

Environment, Food and Rural Affairs Committee

Oral evidence: Australia FTA: Food and Agriculture, HC 870

Tuesday 8 February 2022

Ordered by the House of Commons to be published on 8 February 2022.

[Watch the meeting](#)

Members present: Neil Parish (Chair); Kirsty Blackman; Geraint Davies; Barry Gardiner; Dr Neil Hudson; Mrs Sheryll Murray; Julian Sturdy; Derek Thomas.

Questions 1 - 88

Witnesses

[I:](#) Nick von Westenholz, Director of Trade and Business Strategy, National Farmers Union; Phil Stocker, Chief Executive, National Sheep Association; Neil Shand, Chief Executive, National Beef Association; Peter Hardwick, Trade Policy Adviser, British Meat Processors Association.

Written evidence from witnesses:

- [National Farmers Union](#)
- [National Sheep Association](#)
- [National Beef Association](#)

Examination of witnesses

Witnesses: Nick von Westenholz, Phil Stocker, Neil Shand and Peter Hardwick.

Q1 Chair: Welcome to the EFRA Select Committee. We are looking at the Australia trade deal and the effects on food and agriculture. We have a good panel of witnesses before us this afternoon. Would you like to introduce yourselves, please?

Peter Hardwick: I am Peter Hardwick, trade policy adviser for the British Meat Processors Association.

Neil Shand: I am Neil Shand, chief executive officer of the National Beef Association.

Phil Stocker: I am Phil Stocker, chief executive of the National Sheep Association.

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

Q2 Chair: Thank you very much. It is good to have all four of you here. What are your principal concerns regarding the free trade agreement's impact on the UK agriculture sector in particular? Nick, I am going to throw you into the hot seat straightaway, and then everyone else please join in, but do not necessarily repeat everything Nick said.

Nick von Westenholz: It is common knowledge that we have expressed concerns over the FTA in regard to the impacts on agriculture in the UK. Ultimately, that is not surprising. It is a highly liberalising trade deal with a very effective exporter of agricultural products—a net exporter country with a huge capacity to produce agricultural products and a comparatively small population. Just by the basic laws of economics, that is likely to favour Australian agricultural producers over the UK.

If you look at the specifics, Australian farmers, in a number of the products where they would and do compete with UK farmers, have lower costs of production. When we eliminate tariffs, as this deal does—admittedly, over a period of years—that takes away much of the potential cost barrier for them to outcompete producers in the UK, and that is what we might expect to happen. I say “might” because, of course, none of us knows exactly what the future will look like and what Australian exporters will do over the next 10, 15 or 20 years, but this deal gives them the opportunity to significantly increase volumes of exports into the UK.

Q3 Chair: Do they have that volume of export to penetrate our market? I know that we are worried about it but to what extent is the far east and China market absorbing a lot of their production?

Nick von Westenholz: At the moment, it is absorbing a lot of their production, although that is already under threat because of geopolitical issues and particularly diplomatic relations between Australia and China,



HOUSE OF COMMONS

for example. Australian wine and beef exports have suffered in recent months because of that. The potential is there.

What has always been our concern is what safeguards there are for UK producers if, in the worst-case scenario, those volumes are significant. I am sure that other witnesses will talk about the fact that you do not need large volumes to have quite a significant negative impact on the UK, particularly if we are looking at, for example, high-value cuts of beef. Relatively small volumes of imports into the UK could have quite a significant impact.

Chair: And legs of lamb, Phil, so over to you.

Phil Stocker: I am not going to focus entirely on legs of lamb, but I would say that we see no real benefit from this trade deal to British producers. If you look at the impact assessment, where it is clear that, overall, there is a £2.3 billion benefit to our economy over a 15-year period, it also suggests that there is going to be a negative impact on agriculture and food of £94 million. Within that, with Australia being one of the two largest sheep-producing nations in the world and one of the two largest exporters of sheepmeat around the world, we see that it is our sheep sector that is put at risk.

If you look at the current supply and demand dynamics around the world, you would probably say that those markets in the middle east are adequate at the moment for people to have a fair share and for us not to come under particular pressure, but it just puts us at a level of risk if there is any volatility or turbulence in global markets. That is our real concern.

As Nick has said, we know that their standards are really very different to British sheep-producing standards. We know that their cost of production is very different. The AHDB assessed that Australia's cost of production is about \$240 per 100 kg, whereas ours is around \$400 per 100 kg. A lot of that lower cost of production is brought about because of the difference in standards. It is that un-level playing field that we are most concerned about.

Chair: We are going to deal in a minute with a question on standards and the cost of production, but you raise some interesting points there that we need to be very much aware of.

Neil Shand: Our biggest fear is the precedent that this has initially set and what might come after this in further deals. We have to be honest and realistic that, as a country, we need to trade. We will all talk about standards, because we would like to trade on a level playing field. One of the big kicks is that perhaps there was a fall-back on commitments to keep our equivalent standards within FTAs. That is our biggest concern. Previous witnesses have covered the other main points and, if we are going to talk about standards, we have quite a lot to say on discrepancies between standards.



HOUSE OF COMMONS

Q4 Chair: Peter, there is this Government assessment that the sector might shrink by £94 million. There is also an acquired wisdom that perhaps some of the beef, in particular, that comes from Australia may affect more the beef that is imported from the Republic of Ireland. Would you go along with that idea?

Peter Hardwick: I would not, but it might be useful to contextualise the comments that Nick made earlier about the relative risk here. What is disappointing about the way this negotiation was done is that it failed to take into account the detail. We have a deal here that is based on a broad-brush definition of beef as beef, or sheepmeat as sheepmeat, without any nuancing at all.

Perhaps just to illustrate this, if you take a 20-foot container of beef that is bone-in hindquarters and forequarters, it takes about 50 animals to fill that container. If you fill that container with striploins, it takes over 1,000 animals. In very broad terms, if you take, let us say, 7,000 tonnes, which is way below the first year's quota, if it is bone-in beef quarters, you are looking at around 20,000 animals, or 1% or so of our prime beef slaughterings; if it is just striploins, it is 400,000 animals, or 20% of our prime beef production.

This theory that we are going to see imports from Ireland fall as substitution is incorrect, for a number of reasons. First of all, Ireland is next door and it sends us balanced production for mince production, meat manufacturing, fresh meat and so forth, whereas meat coming from New Zealand, with expensive transport costs and so on, will come, in a way, to pick the eyes out of the business.

Chair: I think you meant Australia.

Peter Hardwick: Yes, I mean from Australia. It will be the same from New Zealand later, but from Australia. It picks the eyes out of the business. If anyone thinks this is a theory and is not happening in practice, look at what has happened in the lamb sector since we started importing. A lot of people will tell you that we import much less lamb now than we did in terms of the quota, but in 1992, when the new quota started, the vast majority of the imports were carcasses. Today, 95% of imports are cuts, and 60% of them are legs.

If you look at the animal equivalents for sheepmeat, as I just described it for beef, the chances are that we are importing as many animal equivalents today as we did in 1992, but much less volume. That is what has happened and that will get worse.

Chair: I have very often looked in the supermarkets to see what cuts of New Zealand lamb are there, and it is nearly always legs. I do not think that I have ever found another cut there. This is very much what we have to be aware of. With the Australians, it will probably be legs again. It will probably be steaks in particular. Of course, it may not be into the retail sector but into the hospitality sector and beyond. We need to go into this



with our eyes open. Thank you, gentlemen; that was a really good start.

- Q5 **Mrs Murray:** To what extent will safeguard measures in the agreement mitigate any of the potential negative impacts that you outlined in your previous answers?

Phil Stocker: We would be really concerned about this as well. There is a real risk that the damage is done before those special measures come into play. We know that, when the market is at a low point, trying to bring it back up again takes a long time. Our biggest fear would be that those special measures will inevitably take place too late.

There was a discussion around this just yesterday, where there was a suggestion from DIT that there would be a mechanism to be able to forecast our market. If there was a prediction that the market was going to be injured, we would be able to apply special measures, but I fail to see how that could work at the moment. It would also be subject to a challenge and it would be a long process. By the time any measures had been put in place, it would be too late.

- Q6 **Mrs Murray:** I am a glass half full person, so what would you want to see in there? How would you see an improvement?

Phil Stocker: The main thing for us is this level playing field in terms of standards.

Mrs Murray: We are coming to standards later on.

Phil Stocker: Given that we are accepting that we are not trading on a level playing field, with those special measures that would come in, it is difficult to know how to tackle that. To have a process of compensation for the industry would be a good thing, so that it is really clear to the industry that, if there was to be injury, there would be a compensation package. I just cannot see that those special measures are going to come in in time to prevent prices falling.

Nick von Westenholz: The way that I understand the safeguards—with a small s—in the deal are that there are three basic measures. You have the TRQs or the quotas to begin with, which expand over time and then disappear—over 10 years for beef and sheep, for example. They limit the volumes that are tariff-free, but are pretty big straight up. If you look at beef, having heard what Peter just said, the first year is 35,000 tonnes, so the effectiveness of that is maybe limited. Clearly, it has a role as a safeguard because it puts a limit on volumes over a period of time, and that also applies to other goods like sugar, cereals and dairy.

Then you have bilateral safeguards on beef and sheep, which come into effect from years 11 to 15 on those products. They operate in a similar way to the quotas and, after 15 years, they disappear as well. Those are, as Phil was talking about, introduced if harm is being shown to a certain sector from the volumes coming in, which is potentially quite difficult to



HOUSE OF COMMONS

show and to prove. Again, there is a question mark about how easy it is going to be to use those safeguards.

There are also general safeguards that can be used on any product where harm is being shown from imports, but it is potentially quite difficult to demonstrate that harm and to provide economic analysis to say, "This is very clearly resulting as a result of this deal" rather than a mix of factors. Those disappear five years after the liberalisation of any product.

After 15 years, there are no safeguards, whether quotas or technical safeguards, on any product under this deal. They all fall away. The only thing that you can use at that point is safeguards that we have under our WTO membership, which any country in the world has in order to safeguard against real damage coming from trade liberalisation, but those are very scarcely used because they are very difficult to use. If you use those, you have to apply them across the board to all countries.

All of these safeguards have a bit of a question mark, or more than a bit, over them. It is not to say that they are valueless, but their utility is limited, and it is time-limited, which is important. They all disappear after 15 years.

Neil Shand: The previous two witnesses have covered it very well. I would like to talk about the 200-day stall on imports if a certain sector is suffering serious injury. In our industry, beef production is a long-term project. Animals mated this spring will produce beef to be eaten in 2025 or 2026. A 200-day stall does nothing to help that.

On your second question, is there no way we can do some trialling before? Why do we not fix farm-gate prices at a certain level and say, "That is the level of injury. If it goes below that, we stall"? We could do that now. We do not need to wait.

Chair: I suspect that it is about how much we want to control prices. It is a very good point that you make. I am not sure we can sell that one to the Government, but we will try.

Mrs Murray: Finally, Peter—I am sorry if everything has been said.

