situation is a restriction on the exports rather than a restriction on the imports.

Professor Smith: One of the problems is that the rules-based order that we're talking about was really created post second world war for an issue with a large surplus in some countries, and there was a need to rebuild European markets—it has a historical hangover. Certainly, what we are seeing is just a new reality with the export restrictions, as countries react, first, to a food crisis and, secondly, to bad harvests and to Covid-19. Going forward, we might expect to see more export restrictions as climate change becomes more of a problem. Certain parts of the world really struggle to grow food, so this may be something that members of the WTO try to resolve in some way.

Q87 **Chair:** Before I move to Matt Western, just briefly, we have seen export restrictions in Kazakhstan. Have we seen any import restrictions, as Mark Garnier was alluding to, in order to protect your own home market from a pile of lamb, grain or whatever?

Professor Smith: One of the interesting things to note is there are several automatic trigger mechanisms that will kick in. It is the way that countries manage price fluctuations, particularly for crops such as maize. The EU's automatic price mechanism has kicked in for maize, because the price of maize has dropped, as there is so much on the market. As a result, the import tariff into the EU on maize has increased. That is automatic. There are trigger mechanisms that will happen automatically to increase barriers, rather than active protection of the kind you are describing.

Chair: Thank you. I am going to move on to Matt Western. I am aware of time.

Q88 **Matt Western:** Thank you, Chair, and thank you to both our witnesses. We have been having a fascinating discussion. You have described variously some of the issues regarding supply chain problems in the agri-food sector. Could you tell us, first, how well you think the Government has addressed some of those issues and, secondly, how well you think the Government has supported either exporters or importers in the current crisis?

Professor Doherty: I think the support of small and medium-sized enterprises has been very effective and important. Relaxing the competition laws for the grocery sector so that they can collaborate more and talk to suppliers together to solve supply issues has been really important. I think that has been good.

I encourage the continuation of cross-Government working with the Department for International Trade, DEFRA and DFID—I think this Select Committee is a good example of that—because some of the issues are impacting on all the Departments. Food crosses many different Government Departments. I encourage DFID to continue with their development goals, to really look at some of the vulnerabilities in sub-Saharan Africa and Asia.

There has been a lot of good business policy, with businesses relaxing payment terms and giving pre-finance to producer groups. Some of the certification bodies have been building resilience funds for farmers, and you will also have seen some of the retailers switch from their normal suppliers to the people who used to supply the out-of-home sector. They have relaxed some of their supplier agreements to be more flexible, and have changed product specifications quite easily to allow that, so there has been a lot of good practice.

There has also been the support of exporters in allowing the free movement of goods. They are working hard to keep those supply chains open, and that has been really welcome. The recent intervention in the dairy sector, in collaboration with the National Farmers Union, has also been important. Some dairy farmers were really struggling, and I think that has been an effective intervention in the market.

Professor Smith: On the trade side, I think the UK is showing real leadership. I mentioned the declaration with 24 other WTO members on the need to keep markets open in response to Covid-19, and the impact on PPE and particularly on food—certainly within the G20. We see that the UK has a good ambition to try to keep markets open, so that is a really positive move.

It is important to remember that we are in a period of transition from our EU membership to independence and having an independent trade policy. We are working within a very global world. We need to be aware of the bigger hinterland, if you like: the ongoing trade discussions, debates and disagreements between President Trump and President Xi—between the US and China. That is ongoing. There are problems with the US agricultural market, in that they have lost a significant export market with

China, so the US are looking for new markets. That is something we need to be aware of; we are operating in that space.

We have already mentioned WTO fragility. On our domestic legislation, it is important that our domestic regulation on agriculture and food security fits with our trade regulation. I am delighted that we are able to answer some of Mr Parish's questions today—that's great—but I think more needs to be done about that link between trade and our domestic policy, particularly in the context of food security.

Chair: Thank you. We are going to have to zoom on, if that's okay, Mr Western, to Mr Menzies, on the west side of England somewhere.

Q89 **Mark Menzies:** Lancashire, Angus. This is really to Professor Smith. What further steps could the UK take to ensure international trade in agri-food continues to flow freely? I will open up two potential thoughts that I have, one of which is the physical. We are seeing international air routes, particularly long haul, reduced to a fraction, and there is a lot of uncertainty as to what that will look like when it reopens. The second is the legislative—be that the bilateral discussions that the UK is having country to country, particularly with potentially new markets, or through the WTO, the G20 or the CPTPP. So it is both the physical and the legislative.