Peter Hardwick: It has not; do not worry. I am going to be a little blunter and tell you that the product-specific safeguards are completely useless, because of the absolute volumes. They kick in when the tonnage reaches 110,000 tonnes in year 10. As I have just explained, they do not need to get anywhere near that threshold to cause harm, because the cuts will come in as high-value, boneless cuts tackling a particular part of the market.

It is going to be very difficult to argue—here I am answering the second part of the question, in a way—unless something is done about nuancing this trade deal. It has not been nuanced on the beef side or on the sheepmeat side. Even the New Zealand quota for the European Union has a 1.67 coefficient for boneless cuts. There is no coefficient applied to the



HOUSE OF COMMONS

lamb quota for Australia and no coefficient applied for bone-in versus boneless.

This is despite the fact that we warned that this would come down the track. When the deal was presented to us, we thought it was part of a discussion as to the possibility to do some nuancing, only to be told later, "Forget it. That is not going to happen." Unless we get some nuancing, they will undershoot the quotas in volume terms by miles, but still damage.

The product-specific quotas are absolutely pointless, because they will never reach those volumes, and so we will not trigger them in volume terms. We are going to have to look at the harm done because of the targeting that takes place. I believe that this will happen.

In the sheepmeat sector, imports today are mainly bone-in legs. One of the reasons that New Zealand imports to the European Union have fallen—I am picking New Zealand specifically—is not because of a lack of product, but because there is very little shipping available. It is reported that there are large stocks of frozen lamb in New Zealand waiting to come here, if they can find the ships.

As shipping costs go up, people will want to take the bones out. Most of the lamb that is going to the United States now is either racks or boneless legs and shoulders. From a sheepmeat point of view, that is what will happen. Look at what is happening in the market today. People do not want to buy bone-in meat. We have not even protected ourselves against that in this deal. It is very disappointing.

Nick von Westenholz: Just to illustrate Peter's point, the fifth year of the bilateral safeguard on sheepmeat—year 15, as it would be—is 125,000 tonnes, which is 150% of current UK production. That gives you a sense of how useful that safeguard would be.

Q7 **Chair:** That is one and a half times our production. Is that what you are saying?

Nick von Westenholz: Yes.

Q8 **Chair:** I share some of your pessimism, Peter, but, while there is a shipping crisis at the moment, we have not been inundated in the last few years by New Zealand lamb, have we? I am trying to find a little light at the end of this particular tunnel. Are you absolutely convinced that all of this is going to suddenly come?

I know that there is too much of a wing and a prayer in this agreement, and I do not disagree with you, but I am also saying to you quite clearly that we have to present some positive sides to this trade deal, dare I say it, if we are going to get somewhere and get the Government to listen. Do not forget that we are going to do our damndest to get it nuanced. It is the nuancing that I particularly like about what you said. What particularly would you like nuanced?



HOUSE OF COMMONS

Peter Hardwick: First of all, I have been in the meat trade for over 40 years and have seen markets come and go. Prices go up, prices go down. Countries fall out with other countries. Nick made the point about the geopolitical situation in the far east and what happens if Australia and New Zealand fall out of bed with their Chinese friends. The answer is that they will want to move the material somewhere else. If you look at what they are selling to China, 50% is breast and flaps. Most of the legs still come here. That will change; those markets will come and go.

From a nuancing point of view—and I suspect it is far too late for us to do this—we need to revisit this and try to get at least carcase weight equivalent into the deal, if nothing else.

Chair: That is what we are doing the inquiry into. That very much could be one of our recommendations. It is not just on tonnage; it is on the meat that we are actually getting.

Q9 **Mrs Murray:** You said that you had been in the meat trade for over 40 years. Presumably, that was pre our entry into the European Union.

Peter Hardwick: Not quite—I am old but not that old!

Mrs Murray: I was just going to ask if you had any comparisons with what it was like before we went into the European Union, because we used to trade with Australia and New Zealand.

Peter Hardwick: My memory does go back that far, in the sense that, in the “old days”, we had what was called a voluntary restraint agreement with New Zealand. Broadly speaking, in the GATT deal of 1992, that was converted into a TRQ of 228,000 tonnes, more or less, of which we now have half, after having left the European Union.

The thing is that the trade has changed dramatically over that time. In those days, it was all bone-in and it was a very basic trade. It has become much more nuanced now. Even New Zealand was not selling to anyone else—effectively, they were shipping to us—but now they are shipping all over the world.

What they are able to do is to cherry-pick. They will send the bits that they want to send to China to China, or to any other market, and send the bits that they want to send to us to us. That was not the case before. We used to get whole carcasses. I used to import New Zealand lamb carcasses in the 1990s. We used to bring in carcasses; that is how it was done.

Chair: So you are guilty of bringing all the New Zealand lamb in then, are you? We will not hold you entirely responsible.

Q10 **Dr Hudson:** Thank you to our witnesses for being before us today. I admire the Chair for trying to find some light at the end of this particular Australian tunnel. I have to confess that I am struggling to find it. I put it on the record in the Chamber a couple of weeks ago that, unfortunately, I see this Australian trade deal as being as one-sided as the recent Ashes



HOUSE OF COMMONS

cricket series—both the men’s series and, sadly, the women’s series in the last day or so. It is unfortunately weighted in favour of the Australians.

We have covered some of this in the initial line of questioning. I am going to start on beef, and my colleague Geraint is going to continue on that and then go into the sheep sector. Neil, does the immediate availability of a significant tariff-free quota present an imminent threat to the UK beef sector?

Neil Shand: I can only answer that honestly and say, imminently, probably not, because the demand for locally produced beef is very high at the moment. We have to be honest and say that, with the pandemic, the last two years have not been normal years. We will probably not know where the market is until sometime into next year. I would not think that there is an immediate massive tonnage of beef available in Australia to come. The only way I can answer that honestly is to say not immediately.

Dr Hudson: Perhaps in the medium term.

Neil Shand: The medium to long term. If we look at the potential tonnage that they are talking about, it could be 170,000 tonnes at the end of year 15. That is 50% of what we import; it is a massive amount of beef. That has to have an impact on local producers.

Q11 **Dr Hudson:** If I can follow that up, the AHDB’s modelling suggests that the trade deal will result in no significant change in UK production and prices for beef. Do you accept its analysis?

Neil Shand: No, sorry.

Q12 **Dr Hudson:** Why not?

Neil Shand: For a number of reasons. We went through the report, which is very comprehensive, but it perhaps misses out some of the key influences that have just happened in the last six months. Fertiliser prices have increased by 200% or 300% in some cases. Their cost-base analysis of real-time production is probably inaccurate. If we look at farm-gate income from beef, 2019 was the worst year for beef producers that there has been for many a year.

As we turned into 2020, the pandemic hit. There was an initial shock but, if we are honest, the industry has come through that quite well, with a reasonable return by producers back into covering their costs of production. 2019 was well below the cost of production. The recent increases, with fertiliser going from £260 to over £600 per tonne, have a massive impact on any beef-producing unit. As an example, for a farm with 120 cows, it puts a cost of about £110 per cow on to its fertiliser bill for this year, which wipes its margin out again, and we are back to producing below the cost of production.

Q13 **Dr Hudson:** That is very helpful. Nick, when we are thinking about this



deal, and about risks and possible benefits, there is a lot of crystal-ball forecasting that we just do not know about. If I can follow up on some of your comments, I have been concerned about this. Currently, the Australian meat market is directed at south-east Asia, but, as you have quite rightly said, geopolitical events could mean that that pivots towards Europe and the UK. Does that potentially change the whole dynamic of the arrangement as we have signed it?

Nick von Westenholz: It could do. The AHDB report makes that point as well. It uses its modelling, which is, essentially, a steady-state theory. As things stand, it suggests that the Australians will continue to service those far east markets, which is a fair enough assumption, but it does point out that things could change. If things change, the UK will become a very attractive alternative market for Australia.

The way I often see this is that it is like a bit like a bank manager agreeing a mortgage with a customer. If your customer says, "I want a £25,000 mortgage or loan", and you, as the bank manager, conclude that that is affordable and you can lend it, you do not then go and give them a £25 million loan. You give them what they need and you give them up to that point.

It seems to me quite extraordinary that both the UK and the Australian Government have made the claim that they are not going to meet these sorts of volumes, in which case—you asked the question—why did they agree it in the deal? In a best-case scenario from our perspective, where volumes increase moderately or modestly, fine, we experience more competition in the UK market, but hopefully it is manageable and has a positive impact on the competitiveness of UK farmers.

In a worst-case scenario, where volumes of imports reach levels that are damaging, we do not have anything in the armoury to tackle that. That is the concern that we have about what has been agreed here—not that there has been trade liberalisation and not that there has been a trade deal struck, but that we have failed to secure just those safeguards in a worst-case scenario.

Q14 **Dr Hudson:** Can I push you on that point? The worries about these safeguard mechanisms not being safe enough for us has come across loud and clear from all of you. In your role on the TAC, Nick, is there any way that these safeguards could be sharpened and develop sharper teeth, so that, if the worst-case scenarios happen, that supply of meat coming in could be turned down?

I think that is what the UK farming sector is calling for. It is saying, "We are going into uncharted territory. When we see this product coming in, if it goes up to certain levels"—you are right that the quota levels at the moment are huge—"and if these sensitive sectors are going to get damaged, what can the TAC do? What can Parliament do to sharpen the safeguard mechanisms to protect our sectors?"



HOUSE OF COMMONS

Nick von Westenholz: The TAC will not be covering those sorts of issues, because it is very much focused on standards and the impacts on standards and regulations that may or may not arise out of this deal. Peter touched on this. The options for amending or reviewing this deal are incredibly limited. To answer your question, it is available to Parliament to reject this trade deal and, if it were to do that, it might be possible for the UK Government to ask Australian negotiators to come back to the table and look at these sorts of things. That would be the only way it is done, because the deal has been signed. The way that these safeguards exist and operate is in black and white in the final text of this deal.

Q15 **Dr Hudson:** Could we get stronger safeguards in the 21-day CRAG process?

Nick von Westenholz: No. It is now an international agreement between Australia and the UK, and it is in black and white, so not without taking the fairly nuclear option of refusing to ratify the deal.

Q16 **Geraint Davies:** Peter, you have already suggested that the movement to weight-only instead of weight-only and specified cuts leaves us wide open. How much damage could this do, in practice, to the food processing and food service sector in terms of the supply of British versus Australian meat?

Peter Hardwick: It is a tricky question. If you take a processor in absolute isolation, many of them will tell you that they make very little money out of slaughtering. They make most of their money out of converting the meat into cut meat or meat products and so on. I am not going to try to be positive about this in an unrealistic way, but arguably they are looking for supplies of meat. Therefore, if you want to look at it in terms of the potential effect on British supply, it could be severe. It depends on what happens.

I absolutely agree with what Neil is suggesting in terms of the immediate impact. I do not think that there is an immediate risk, but Australia is in the process of rebuilding its cattle herd after a long period of drought. It is seeking to fulfil these quotas. We have close contact with our Australian counterparts in Meat & Livestock Australia, which, I have to say, were as surprised at how much quota they got as we were. At that level, they certainly want to try to fill it.

At some point, when they have enough cattle and enough beef production, and they perhaps see a slight dip in prices in China, which is recovering from African swine fever and, therefore, pork supplies are low—as we know, that is now changing, which is one of the reasons that there is a problem in the pork sector in the UK, among other things—we could see that beef starting to come our way. When that happens, if you are a processor, you have a choice. You can choose to source your beef in the UK or from imported meat. That is an existential threat to the British beef or sheepmeat producer, most certainly.



HOUSE OF COMMONS

Q17 Geraint Davies: When you used the expression that the Australians will “pick the eyes out of the business”, you specifically meant that they would target cuts of meat that are the profitable cuts here, and remove the bones first, so that they have a cheaper cut. With their economies of scale and experience in production, they will use this quota to wipe out large amounts of our beef production.

Peter Hardwick: That is a possibility. If you think I have been a traitor because I imported New Zealand lamb, I also worked in the Brazilian beef industry for a time, selling Brazilian beef into the UK market.

Chair: You are definitely guilty of a lot of stuff.

Peter Hardwick: What did we send here? Rump and loin sets and fillets. That is all that we used to send from Brazil, nothing else, so no manufacturing meat and no bone-in meat, all vacuum-packed and chilled. Argentina is doing the same thing. They are limited by quota specific to those cuts. They are limited by quota where there is carcase weight equivalent.

This deal does not do any of that, so the potential here for relatively small volumes to have a big effect is very great, and I have explained the numbers. The threat is a very real one, at relatively low numbers, because of what they will send. That is the bit of the animal where we make the money. If we see those come in more cheaply at some point, it will have a very specific and dire effect.

Q18 Geraint Davies: On the costs of production, you mentioned \$240 versus \$400, Phil. I know that you deal with sheep, but I presume that it is the same for beef and sheep. Given that costs of production are significantly lower in Australia, even if, over time, people started wanting to put some carbon pricing on exports, there would still be a much lower price coming in to undercut British production. Is that right?

Phil Stocker: Yes. Our costs of production are much higher than Australia's. As I said, Australia is running at about \$260 per 100 kilograms, whereas ours is \$400 per 100 kilograms. If you look at prices on the world market at the moment, that is still lower than the UK farm-gate price. Even now, you could make an argument that they could undercut our market, if they wanted to.

In terms of whether it is going to impact us immediately, our current TRQ volumes with Australia are about 9,500 tonnes, which is that leftover TRQ from the European Union. In the first year of this agreement, that rises to 25,000 tonnes. In theory, you could look at what is happening globally and say that we are not at risk, because of the Asian market, but I believe that the Australians are going to want to make a noise about this. They are going to want to do something to celebrate this deal. Even in the early stages, we could see some pressure from Australia.

All of us have worked really hard in the sheep sector to try to increase our prices in order to get to a point where our farms are more productive



HOUSE OF COMMONS

and profitable. In order to prepare for a time when the basic payment is going to go, it is going to be an important part of being productive and profitable going forward.

Our sheepmeat market is really quite finely balanced with our exports and our imports. Even a small increase in volume of Australian lamb coming in during that first year could be enough to put price pressure on our markets, at a time when we are being pushed, and we are going to need to become more productive and profitable in order to take account of declining public support.

- Q19 **Geraint Davies:** I represent the Welsh constituency of Swansea West. In Wales, the average size of a sheep farm is 100 times smaller than the average size of a sheep farm in Australia. Given that and what you said about the relative costs, are you fundamentally frightened about the future of sheep farms across Britain?

Phil Stocker: Absolutely, and I do not want to repeat what Peter said, but I would very much back him up on the fact that the trade in sheepmeat has changed enormously over the last 30 years. It used to be all carcasses and frozen, and that product on our shelves in those days was a discounted product. Now they are competing with premium products of certain cuts and there is a real risk to our producers. For as long as we remain on an un-level playing field in terms of standards, which relate to production costs as well, our industry is at risk.

- Q20 **Geraint Davies:** Neil, do you have a quick comment on this from the beef side? On the basis of this deal, how do you see the future of British beef?

Neil Shand: It is a resilient sector at the moment, but this deal has just added another level of fear to everything that we see on the horizon. There is no good news that we see, with BPS being reduced and the environmental pressures. Everything is a pressure, and this is just another one. There will be more deals, they will all stack and, eventually, there will be a breaking point sometime down the road for the industry, if we keep getting put under so much pressure.

- Q21 **Geraint Davies:** Nick, it was suggested by Peter that it would be a good idea to have carcase weight equivalence to balance things up, but you suggested that it was too late in the process to negotiate that. Would your advice to us as parliamentarians be to vote against this deal with a view to going back to the drawing table?

Chair: You are leading the witnesses, Geraint.

Geraint Davies: I am, yes. I am asking whether that would be your advice.

Nick von Westenholz: I am not going to advise parliamentarians how they want to deal with the deal.

Mrs Murray: Absolutely.



HOUSE OF COMMONS

Q22 Geraint Davies: Can I put it another way? You are saying to us, I think, that we cannot get carcase weight equivalence in the remaining stages of whatever negotiations occur, and the only way to get that level playing field would be for Parliament to vote down this deal. That is true, is it not?

Nick von Westenholz: Not necessarily, because, if you voted down this deal, there would be other implications of that. If I was confident that, by voting against this deal, the two parties would go and renegotiate some of the specifics, like carcase weight equivalence, and then come back to Parliament and ratify it, I would support that. Clearly, voting down the deal is a much more nuclear option than that, and it is also unlikely, but the point is that there are aspects of the deal, like the lack of carcase weight equivalence, that make it a worse deal. It is very difficult, if not impossible, to amend that part of the deal.

What I would say is that we should learn the lesson of that, because there are a whole load of other deals coming down the line, and make sure that we do not make that same mistake with all of these other deals that are coming through.

Chair: It is the stacking of these deals.

Q23 Kirsty Blackman: Specifically on beef, given that we are focusing on that, I assume, Neil, that you do not have a magic wand. Given that you do not have a magic wand to be able to mitigate all of this, is there action that beef farmers specifically will have to take in order to mitigate the effects of all the things that are coming down the line? How might that affect the way that beef farmers manage their farms and the way that the industry works as a whole?

Neil Shand: That is a massive question, Kirsty; thank you very much. Where to start? This may come up later on in terms of future agricultural support, which is one of the big black holes that we are going to find at the end of 2024, when half the BPS has disappeared and there is just not quite enough to make up that void.

As I say, we are resilient as an industry and we have to deal with one challenge at a time, as they come. I note your accent, so I will put this point in now. Among all the things that are going on with beef production, we have a report out just before Christmas on food security and self-sufficiency, which is a UK report looking at the overall picture. Agriculture is devolved, so the devolved Governments have the right to manipulate, if I can use the word, food security or self-sufficiency by using methods to increase or decrease production. That is a bigger concern in the longer term—how we control food security and self-sufficiency as the UK, when the agricultural sector is devolved.

Chair: We had better go into that with the question on it. Is there anything else that you want to say to Kirsty?



Neil Shand: Everything has a different challenge, and there are so many things. Going back to my point, all these things are stacking up and there is more and more pressure coming on to the industry.

Chair: It is a perfect storm, if you are not careful.

Q24 **Geraint Davies:** We should be attempting to balance food security, the environment and climate change. We have cases in Wales where British Airways has approached sheep farmers, trying to buy their farms to offset flying more planes, with a view then to importing Australian sheep. What is your view on that? With the stresses and strains put on them, sheep farmers perhaps think, "Hold on, this is the time to grow trees and to give up on sheep." How does that make sense to the environment or the economy?

Phil Stocker: It makes very little sense to me at all. There is a real risk here of simply pushing our environmental footprint out of sight, where no one ever notices it. If we get this wrong, you can almost see us really scaling down our volumes of production, scaling up our environmental land management, tree planting and landscape recovery, and then just importing more and more food, with the environmental footprint of that food just never being considered. It is a huge risk.

All these issues of climate change and nature recovery are not just UK issues but global ones. It has been a failing of some of our carbon footprint systems in the past that they do not take into account the footprint of what is happening overseas. I really fear that, if we are not careful, we are going to end up with a beautiful landscape and with a very high-quality agricultural activity based on premium export markets, where we feed our people from around the world, without any real knowledge about how it is being produced.

Q25 **Mrs Murray:** Turning to sugar, would a dedicated allocation to Australia of tariff-free quota and its eventual elimination potentially threaten our UK beet industry? Nick, that is probably for you.

Nick von Westenholz: It is a similar scenario as we have been discussing in relation to beef and sheep, inasmuch as this clearly runs the risk of increasing competition in the UK marketplace and pushing down prices. While cane and beet are different plants, the refined product at the end is essentially the same.

Q26 **Mrs Murray:** The two have managed so far to operate alongside each other in the UK.

Nick von Westenholz: Yes, under a less liberalised scenario. What we now see is both the significant quotas and then total elimination after eight years of any tariffs for Australian sugar. We should remember that this comes alongside the Government's decision to introduce an autonomous quota for cane sugar imports from wherever of 240,000 tonnes. That will be in place for the next three years, and Australia has access to that for the time being, while it is waiting for its quota to



HOUSE OF COMMONS

disappear. That is a significant liberalisation of the sugar market and it clearly, as we have discussed with other products, has the potential to put significant downward pressure on prices.

Sugar beet growers in the UK have a number of challenges at the moment. Growing sugar has not been straightforward, for many reasons, including climate and pests, over the last few years. This is going to exacerbate those problems. It is interesting to note that I am not aware of any other sugar producing country that has totally liberalised sugar trade with Australia in the way that the UK has through this deal.

Q27 Mrs Murray: Is there significant friction between beet and cane sugar producers, or is the product differentiation sufficient to allow both products to occupy separate market positions?

Nick von Westenholz: No, they will compete directly with each other. The refined product is essentially the same.

Q28 Mrs Murray: Is there any conflict? I have not picked any up, but I do not know whether there is at the moment.

Nick von Westenholz: There is one cane refiner in the UK, which will import cane sugar and put that on the market under its brand. That generally competes directly with beet sugar, which is produced by a British refiner. There is also European sugar on the market, so it is not just those two producing sectors in competition. There will be beet sugar from Europe as well. Of course, cane sugar is not just from Australia but from other parts of the world.

Q29 Mrs Murray: Did they compete on a like-for-like basis, for example tariff free, before we left the EU?

Nick von Westenholz: No. EU sugar was firstly part of the EU sugar regime, but was traded within the single market and the customs union, whereas cane sugar is primarily subject to a tariff.

Chair: Even I would have difficulty defending the European sugar regime, which was probably the most manipulated market ever.

Mrs Murray: Hence why I asked the question.

Q30 Chair: Nick, is there a limitless supply of cane sugar in Australia? Are the costs very similar to the production of beet sugar here? There is an issue of over-competing. We want to see beet sugar maintained in this country, especially because it is a very good alternative crop to cereals, particularly in the eastern counties. To what extent can we compete with cane sugar, or can we not?