Professor Smith: In terms of the physical responses, it is a question of keeping the ports open. Keeping as many ports open as possible, so there are many routes into the UK, will not only deal with the physical location of those ports, but guard against any illness and get the goods into the country. It is also a question of keeping the supply routes open within the country, so thinking about transport, roads and those mechanisms as well—the infrastructure. Keeping that as free-flowing as possible is really important. You mentioned air routes, which are obviously important too in terms of infrastructure.

On the legal side, my sense is that the UK is doing really well in terms of leadership at the WTO. They could be involved—well, they are, but even more—in the reform of some of the rules on exports, of which there are very few. The UK could be at the forefront of trying to instigate further reform in that area.

Certainly, new markets are very important. You talked about the Trans-Pacific Partnership arrangement, which could open new markets. Obviously, China is an important market for the fourth quarter. With livestock, it is a very important market. Seeking trade agreements and keeping trade open would be very important.

Mark Menzies: I think my colleague Mark Garnier is quite keen to come in, but before he does—

Chair: No, he's not.

Q90 **Mark Menzies:** Okay, that is fine. My final point on that is, how can the Department for International Trade best support the agri-food sector as it

seeks to recover from the pandemic? Again, that is for Professor Smith.

Professor Smith: Gosh. My sense would be—I know this is a bit of an abdication; I might pass it over to Bob, because he might have some more constructive suggestions—that it is making suppliers aware of alternative markets or new markets that are actually open that perhaps suppliers and producers have not thought about, so giving information to that extent and facilitating contracts. I know a lot of that work is already being done. Information is very important. Trends in trade are very important—the bigger hinterland that I have talked about—and giving information about them. Bob, do you have any further suggestions on that one? Perhaps you have some more specific ideas.

Professor Doherty: Yes, I think continuing the good work in international collaboration is really important through the G7 and the G20, and looking at some of the challenges that developing economies are facing, so looking at being more flexible around contracting and pre-financing—all those mechanisms that will keep vulnerable workers and vulnerable farmers in business. That is really important.

One of my main concerns is also about vulnerable workers. What you see in these kinds of shocks and situations is an increase in pressure on production, which often leads to increases in modern slavery. We have to be very cautious of that as well at the moment, so we have to be working with our partner Governments in developing economies, working with big certification bodies such as the Fairtrade Foundation, and working with big suppliers.

There is a real move at the moment. I think 25 chief executives over the past two days have said, "We really want to work together on keeping these markets open, but also supporting the food security and livelihoods of farmer communities in developing economies."

Chair: Thanks. I will just let colleagues and witnesses know that we are really going to be up against time, so if we can be aware of that. We have a second panel shortly.

I will move over to Robert Courts, who I am sure will give us a great demonstration of what I am talking about—a tour de force. Robert is still muted—can we get Robert's mic on? I apologise, Mr Courts, but we've got your mic muted.

Q91 **Robert Courts:** There we go. Thank you very much. I am very conscious of the time, so I will be very brief. We have already covered a lot of the ground that I wanted to. I just want to ask a couple of things about the increase in calls for national self-sufficiency, which I think we would probably call protectionism by another name. Could you both comment, first, on what risks there are in this for the UK and, secondly, on the corresponding point about how it is likely to affect the UK Government as it negotiates around the world?

Professor Smith: I can take this point first. I talked about the challenges of self-sufficiency in terms of what you produce. In terms of resilience of

the supply chain, it is possible to have shorter supply chains. That is possible. It is also legally possible. What I would always say about any policy measure is that the UK Government is free to take whatever policy direction it wishes in terms of agri-food trade. Where the law kicks in is the implementation of that policy, so it is the way that you choose to implement that policy. If you choose to go towards shorter supply chains based in the UK by substantially banning significant products coming in from elsewhere, that is going to be an issue in terms of WTO and also in terms of how you negotiate trade deals with other countries.

There is also the sense, when you are looking to trade with other countries clearly, that they want to export their products to the UK, so there has got to be something in it for them. If we are promoting self-sufficiency, maybe we could do that in sectors where we have a comparative advantage—where we are better at producing than others—and then we trade with those products we can't grow, as Bob said earlier, and we really focus on those and keep the quality of the products that we are importing up to the same standards that we expect our producers and processors to reach here.

Professor Doherty: It is a big, hot topic at the moment. I think there is a piece of work that needs to be done on it, because the evidence needs to be gathered together. If there was any strategy to increase UK production, whether that was in horticulture or agriculture, I would like if it would be sustainable, because we have a problem with soil degradation in the United Kingdom, and we need to be conscious that a recovery needs to be a sustainable recovery, not just a production recovery.

Potentially, there probably is more we could produce by extending the growing season by using polytunnels and things like more vertical and indoor farming in urban environments. We still do not know the potential. We need to piece it all together. A third of UK farmers are over 65, so we would need a big investment in skills, training and infrastructure. In developing this plan and all the potential ideas, and the more the strategy is developed, it has to be based on evidence.