Nick von Westenholz: It is a globally traded commodity, so the price at any one time will dictate that. I can certainly send the Committee some economic analysis of the global sugar market, but I would suggest that that will fluctuate, depending on a number of issues. Our analysis certainly suggests that reducing or eliminating all tariffs on cane sugar has the potential to put downward pressure on sugar prices here in the



HOUSE OF COMMONS

UK, which will squeeze already tight margins for arable farmers and beet growers.

- Q31 **Chair:** I know that the industry has consolidated over the last few years anyway, but it is an issue. There has been more liberalisation but in a way this would be almost total liberalisation. Is that where you see it landing?

Nick von Westenholz: For Australia, they will, as with all the other products we have spoken about, be able to ship whatever volumes they want to, certainly where there is a market for it. As we have discussed, it depends on where they can fetch the best prices around the world, but we have made our market a lot more attractive by eliminating tariffs to Australian sugar producers.

- Q32 **Mrs Murray:** I do not know this but you may be able to help me. Have we traditionally sourced cane sugar from Australia or do we source it from other places that are more reliant on cane sugar for their economy? I am thinking about countries that rely on producing cane sugar because they cannot produce anything else. If the market with Australia was liberalised, could that displace them from selling to us?

Nick von Westenholz: Theoretically, yes. I do not know the details. I am afraid that I am not au fait with exactly what the current situation is, but we do import cane sugar from big producer countries in South America and the Caribbean, for example. We import small amounts of cane sugar from Australia already, but, if it is more cost effective to import from Australia, that could well displace other importing countries, although, as I have mentioned, there is now a general quota for all countries, which may be mitigated a little by that.

- Q33 **Chair:** Certainly under the European sugar regime, there was access to developing countries, which was one of the better parts of it. If you totally liberalise the market, it is Brazil, probably more than Australia, that will have the huge effect on the sugar market.

Nick von Westenholz: Yes. It is a very big producer.

Chair: We will look forward to dealing with a deal with Brazil, which, hopefully, is a few years away.

- Q34 **Derek Thomas:** If we do a lot of the processing in the UK, is there not an opportunity for us to process more sugar and to increase our export of refined sugar around the world?

Nick von Westenholz: Potentially, I guess so, but the cane sugar refineries are different from the beet refineries. That would benefit the cane sugar refineries.

- Q35 **Derek Thomas:** Did you say that we do not process beet at all?

Nick von Westenholz: No, we refine beet.

- Q36 **Derek Thomas:** Sorry, I did not understand your answer. Why could we



not just increase both of those export opportunities?

Nick von Westenholz: We could, but one would be to the benefit of growers overseas, because it is just the cane sugar refinery, and we do not grow any cane in the UK. It is the beet refiners who would be refining home-grown beet produced by British farmers. If we can export some of that, that would be great, but if we are importing cane, looking to refine it and then export it further, which is certainly possible, particularly as part of processed products like biscuits and cakes, it is not going to benefit UK growers, which is my interest.

Q37 **Derek Thomas:** The free trade agreement does not liberalise access for pigmeat, chicken meat and some egg products. The Government's reason for this is that they could not find compatibility on standards. Is that just because our animal welfare standards are so high compared to Australia in those areas?

Nick von Westenholz: I have not had chapter and verse from officials on exactly the reasoning behind that, but the line that we have been told is that they decided not to liberalise trade on those products because of an issue over standards. What is clear is that that is not really an issue for this FTA, because Australia does not export any of those products anyway, so it was not really a difficult thing to secure. In practice, it has very little impact.

Peter Hardwick: There is a missed opportunity here, which I will raise, which is that we do export pigmeat to Australia and have done for a number of years. Their industry is small and largely oriented towards supplying their domestic market. Australian eating habits, barbecues excepted, are similar to ours and therefore there is a market for bacon and other pork products in Australia. Again, this was a missed opportunity in the trade negotiation.

Exports of pork from the UK to Australia have to undergo heat treatment in order to be imported, either before being shipped or immediately after their arrival in Australia. That devalues the product and puts it in a worse competitive condition than the domestic fresh product. If you look at other European countries that are also exporting pork to Australia at a tariff rate that was set at zero before the trade deal was done, the only way we could have differentiated ourselves from imports from Denmark, for example, was to have agreed an easement of this requirement as part of the trade deal, but we did not.

We have no advantage as a consequence of the trade deal for our pork exports to Australia, which is a lost opportunity, because that is the one sector, certainly within those that we cover in our trade association, where we could have seen some increased exports. We have not taken any advantage of getting a better deal on SPS, which is a pity.

Q38 **Derek Thomas:** So Liz Truss, despite famously talking about pigs to China, did not see the need for pigs to Australia.



HOUSE OF COMMONS

Peter Hardwick: Indeed. We are exporting some pork there, but it loses some value, because it has to be heat-treated.

Q39 **Chair:** What is the reason for the heat treatment? Are they claiming disease or something?

Peter Hardwick: It is do with the PRRS issue—porcine respiratory syndrome. It depends on who you believe, but I think there is as much of a husbandry issue there as it being a problem per se. It is something that we could have looked at but we have not got it.

Q40 **Chair:** On the poultry side, there is no doubt that their production is much more intensive than ours. There is not the space for the birds, which is a real problem. I imagine that we were never going to do a deal on that. Would that be your view?

Nick von Westenholz: Maybe, but it is probably academic because, in practice, it does not have much of an impact economically. Of course, it prompts the question of why, if they can take a view on difference of standards in poultry, they felt unable to take a similar view on at least some level of conditionality on tariff liberalisation on other products where there are differences in standards as well.

Q41 **Geraint Davies:** Peter, you have already mentioned a couple of things that could have been done to improve the deal—in particular, carcase weight equivalence, so that we did not have cuts of meat coming in and undercutting us, and the heat treatment on pork. To what extent was the industry consulted on these issues and ideas during the negotiation?

Peter Hardwick: We were not.

Q42 **Chair:** If one of the Government's positions on the trade deal is that they have looked at pork and chicken, and are concerned about some of the production methods there, are they also saying that the standards for their beef and sheep production are entirely comparable to ours? Phil, is there a particular issue on sheep that you want to raise?

Phil Stocker: This is a really interesting question that probably comes back to the fact that the beef and sheep side is much more important to the Australians. There are significant differences in standards between our countries. As I said earlier, most of those standards come with an additional cost.

I will just go through a few of them. We know that the general health standard in Australia is lower than in the UK. Australia has lower weaning rates than many other countries in the world. There is no system of traceability in Australia, whereas we have a really high-tech EID system of traceability for sheep. We have made more progress on responsible antibiotic use in the UK, and there is very little commitment in Australia to reduce antibiotic use. Critically important antibiotics are still being used as feed additives, probably more on the beef side than the sheep side. There is no reporting of superbug resistance as there is here in the



UK. Disease and groundwater controls mean that they are still allowed to bury fallen stock, whereas we have to pay sometimes up to £22 or £24 to have each dead animal disposed of.

- Q43 **Julian Sturdy:** To briefly come back to sugar, I have a couple of questions. I should probably declare my interest: I grow sugar beet. Nick, I wanted to pick your brains on this in a little more detail. On the cane refinery in the UK, the vast majority of cane that it takes is from smaller, less-developed countries; the cane is not coming in from places like Brazil or Australia. Am I correct in that?

Nick von Westenholz: I think that is right. I am happy to clarify some of these points with the Committee in writing. I can check back with our very expert sugar advisers within the organisation, who can give chapter and verse. At the moment, I think that a lot of the sugar is imported under preference.

- Q44 **Julian Sturdy:** So the sugar that is currently coming in from Australia is already refined.

Nick von Westenholz: I do not know. It is a small volume but I think it is unrefined.

- Q45 **Julian Sturdy:** Do we know what capacity Australia has to increase that going forward?

Nick von Westenholz: Off the top of my head, Australia produces about 4 million tonnes, which is about four times the amount we produce in beet terms in the UK. We produce about 50% of our consumption, so Australia would certainly be able to meet our import requirements quite significantly.

- Q46 **Julian Sturdy:** You might not know the answer to this but, going forward, what precedent would the Australia trade deal regarding the import of sugar have on a future Brazilian trade deal?

Nick von Westenholz: I assume it would probably have a significant influence, inasmuch as the whole deal does. It has been touched on a couple of times that this is, ultimately, a very liberalising trade deal, even if that has been phased in over time. If I was any other country or trade bloc entering or already in negotiations with the UK, I would start from the Australian deal and say, "This is what you offer. This is what your trade deals look like. We will have the same." If you are a country in South American like Brazil, the fact that we have opened our market to Australian sugar reduces the value of anything but total liberalisation.

This is not just around sugar; it is around red meat as well. Unless they get a lot, the value of doing a deal is much diminished. Each time you liberalise and give someone a chunk of your market, you are reducing the value of that market and, therefore, having to give everybody else a bit more—a bigger chunk. That continues. That is the economic reality and the reason behind complete liberalisation. We have to understand that



HOUSE OF COMMONS

there are arguments behind complete liberalisation, but they will have a negative impact on certain domestic sectors.

Q47 **Julian Sturdy:** Would I be correct in saying that the precedent is more dangerous than the principle of the deal going forward?

Nick von Westenholz: Across this deal, that is the big concern. As we have heard, the immediate impact of much of this is likely to be modest, but it could increase over a period of time and is likely to act as a template for numerous other deals coming along, so I would agree with that.

Q48 **Julian Sturdy:** I have a few questions on animal welfare and environmental provisions, and I will try to stick to my questions, if I can. To what extent are lower animal welfare and environmental standards the reason why food production costs less in Australia than currently in the UK? I am sure that I could name a few examples.

Phil Stocker: We have a whole list of areas where welfare standards are really quite different. It includes antibiotic use and traceability, which is all connected to disease control and good animal welfare; the burying of fallen stock, and disease and groundwater protections; and mulesing, where part of the skin of the back end of the lamb is removed to avoid flystrike, which is not allowed in Britain. There are a whole host of animal welfare standards that are really quite different.

The values to which we produce in Britain are really quite different as well. Our high population in Britain means that we have a lot of people looking over what we do. That is what leads to the difference in the scale and nature of how we manage so many small-scale farms. It is just a completely different approach, and we do not benefit from that huge economy of scale that Australia does. Transport would be another one. We are just undergoing a consultation on journey times and welfare in transport, yet there would already be a significant difference in terms of transport controls between the UK and Australia. Each of those things brings a cost or an inability to take efficiency to its extreme, which is really what leads to the big differences in costs of production.

Nick von Westenholz: It is one aspect of the cost of production. As you add regulatory requirements, they will generally be accompanied by a cost. There are three things here. There are specific regulations around things like animal welfare, environmental protection and food safety, which will impose an additional cost.

There is the broader environment. Phil touched on the fact that we are a crowded island, but things like planning make investment in plant and machinery quite expensive, and investment in new premises significantly more expensive. It makes it very difficult to do things at scale, while one of the big advantages in places like Australia is the fact that they can farm at scale. In many instances, people would not really notice.



HOUSE OF COMMONS

You might remember here the Nocton Dairies issue about 10 or 15 years ago. There was a planning application for an 8,000-cow dairy to begin with, which got reduced to 4,000 cows. It was rejected on the grounds that that size of operation was not acceptable, for environmental and other reasons. Essentially, it had too much of an impact on the local economy and community and was, ultimately, impossible to do. That is a piffling-sized operation for countries like Australia and elsewhere.

Those sorts of limitations have an impact on the cost of production—not necessarily direct but indirect cost—through the inability to get economies of scale. We are also seeing issues around labour and so on. These are all, essentially, policy decisions that impose cost on UK farmers and make it more difficult to compete with countries like Australia.

Of course, Australia also has some natural advantages. It is sunny, warm and big. In certain areas, they do that and you cannot ignore that. This is important, because you sometimes hear people say, “Farmers in the UK are just not as good as Australian farmers, and if you cannot compete, tough,” but those kinds of constraints will always mean that there is a bit of a gap between costs of production, some of which, yes, are related to standards.

Neil Shand: There is an awful lot, although I do not want to repeat too much. I want to read a quote from the agreement in principle to start with, which states that the UK and Australia will reserve the right to establish their “own policies and priorities” in relation to animal health. That almost suggests to us that we have this agreement but, moving forward, we are going to make the rules on either side as we wish to go on.

Standards cost money and impact profitability. We have heard that enough times, but that is a key point. On the beef side, it would be foolish of me not to mention growth promoters. There is a big concern about that, and that is where they have one of their biggest commercial advantages. If we are honest, that is where it comes from.

On the back of that, we have major concerns about ID and traceability. You can trace meat produced in the UK back to the farm and the animal that it came from. Their ID system is very lax. They do not identify animals at birth. They identify animals only when they leave a holding, which leads to a massive variation in how old they can be.

They have extensive information on their beef production but are very vague on things like the age of animals in certain categories. What is veal? Is it 70 kg or 170 kg? Is that deadweight or liveweight? It is very hard to find information out.

Our consumers deserve to know, if they are expected to eat this product, what is behind it in terms of production or even animal type. There are a variety of animal types, such as Brahman and Bos indicus, used in Australian beef production, which are vastly different to what we have



here. We were promised that our standards would not be sold down the river, and the industry feels very hurt that our standards were sold down the river to achieve this deal.

Peter Hardwick: I am going to look at it from a slightly different point of view. You would no doubt come back to us and say, "Is it not up to the industry to communicate our higher standards to consumers, so that they can make an informed choice to pay more money?" That is a very laudable thought but, in practice, we find that there is a very small limit to that.

If we look at food price inflation today and possibly into the medium future, consumers are starting to have to make choices based on what food costs. Therefore, that aspiration is put under pressure. Our experience is that that probably starts in food service, where it is less visible—we mentioned that earlier—but it quite easily spreads into retail as well.

Supporting what everyone else has said, our ability to continue to differentiate will have its breaking point, which is the difficulty that we face with the different standards. It costs more and it costs us more to process. We have to provide more information to retailers or whoever it may be in order to provide the traceability to demonstrate that we meet those standards. We can secure a small premium, but there is a limit to it, and that is where the difficulty arises.

Q49 **Julian Sturdy:** Phil just touched on antibiotics. Can you outline, if you know, the differences in the use of antibiotics? It is not just using them as a growth hormone or inducer, but there is a huge issue at the moment over the growth of antimicrobial resistance. Reports have been done in Parliament already about AMR and the impact that, potentially, overuse in the agricultural sector has had on that. We know that the UK industry has made a huge effort over the last few years to greatly reduce antibiotics on the back of this. What impact could that have going forward?

Phil Stocker: We all know that antibiotic use and the potential development of resistant bugs is absolutely critical. It is one of the reasons why UK agriculture has taken this seriously and, through a series of industry initiatives, has had some success in driving down antibiotic use and almost driving out the use of critically important antibiotics.

The one figure that we have managed to find out is that, in the Australian poultry sector—which is not the sheep sector; it will be very different—the use of antibiotics is more than 18 times higher than in the UK. I would not know how that might impact on the beef and sheep sector, but you can probably draw from that that it is significantly higher than it is in the UK. We know that some of the critically important antibiotics are still being used as feed additives in Australia as well. We have been under huge pressure and the industry has responded positively in terms of wanting to try to absolutely minimise the use of CIAs.



Q50 **Julian Sturdy:** That excessive use of antibiotics would mean that they could increase stocking rates.

Phil Stocker: Yes, absolutely. It will impact on health and welfare. We have had several initiatives to try to increase the uptake of vaccines in the sheep industry, for instance. We know that, if you look at it economically, it is still, sadly, cheaper for people not to use vaccines and to use broad-spectrum antibiotics to clear up a problem when they have it. That is exactly the approach that we do not want to use. We do not want to take that approach at all. It does seem to be the approach that is being taken in Australia. We need different drivers to try to make sure that good practice such as vaccine use is more cost-effective as well.

Chair: It is a good point.

Q51 **Dr Hudson:** We have covered a lot of this, but one of our questions is what core standards people would like to see. I am taking from the evidence that, broadly, you are very supportive of the idea of core standards being incorporated in some way. Many bodies, charities, institutions and the TAC, as well as parliamentarians—myself included—have been calling for core standards to come into these deals, but the Government have been very reluctant and slow, and have not really responded in full to the TAC's recommendation on that.

I am not leading the witnesses here. It sounds like you are in favour of core standards of some form coming in. If we could have a quick-fire round along the panel, what specific core standards would you like the UK to try to factor into these agreements? We take your point, Nick, that perhaps the horse has bolted and we cannot factor them in at this point, but could we in future deals? Phil, you started off with some, so could you list them very quickly?

Phil Stocker: Traceability is absolutely key; we want that as a core standard. We would want commitments to antibiotic use as a core standard. If we are really concerned about our natural environment and our groundwater, I would like to see disposal of fallen stock standards to be the same as well. Certainly, we should outlaw the practice of mulesing.

Q52 **Dr Hudson:** As we know, mulesing is banned in New Zealand, so we could put pressure on the Australians to say that, for any sheep products coming from them, we do not accept that.

Phil Stocker: We would definitely support that view. Transport would be another one. Again, I just cannot see, if the public do not like long-distance transport and animals being loaded and unloaded in extreme temperatures, why that should be different in Britain than it is anywhere else in the world. We would like to see consistency in transport standards. CCTV in slaughterhouses would be another one. There is no reason why it should not be the same. We are talking about welfare at the moment, but you could expand that into a whole range of environmental and climate change commitments too.



Nick von Westenholz: I am going to dodge the question slightly because the others may have specific standards. Having been a member of the TAC, which proposed this idea, I would say the principle of defining core standards is the important thing. Some of the examples that Phil just gave are very straightforward. There is a specific requirement of UK farmers and you could easily require that of imports as well and find a way of demonstrating it.

For many standards, that does not quite transfer. As an arable farmer, there are lots of things that we do that will attract a small amount of cost, either direct or indirect—for example, hedge-cutting restrictions aimed at helping farmland birds or other biodiversity, with margins outside of arable fields, and nitrate vulnerable zones and nitrate regulations.

All of these things are requirements on UK farmers, which adds cost, but will not necessarily translate to farmers overseas in terms of the specific requirement. If you think about asking Australian farmers to observe hedge-cutting restrictions, it sounds a little absurd, but the outcome is clearly important, in that UK farmers are asked to do many of these things for environmental and biodiversity outcomes. Increasingly, it is going to be around climate change mitigation outcomes as well.

You then need to sit down and work out how you make sure that the farmers we are competing with are also being obliged to hit those kinds of outcomes, and those will be in very different ways. Just coming up, in many instances, with a list of potential core standards is not going to be transferrable, which is why we need a process where we sit down and work out what the welfare and environmental standards are that UK farmers are required to observe, which of those are really critical and important, and then how you can apply those expectations on imported products as well. That is a process.

The sad thing is that it is a process worth doing on its own terms, whether it is in this FTA or not, and the UK Government have not even come to the table to look at that process.

Q53 **Dr Hudson:** Surely, we could do that in two ways: this broad, overarching statement of where we stand on core standards, but then coming down to the granular level of certain specified red-line products that we in this country say we are not taking. You make the point about hormone-treated beef, which is one area where, for a change, I take the Government at face value. They have said that that is and will remain illegal in this country.

Where there is a grey area is in terms of the use of antimicrobials. If we could specify that the antimicrobials are not being used for clinical veterinary need but for other purposes, we could draw a red line around some products. Having spoken to the Australians and the New Zealanders, if you specify some of these things, they will just say, "Fine, we will not sell them to you." That, by market forces, drives up standards



in those countries and is a good win for animal welfare in those countries.

I am interrupting you. Neil, could you give us the beef asks?

Neil Shand: To be fair, Phil has covered a lot of this. One point that I would like to make is that, in this deal that we are talking about, some of their standards go below our basic legal requirements, especially on traceability. If we have an animal here that loses all its identification, it basically goes in a skip; they just put a new tag on, which is irrelevant to its genetic history. That goes below the base of our legal requirements.

Phil has covered all the core standards for the future. Audit and compliance has to be part of ongoing deals. This deal states that there is no need for us to go and monitor and check that they are doing what they say they are, whereas our farmers are subject to RPA visits and farm assurance visits. We need to consider that as part of the standards package.

Q54 **Dr Hudson:** The FTA potentially establishes multiple fora to discuss animal welfare and environmental issues with Australia moving forward. How should the Government use these mechanisms not only to advance the UK agrifood sector but also in terms of global Britain trying to influence standards around the world? How can they use fora, moving forward, to benefit the UK but also the wider good in terms of animal welfare and environmental standards globally?

Nick von Westenholz: I do not want to belittle those forums that have been created. The chapters on animal welfare and the environment probably do go a bit further than pre-existing FTAs, and getting Australia to agree to some of the stuff there was probably a good win for the UK negotiators, but it is still pretty soft stuff. It is generally non-enforceable.

The answer to your question is that it will remain to be seen how effective or otherwise these forums will be. Essentially, it says that there should be co-operation, discussions and dialogue on these important issues. Fingers crossed, let us hope that those are effective and meaningful, but there is no way to ensure that they are and you could easily imagine them not being effective.

Q55 **Dr Hudson:** Sorry to interrupt. You mentioned the animal welfare chapters. I keep wanting to push the point that we want the TAC to have sharp teeth and be able to influence things. As you have quite rightly said, the animal welfare chapters are there, and it was a win for Britain to get the Australians to agree to that, but, looking at them closely, they are pretty weak, in that they are non-regressionary. All it is saying is that both partners have agreed not to get worse, which does not raise standards at all. My understanding is that they are also exempt from the dispute mechanism. If there is any falling-out, they are exempt from that. What can we do, Nick, to strengthen these chapters moving forward—or can we?



Nick von Westenholz: In a way, this comes back to your question on core standards. This is why I was setting out the process that is needed. You are right on the point that you made about hormone beef. There is a ban on that in terms of UK imports at the moment. That is certainly unlikely to change any time soon, but that is a ban under our SPS regulations. Things like animal welfare and the environment, which is what most of us have spoken about when it comes to core standards, are not included in those sorts of approaches. It is a different mechanism that we are looking at. We talk about hormone-treated beef as part of this, but it is a different issue. We are talking about production standards.