Robert Courts: Thank you.

Q92 **Craig Williams:** I am conscious that we touched a lot on the WTO through Mr Garnier's question and what the effect of the WTO will be in this current crisis. As we look to future UK trade deals around the world, both in the WTO guise and bilateral deals, what lessons do you think we could learn? What should we be expecting in those future trade deals, in light of what has happened in this pandemic?

Professor Smith: The most important thing would be to chart where our food is coming from and then, as Bob said, to do a piece of work that maps the export restrictions on to those supply routes, so as to be very clear about how food is coming into the UK. DEFRA has the "Agriculture in the United Kingdom" annual report, but it would be useful to map that with the export restrictions. We should also look at import restrictions as well in those major suppliers. In other words, we should really be clear

about the level of protection, both in terms of exports and also in terms of imports, in relation to the countries that we negotiate our trade deals with going forward.

We also need to be aware—this is going back again—that the lesson to learn is about the fragility of some of these trade agreements. They get renegotiated when there has been a change in regime and those renegotiations can take account of domestic concerns within the state. So, you are not always negotiating in an optimal way, in that you are not just negotiating about the products that you want to trade; you are also negotiating with the politics in the countries where you want to negotiate a trade agreement. However, there are many brilliant people in the Department for International Trade who already know this.

So those are the major lessons going forward. And there is also the importance of coalitions. I can already see that the UK is aligning itself with other major economies, both in the WTO, and strategically with its negotiations with the EU—at the current time, it is the major trading partner—and in the trade negotiations with the US, and the proposed membership of the Trans-Pacific Partnership. These are all major positive moves for the UK in terms of trade possibilities, with the usual caveats about the tricky issues of quality and environmental protection that go with all those trade agreements.

Chair: Thank you. We have been frantically negotiating time, because we have the very important Martin Vickers to get in. Martin—please.

Q93 **Martin Vickers:** Thank you, Chair. Perhaps just to conclude, I could invite a brief comment from both the witnesses about the long-term impact on the international trade in agri-food, not just in the present pandemic but in the inevitable economic downturn that will follow.

Chair: Very good question.

Professor Smith: I am going to hand that to Bob first, while I have a think about that one.

Chair: Professor Doherty—and please keep it brief and concise.

Professor Doherty: I think that is a great question. I think the recovery is really, really important. It has to be a sustainable recovery; it has to be a collaborative recovery, working with international partners. Also, there is the sharing of good practice. What the pandemic has demonstrated so far is a lot of good practice in the agri-food sector: people working together; changing agreements; and changing the terms of supply chains to help producers. More sharing of information—I think that is really important. Also, there must be a focus on vulnerable groups. Going forward, we need to do better. At the moment in the UK, we seem to have a two-tier food system, and we need to change that.

Also, there should be a focus on data—monitoring and evaluating that real-time data, in terms of price fluctuations, and sharing that data with suppliers, both corporates, and small and medium-sized enterprises. One

of the things that your next panel might pick up on is that the UK food system is very much dominated by SMEs. Nearly 90% of the organisations are SMEs, and they need a lot of support, and a lot of information, on a regular basis. A lot of webinars—there have been some really good webinars by retailers with suppliers, and that good practice needs to continue.

Chair: Thank you. And as is said on "Newsnight", you have 20 seconds, Professor Smith.

Professor Smith: Okay. Very quickly then, I think we need to keep an eye on how countries respond. So, are countries going to respond by cranking up their domestic production, or are they going to respond by trading more? And I think there is certainly some evidence that some countries, like the US, are increasingly giving subsidies to their farmers and cranking up domestic production. I think that's a trend that needs to be watched by the Committee and by the Department for International Trade.

Chair: Thank you—concisely done. I appreciate that greatly. Some interesting nuggets came out there that are worth reiterating. The tea not being harvested is something we didn't expect. We heard about pigs going to landfill in America due to Covid-affected slaughterhouses and about food banks being affected by things not being on the shelves because of panic buying, which means that there isn't stuff to put in, and volunteers themselves being affected by Covid. I did not know about the Kazakhstan grain restrictions. I did not know about the effect of the floods on UK domestic potato production or about flour content and the wetness of grain. I did not fully realise either that the WTO had allowed temporary export bans on critical food supplies. That happened in Ireland in the 17th century and prevented a famine—before they lost to Parliament in 1801—and, as many know, the subsequent inability to apply that restriction resulted in the tragedy of the great Irish famine in the 1840s—so there are some dimensions to trade for amateur historians that we can see, too.