What we should do, with this FTA in place or not, is to create those and then begin to have a conversation and to develop mechanisms by which you can look to control your imports more generally on the basis of those core standards. It would have been nice if we had done that, and we could have negotiated them into an FTA, as the TAC proposed. You could still negotiate them into any future FTAs, but, even without that, it is still worth doing. It is one of the things that we have spoken about that is really important. We want to prevent imports that have been produced in that way, so we should do so. There are ways of doing that within our WTO obligations. It is certainly arguable that you can impose those sorts of import controls on the basis of production methods.

Q56 **Dr Hudson:** I will finish here, because we do not want to get repetitive answers. I am struggling to find some light at the end of the tunnel on this. Nick, given the TAC's role around core standards, can you give us some grounds for optimism that the TAC can try to put pressure on the Government for future trade deals? Even if the horse has bolted with the Australia deal, can you give some optimism that the TAC will be able to get some of these standards into the framework?

Chair: We have the New Zealand deal not very far behind.

Dr Hudson: If the New Zealand deal could overtake the Australia deal, we would probably have higher standards.

Nick von Westenholz: To be clear, the TAC in its current form is very different from the TAC in its original form. The first TAC was there as a policy body to come up with policy proposals to meet the Government's challenge of safeguarding our standards and liberalising trade. The current TAC has a very specific statutory role, which is to examine the text of the trade deals and to report to the Secretary of State, who will then report to Parliament, on what the text means in terms of standards.

I do not think that it is for this TAC—and it is certainly not within its remit—to propose policy approaches like that. That was the first TAC, but that is still live. As you said, that is recommended. It has been dodged by the Government so far, and it is incumbent on us and we will certainly continue to make the case for taking that approach.

Chair: We could make that point in our report.



Nick von Westenholz: Yes, absolutely.

Q57 **Dr Hudson:** In the second iteration that you are on, the TAC can comment on the core standards, if they are there at all, in the current deal.

Nick von Westenholz: It can comment on what the differences between standards are and how those might interact.

Q58 **Dr Hudson:** Can you give us some reassurance that the TAC will be doing that and you will be baring your teeth a little bit?

Nick von Westenholz: I hope so. I hope that the TAC will give you advice. That is all it is. It is telling you what we have discovered is in this deal.

Dr Hudson: The important thing is that we need Government to listen to that advice.

Phil Stocker: I just wanted to comment quickly on the make-up of the technical groups. I do not think that we know anything about them at the moment; certainly I do not. In terms of previous discussions between Britain and the rest of the EU on these sorts of matters, industry has had no involvement whatsoever. When we start talking about these technical groups, industry and other practical players within our industry need to play a role in this.

Chair: Yes, most definitely. There is some very good stuff there.

Q59 **Kirsty Blackman:** This is specifically about sanitary and phytosanitary standards and checks. Is the UK's current approach to SPS checks adequate to ensure compliance?

Peter Hardwick: I am happy to answer the question, perhaps by saying that I am not even sure what its current approach is. I say that perhaps rhetorically. In order for us to be able to satisfy ourselves that any country that is sending products to the UK meets our standard, we need to have an intensive programme of visits, audits, checks and a plant approval process and so on. It is the same thing that we not only are subject to now but, no doubt, will be in the future when European Union inspectors come to the UK to carry out those checks on our sites.

The answer is that, provided it is done with the rigour required, and we go and visit these sites and conduct those checks in the same way that we are subjected to—that is, if we are unhappy with what we see, we delist sites and, if we are unhappy with a lot of what we see, we delist countries—it is adequate.

At the moment, we are in a situation where we are largely taking at their word the standards that other countries are operating at, because we have just taken over the EU approval list as it stands. At the moment, it is not sufficient, but, if done properly, it would be.

Q60 **Chair:** Do you see this very much as DEFRA's responsibility?



Peter Hardwick: It is indeed. It would be carried out by the relevant section in SANTE, although it is no longer called that. There is a specific department in the Commission that does that, and we would want to be doing the same thing. It takes a lot of resource, it takes a lot of people and it takes a lot of travelling. I know it is difficult at the moment and I can understand why it might not have been done for that reason, so it is not a criticism, but when the time comes we need to make sure that we are doing it rigorously, because we will be subjected to the same checks, without any doubt.

Q61 **Kirsty Blackman:** Do you have any indication that there is expected to be that level of checks? If there is no plan to have that level of checks, what impact might that have on our SPS standards for imports?

Peter Hardwick: It would be very detrimental. As I mentioned earlier, I have worked in many different countries in the meat industry and seen variable standards, without any doubt. That said, the sites I worked at were subject to regular visits by Commission officials when we were in the EU. You have to keep on top of it in exactly the same way as our Food Standards Agency does in the UK with our own sites. It implements those rules rigorously and we should expect the equivalent agencies to be doing the same thing on imports. It would seem to me contradictory to be imposing very strict rules on ourselves and not checking imports at the same level. We must do that.

Q62 **Kirsty Blackman:** How could the UK Government use the SPS Committee to serve our industry's priorities?

Nick von Westenholz: As Phil said, an aspect of the deal that we will have to watch is the creation of the architecture around it. One of the question marks over the SPS Committee is that we are, by and large, happy with the SPS chapter. It reserves the right of the UK Government to maintain their independent SPS system.

Peter spoke about the nuts and bolts of that, but that means that, in principle, when it comes to the issues of hormone use in beef, for example, it is the UK Government and nobody else who decide how to deal with those and what sort of import controls should be in place, whether from Australia or anywhere else. It is, by and large, governed by the WTO's SPS chapter. I am not sure that this deal adds very much to that.

The main question would be over discussions on equivalence, where the UK would recognise Australian standards that differ from the UK's but are deemed to have an equivalent outcome, so you can accept that product. It has not met exactly the same standard, but you say that it is crudely good enough. Those will be important discussions, and they may well be on some of the issues that Peter flagged about pork exports to Australia, for example, which I absolutely agree would be a potential opportunity—one of the few potential opportunities—in the deal for UK agriculture. It



HOUSE OF COMMONS

may well be that that is the forum in which you can look to facilitate that in the future.

Ultimately, it is a good thing that the UK Government have retained the right to manage their own independent SPS regime through this deal.

Q63 Kirsty Blackman: The FTA exempts the entire SPS chapter from dispute settlement. From what you have just said, Nick, does that put our industry at a disadvantage or does it provide safeguards for our industry?

Nick von Westenholz: It does not really do anything, because it just means that the SPS arrangements will be governed by WTO dispute mechanisms rather than anything under this deal. In that sense, nothing has changed.

Q64 Kirsty Blackman: You have referenced the WTO dispute settlement mechanism on a number of occasions. I know how it is supposed to work but, in practice, is it working?

Nick von Westenholz: It is still hamstrung—or whatever the technical phrase used at the moment is—because the appeals committee at the top is not quorate. That is potentially an issue but is along the end of the process of a dispute, so you could still raise a dispute and potentially resolve it under WTO rules before you get to that point. There are also some alternative processes being hodge-podged together slightly by WTO members in order to get round that. It is not working as it ought to and there are certainly some issues with it, but that does not mean that it is a total dead duck when it comes to disputes.

Q65 Chair: On a point that Phil Stocker made, who is going to man—or perhaps I should say “person”—this committee? Who is going to be there to check that this happens? Rightly or wrongly, what the European Commission has is a very strong DG SANCO, as was, which looked at all the deals and went to those countries to monitor them. I know it is early days yet, but do you see any sign of what DEFRA is going to do? I have not seen anything of it. Have any of you seen any sign? Is there any inkling? Nick, do you see anything?

Nick von Westenholz: You will need to ask DEFRA Ministers or officials that question.

Chair: Yes—don’t worry; we will.

Nick von Westenholz: There is this architecture under the TCA between the EU and the UK, and various committees are slowly being populated, primarily by Government officials, mostly DEFRA officials when it comes to things like SPS. I would expect that that will happen in this instance as well. In fact, you may find that it is pretty much similar people on different committees at different times.

Q66 Chair: Is it going to be meat processors and technical people? We really need to work it out. To the point that Neil made, is it traceability? Many moons ago, I went to Brazil, when the cattle did not even have tags in



their ears and were being exported to the European Union at that stage. I asked them where they came from and they said they asked the lorry driver, so it was not terribly effective. Seriously, these are all issues that have to be dealt with. I am not saying for one moment that Australia is a barbaric country, but there are issues where we have to tighten everything up. What influence can we have on how these committees are set up?

Phil Stocker: We have made the statement that we want to be world leaders in environmental and animal welfare practice, and you try to achieve that through both a carrot and a stick approach. The involvement of industry and probably research as well in those working groups would be highly beneficial, because that is where you will get the carrot side of it in terms of cross-learning. You bring practical people together and they have a different level of discussion than regulators would, which could be a more encouraging way of trying to get people on the same platform.

Q67 **Chair:** As Nick said, we will put that to the Secretary of State and Ministers when they come, but it is something that we would like to pick your brains on as well. If you have anything that you want to put to us in writing on how that could be set up, please do. This is something practical that we can do in the end, even under the current arrangements. However much we do or do not love it, it is something that we can have a real influence on.

Does the FTA create any additional substantial export opportunities for agrifood products? If Sheryll was here, I could say here and now that we could get on to the positive side. What are we going to sell to Australia and probably a bit beyond? We are talking about the Australia deal today, but what could we get out and sell them—specialist cheeses? What can we do?

Nick von Westenholz: You touched on it there. The obvious potential opportunities, on top of the potential for pork exports, which we have already touched on, would be some dairy products. That is one of the few areas where there were tariffs on imports into Australia, which will be removed by this deal. There are potentially some market opportunities in high-value cheese.

However, it is worth remembering that on Australia's doorstep is New Zealand, which has one of the most export-oriented dairy sectors in the world, so it is not going to be easy. It is more likely going to be high-value, small-volume, value-added dairy products.

Other than that, the opportunities within this deal are limited. That is not because I am saying, "How could we possibly sell anything to Australia?", although it is a massive net exporter of lots of food products. It is because they are already largely liberalised. Apart from where you have regulatory barriers, which, by and large, have not been removed, there are no real changes in this deal to the status quo.



HOUSE OF COMMONS

If UK farmers, producers and businesses were already struggling, for whatever reason, to export to Australia, there is going to be very little in this deal that changes that. I am talking about agriculture and there may be other aspects of this deal that differ.

Q68 Chair: I am going to use Chairman's licence to ask this question, since I have you all here. We have a big resource in the AHDB. We have levies from farmers, especially in beef and sheep, which the processors pay. Should we not only look to Government but look to spend some of that AHDB money much more on exporting food across the world? I have you all in front of me today, so I am going to take advantage of that. Nick, I am going to ask you first and then go across the panel very quickly.

Nick von Westenholz: We have felt for a long time that AHDB money could be well directed at exports. It already is, to a degree. That should be a priority, along with match funding from Government. What I would say is probably not Australia. There are lots of really good markets.

Chair: No, I was widening it, and that is why I said I was giving myself licence.

Nick von Westenholz: We are quite enthused by some of the opportunities coming down the line in the next few years with, say, the middle east, north Africa or other far eastern markets, where we clearly have an opportunity to improve our exports, and AHDB funding would be a part of that.

Peter Hardwick: As you will know, Chair, it was my day job for many years.

Chair: I know exactly what your day job was.

Peter Hardwick: Indeed. I managed the export efforts for AHDB for a good decade, I would say, and we transformed it from being a little pipsqueak thing to something quite substantial. We led the initiative into funding an agriculture council in Beijing, as you will know, which was originally funded principally by a levy, and then shared with DEFRA. I believe very firmly in that and we should be spending plenty of money on it.

It has been difficult for everybody, because trade shows have dried up. Because of coronavirus, people have not been able to travel. If you want to go to Beijing just to have a meeting, you need to spend a fortnight in a hotel in isolation, so it has been difficult. It is an important part of it.

I would not mind just popping back to the Australia question, because meat markets—I am interested in meat directly—are strange things. Meat moves in directions that you do not expect. I well remember working in Brazil when we imported intervention beef from the European Union. No one ever thought that would happen, and it did. We know of some sheepmeat movements, oddly, going to New Zealand from the UK at the moment, so it is not unheard of.



HOUSE OF COMMONS

Australia still has an outstanding BSE-related ban on the UK. It can be overcome through a complex approval process, but that really should not be necessary. We are a controlled-risk country and that should require a complex—

Q69 **Chair:** Are they still preventing beef from going in?

Peter Hardwick: Correct, yes. There are things that we should have got out of the way with this trade deal, which we have not done.

Chair: I had better not indulge myself too much.

Peter Hardwick: All I am saying is that meat moves in odd directions, and you never know. We sell pork fillets to Denmark.

Q70 **Chair:** Neil and Phil, very quickly, as far as beef and sheep farmers are concerned, where would they be on match funding from AHDB and Government for export?

Neil Shand: Absolutely on board, without any doubt. There is an export market but there is no reason why we cannot grow it, which would take away a lot of the threat of FTAs.

Phil Stocker: We have long said that a bit more levy money should be being spent on trade development and export opportunities. We are going through a period at the moment where our trade patterns will change. The non-tariff barriers going into the European Union will probably remain, and the importance of opening up other markets will probably become greater, so increased investment in those other markets is going to be crucial.

I would like to highlight the potential for trade in genetics from Britain. Britain is still seen as the premium stockyard of the world, if you like, and people are really interested in our genetics. There is not enough investment going in to enable people to get out there and be part of trade exhibitions and the like.

Chair: That is a really good point. Thank you very much for allowing me to indulge myself, and thank you for those answers.

Q71 **Kirsty Blackman:** Neil and Phil, would you sign it, if it was up to you? If your industry was choosing whether to sign this deal, would you sign it?

Neil Shand: No.

Phil Stocker: No, absolutely not.

Q72 **Kirsty Blackman:** That is what I assumed you would say, but I wanted to just check. Neil, you touched on this earlier, but how are wider changes in UK domestic agricultural and environmental policies affecting the ability of the sector to develop and respond to new trade deals?

Neil Shand: It is almost the same answer as the last one. It is a massive question, with such a wide scope. One of my bugbears about what we are



HOUSE OF COMMONS

looking at as an industry is that there is no congealed thinking. I go back to a point that I have to make again. Beef production in the UK should be looked at as in the whole of the UK. Geraint has left now, but the devolved countries, in particular Northern Ireland and Scotland, are looking at various degrees of agricultural support, which will benefit livestock. There is no mention yet in ELM of anything that is going to have any particular benefit for livestock producers.

If you take livestock and the organic matter that they produce out of our industry, the whole industry will suffer. The more organic matter we get from livestock going into the ground, the more it sequesters carbon. I could go on and on in reference to that, but my biggest concern is the differences across the devolved countries, and the blockages that those could create if there are different levels of support.

That is probably, if I am honest, what our members fear more than the initial trade deal, because agricultural support is being pulled out in England. By 2024, half of it is gone, and there is a very narrow window of what it is being replaced with. It is very clear what we are not going to get, but it is still not very clear what we might be able to get. There is a bit of stability in the other countries, which have decided to stand with what they have for the next two years. It is a big challenge. How can the industry adapt as a whole when it is being treated so differently?

Q73 Kirsty Blackman: That lack of certainty that there is in England means that people are having to focus on that rather than thinking about how to mitigate the impacts of this trade deal.

Neil Shand: Yes. It would be unrealistic not to mention that the farm-gate price prior to the last six months—I previously mentioned fertiliser, feed, fuel and energy—had at least absorbed most of the 5% reduction in BPS in England, but it is not going to absorb any more. The three Fs have basically taken all of that away.

Q74 Kirsty Blackman: Phil, do you have a similar story?

Phil Stocker: Yes, a similar view. We have a problem generally in that there is a huge amount of change going on in the world more broadly, and we really struggle to recognise the value of what we have today. That is where we are with agriculture. We are talking so much about land use change and changes in approaches to food production, without really considering the value of what we have.

I will just raise the question of grass in respect of that. Somewhere in the region of 60% of our land area is grassland. Whenever anyone talks about changes in land use strategy going forward, they often look at those large grassland areas and say, "This is all grade 3, lower-quality land. This is the land that should be rewilded or planted with trees," yet we already know that that land, which is mainly grassland, not only produces good-quality protein in quite an efficient way, with low use of inputs, but also already produces a great landscape in our countryside



HOUSE OF COMMONS

and gives access to people for exercise and enjoyment. It creates habitat for ground-nesting birds. It already filters water, preserves soils and builds carbon in soils.

There is a real problem at the moment in policy in terms of separating the environment, good carbon management and nature from agriculture. The history of Britain has been about a pastoral nature, where our environment, our wildlife and, unbeknown to us, our carbon storage, were very much integrated with our approach to farming. It is that that is being ignored at the moment. We need to try to think more holistically.

Q75 Kirsty Blackman: I am aware that the things that both of you have mentioned are things that you do not want to see. What domestic policies would you like to see that would help mitigate going forward? Phil, are there any of those that you would like to see?

Phil Stocker: To be honest, I generally support the principle of a move towards reward or payment for public goods. I quite like the incentives that are going in to try to encourage efficiency of capital grants and those types of things.

The one thing that seems to be missing from all of this is an ability to square the circle around food as a public good. A level of food security can certainly be argued to be a public good, and the contribution that artisan food production out in the regions makes to the rural economy is a public good. It benefits more than agriculture. At the moment, we are still refusing to accept that food production is a public good that should be within the mix, and that is a big issue for me.

Chair: I could not agree with you more.

Neil Shand: Aside from what Phil has already mentioned, to allow stability in the industry, we need to see some kind of support coming into all sectors in order to encourage livestock. Some of the policies might be slightly discouraging it, but we need to see livestock encouraged, because livestock are part of the solution. That is one of the biggest challenges. Our industry is getting so much negative media coverage on environmental damage, but livestock are part of the solution. We need to embrace that and give them encouragement to do so.

Chair: Because of all the carbon that is held in the grassland. We forget that sometimes.

Q76 Derek Thomas: I thought that question improved the afternoon, so thank you very much.

You have already answered my question, which was around your sector's role in the negotiation of the Australian deal. The answer was a very quick and abrupt no when it was asked. Is that right?

Peter Hardwick: If you are asking me, the answer is no, because we were first approached in any detail after the fact. Once we were told what the volumes were, we were then asked what we thought about how they



should do this. I have to say that the impression I got was that we were still at a place where we might be able to do some nuancing, but it soon became very apparent that we could not, so that is the situation.

Neil Shand: There were some early discussions about us being asked to put some opinion in, but they never bore any fruit. The deal was done before we got to that stage.

Nick von Westenholz: The engagement improved over the couple of years of negotiations. The primary forum was the trade advisory groups that were set up across different sectors, so I suspect that all of us, in one form or another, were part of the agri-trade advisory groups. By and large, those were updates. We were quite often presented with faits accomplis—"This is what has happened." If you look at, for example, the volumes in the quotas or whether carcase weight equivalence or product weight would be used for administering them—the discussions we have had today—those final decisions were all given to us as updates, with very little input.

We were certainly not asked. We may have, off our own bat, offered our opinions on these things, but I am afraid that, on the specifics, the engagement was not great. It was a real opportunity missed, because it failed to take the opportunity to ground truth the assumptions they were making behind some of these very important details.

Q77 Derek Thomas: Phil, before I bring you in, I will just ask you the next question and you can wrap the two together. How do we go from here? There will be future negotiations. We have already heard from Nick about the starting point; we will have Australia-plus. Where do we go from here in terms of engaging the agrifood sector early enough in the process to really shape and fashion it in the interests of everyone concerned?

Phil Stocker: It is a really good question and I will not spend much time repeating what others have said, but I have been privileged to be part of the agrifood trade advisory group and I would concur with Nick that it has been more of a trade update group. Where we have had the opportunity to give advice, I am not sure that it has been taken. Going forward, there needs to be a much deeper level of engagement and a level of early discussion within those trade advisory groups, rather than being presented with a fait accompli.

We are all probably aware that, in terms of greater economic gain to the country, there was always a risk that the agrifood sector was going to be sacrificed. That is probably where a lot of us feel we are now.

Q78 Derek Thomas: I appreciate that, but there is one thing that I have still not grasped from this afternoon. We probably do not have time to go into it in depth, and I might just be dim. Given the rising costs of shipping, which we heard about, and the distance between us and Australia, despite this massive quantity of meat that could come here, it is ultimately the British consumer who will buy the meat that they want to



eat. We are talking about expensive cuts, not cheap meat, which is often the problem that our farmers have, in that they are competing with cheap processed meat.

Have we this afternoon answered the question about whether, while the possibilities are there, there is a great risk that our Welsh sheep farmers and the beef that we produce in west Cornwall will just not have a market in the UK and beyond, and will not be viable? I do not think I have heard that.

Phil Stocker: The whole industry has done a huge amount of good over the last decade or so in getting that recognition for British provenance and that support of our consumers towards British product. As Peter said, there are times when price means that consumers choose the cheapest product, but we have made a lot of progress in getting that recognition for British provenance. The one area where we need to strengthen in the future is the hospitality and catering market.

Chair: That is the weakness with the recognition—the hospitality side.

Q79 **Derek Thomas:** Across the south-west, certainly after the covid thing, I think that has possibly been nailed—not entirely, but there has been massive progress there. In 10 years' time it will be too late to save farms that do not exist any more, obviously, but I just wonder whether our fears are going to be realised—this is a point about future negotiations with countries that might present a greater risk—simply because of the fantastic work that our farmers can and continue to do in a place where food miles and the costs of shipping are all on people's minds.

Phil Stocker: I would be equally optimistic. I just think that we are unnecessarily putting our industry at a risk.

Nick von Westenholz: That is right. It is not mitigating the risk, and none of us has a crystal ball. We have spoken about the potential cumulative impact of a lot of these trade deals. Peter spoke about the fact that, ultimately, the buyers will look at the price, which is where the competition is. In particular, relying on consumer choice as the answer to all of this is a bit of a pipe dream, because we know that, even using labelling and things like that, consumer information, particularly out of the home, where a lot of this product might end up, is weak.

Q80 **Derek Thomas:** Peter's point was that it would be expensive cuts that would come across.

Peter Hardwick: Expensive cuts versus our expensive cuts, so less expensive than ours but at the top end of the market. That is the threat. There is a problem at the moment—it is not a problem but a good thing—which is that there is a global shortage of meat. Prices are high, but farmers adjust and inventories go up. Inventories are rising in Australia and are going to rise in other countries. They will rise in Brazil, as it recovers from its economic woes.



HOUSE OF COMMONS

In the years I worked in Brazil, they always used to judge the volume of exports on how well the country itself was doing. The better the country did, the less it exported, and the worse it did, the more it exported. It currently exports only something in the region of a maximum of 20% of its production; 80% is consumed domestically. The capacity to increase that is significant.

Distance is not a brake. We have historically imported hundreds of thousands of tonnes of lamb from New Zealand every year. Right now, we are not, for a number of reasons. The shipping industry will adjust. It will put more ships and more containers on the water, and those problems will go away. I believe that that is where the threat lies, because that will be the time when, if there are choices and they have enough beef, they will cherry-pick the market.

Q81 Barry Gardiner: Can I apologise to you, gentlemen, for arriving late in the Committee? It was unavoidable but I was really looking forward to this session and then got cut short. I just wanted to pick up on what you were saying about the lack of consultation and feeling that you were being told things, rather than being given any real direction in the trade negotiations.

One of the things when we were discussing how our new trade arrangements were going to be put in place was that there should be consultation at the beginning and then a publicly agreed mandate, as it were. Many countries find that useful in a negotiation, because they can say, "No, we cannot do that, because it is in our mandate." I wonder whether you feel that the way in which we are structuring our handling of trade negotiations is adequate to the job and really working for British industry in the way that it should.

Phil Stocker: I would start by saying that it is clearly not adequate at the moment. More and more now, industry is working with Government in the spirit of co-creation. Although there was an attempt through the DIT to engage us more, there was no co-creation of trade policy at all. That was and is still lacking now.

Q82 Barry Gardiner: I always try to look at what we say when we are writing a report. Are there specific recommendations that it would be helpful for us to incorporate in our report that are lessons learned, not about the specifics of SPS and animal welfare and so on, but about the way in which we conduct the negotiations and engage with people on those?

Phil Stocker: We have been involved in the agrifood trade advisory group, but I do not think I have ever really picked up on that relationship or that balance between the agrifood trade and other trade opportunities. There was also suspicion that we might be sacrificed, but it would have been great to be able to discuss that in an open forum.

Nick von Westenholz: The operation of those trade advisory groups could clearly improve and there could be a more co-operative discussion early on. To your other points about the parliamentary aspect of the



process, things have improved. Where we are now compared to where we might have been is much better, given that at the moment there is a three-month period for you to carry out this inquiry and for the TAC to carry out its work and so on, but it still falls short of what would be effective.

A publicly or Parliament agreed mandate at the beginning gives strength to the negotiators' arms. They can come back and say, "Well, that will never fly." To make that really effective you have to have a yes/no vote at the end of the system, and we do not have any of that. Until you get that, it falls short. That is not to say that parliamentarians should have a role in negotiating the minutiae of the deal, amending or anything like that, but it is about setting out the precise objectives at the beginning and having a yes/no vote at the end to make sure those are seen through.

Neil Shand: I basically have nothing to add. Perhaps we could say if it had been done right we would not be sat here now. That would be one point. We have all these other deals stacking up very quickly behind as well, but otherwise I rubber stamp what has already been said.

Peter Hardwick: All I would say is that the BMPA chief executive is here. We have regular dialogue with our US counterparts, our Australian counterparts and so on. Those countries would not dream of going into detailed negotiations like this without speaking to those who have real expertise and understanding of it. It is extremely disappointing, because the devil is in the detail, and we did need to make sure that people understood the impact.

I cannot be absolutely certain about this, but it would not surprise me at all that our Australian colleagues would have said, "Make sure you do not get any differentiation between carcase weight and non-carcase weight. Just make it product weight. Make it as simple as possible so we can ship what we want."

We should have been saying, "Make sure that you get boneless cuts separated: hindquarter, forequarter. Make sure that you differentiate the quota so that there is some way of mitigating the risk of certain cuts coming into the market and doing serious damage."

Q83 **Kirsty Blackman:** Peter, you have talked a bit about the cuts that might be coming in and things like that. There is obviously a cost of living crisis just now, and people are really struggling. Will my constituents get cheaper food in the supermarket as a result of this trade deal?

Peter Hardwick: We have probably already said no early on. Right now Australia is short of beef. I actually share the view that they are unlikely to ship a great deal to us in the near future in significant volume.

Chair: But you might get a cheaper steak in Wetherspoon. I am just picking one particular person—no reason why.



HOUSE OF COMMONS

Peter Hardwick: In the long run it may well have that effect. That may be viewed as a good thing, of course.

Kirsty Blackman: It will not help them this year.

Peter Hardwick: No, sadly it will not.

Q84 **Chair:** This one is probably for Nick. Are you satisfied the TAC is set up to enable it to effectively address any industry concerns about the FTA impact on UK standards? We talked quite a bit around it, so is there anything else you would like to add?

Nick von Westenholz: Just to summarise my earlier point, you have to be clear that it is a fairly narrow remit, which was what was set up in the legislation that went through. It is around standards, and it is around the black and white text of the deal and how that impacts standards. It is important that we are able—I hope that we will be—to talk about the very direct effects of the text on UK standards, so where there may be something that might require an adjustment or at least a review. Those bits in the deal are likely to be small, but I do not want to pre-guess how we will be reporting.

Also, we have to be able to look at where there are more indirect issues around standards, where standards in Australia and the UK differ and how that might interplay with the increased market access provided by this deal, and to understand it. That is ultimately what the public want to know. There were a million people who signed a petition regarding standards and trade deals. What they are concerned about is not just British standards, but also the standards that apply to the food we import. That is critical. When he was Secretary of State, Michael Gove came before this Committee in 2018 and made that distinction. It was quite difficult to squeeze out of the Government that when they talked about standards they were not just talking about our standards.

Q85 **Chair:** We could also raise animal welfare standards across the world if we were to implement them within our trade deals, rather than lower them.

Nick von Westenholz: That is the ultimate outcome if you are going to be a leader in these areas. There is a big question—we certainly do not have time for it now—about the degree to which you might use your trade policy to achieve other policy aims. There are purists who say, “No, that is awful,” but we are not in that world any more. It is a crucial tool to achieve other policy aims around climate change, sustainability and the like.

Chair: What all of you gentlemen have said to us this afternoon has given me one really interesting point: while we may be able to have limited changes to the Australia deal, we can hopefully have some greater effects on future deals. We appreciate that.

Q86 **Barry Gardiner:** Maybe unsurprisingly, Chair, I totally disagree with you.



HOUSE OF COMMONS

What we are going to hear from now until kingdom come in every other trade deal that we do is, "You gave it to the Aussies; why are you not giving it to us?" The fact that we have not done our due diligence, not separated out carcasses and not made sure we knew what we were doing means that we are actually in a very poor position going forward. How do you think other major agricultural producers like the US or Brazil are going to regard the deal that we have done with Australia?

Nick von Westenholz: We touched on this earlier, before you arrived. There is obviously a real risk that this becomes a template. It does not have to become a template by some operation of law, but, as you said, they clearly will look at the degree of liberalisation that the UK has accepted as part of this deal and want to have something similar.

There are a couple of slight disclaimers on that. For this deal and the New Zealand deal, we are doing trade deals with almost completely liberalised economies, so it is easier for them to ask that the quid pro quo is that we completely liberalise.

Q87 **Barry Gardiner:** The countervailing push on that would be, "Well, Australia, you are already fully liberalised. If we are going to let down our barriers here, we want to raise your standards on SPS or on animal welfare." That is the quid pro quo, because otherwise we are actually getting nothing out of this deal.

Nick von Westenholz: Yes, that is a slightly separate issue. You are right; we could have achieved a very good trade deal for the Australians without going quite as far as we did. I am sure they would have been very happy to do that trade deal; it might have just taken a couple of months more. Looking at countries like Canada or the US, for example, they tend to have some protected or sensitive sectors that they are unlikely to liberalise. That gives us a bit more to play with.

The point I made earlier is that, by liberalising with certain countries, we have devalued certain markets. They will ask for more, because they will be rightfully pointing out that transactionally we have to give more if we want concessions coming the other way. These are negotiators. Their starting point will be, "You have totally liberalised. We will have that as well." That will be the starting point, so we have anchored it at a very liberalised point.

Q88 **Barry Gardiner:** If you were our canny trade negotiator doing the deal with the US, what would you be doing differently now? How would you be approaching that to guard against precisely that attempt that will come from their side?

Nick von Westenholz: It comes back to the core standards argument. If the UK Government went ahead, working with stakeholders and industry, developed a very clear set of core standards and then very explicitly and clearly said this was their policy to maintain and safeguard these standards in all policy areas across the UK, trade policy and otherwise,



HOUSE OF COMMONS

and to promote them, they would be on very strong grounds to argue and negotiate those to a degree into trade deals.

Of course, those would still be part of negotiation, but they would be able to fall back on the fact that this was explicit UK policy which they were willing to defend at the WTO or as part of a trade deal. Parliament would support that, I presume, and there would therefore be a popular mandate for it. That would give negotiators a very strong hand, and if other countries were unwilling to do a deal on those terms, tough.

Barry Gardiner: Under CRAG we will not actually get the opportunity to have that debate, but yes.

Chair: Right—anything else?

Barry Gardiner: No, these gentlemen have answered that very clearly—thank you.

Phil Stocker: Just to add to that, we are approaching the CPTPP as well. It seems to me that there is a huge appetite from this Government to sign up, and I am nervous that we will sign up again on any terms. Going back to what Nick says, we probably need to be tougher negotiators, but honest negotiators, about what we want to see and stand up for it. We are seen as a really valuable market.

Chair: What we do have is a change in Secretary of State. I am still reasonably optimistic. I very much accept the evidence we have taken here today on the Australia deal, but we must not give up on the process of getting these core principles into our future trade deals and delivering better deals in the future. What evidence you have given us this afternoon will give us a great deal not only to put in our report but to talk to the Secretary of State for International Trade about on the future of trade deals. When it comes to beef, what we have or do not have in an Australia deal or a New Zealand deal will pale into insignificance to what could happen to British agriculture if trade deals with Brazil, the US and Argentina are not negotiated properly with a degree of protection for our industry.

We thank you all very much for a very good session. This has given us a very good start in looking at the Australia deal, and it will give us plenty of questions to put to the Secretary of State when he comes, or to whoever comes; it will possibly be trade Ministers as well. We will work that out when we get there. Nick, we look forward to the Trade and Agriculture Commission coming forward with its report. We are hoping to take evidence from that commission before we finalise our report. We wish you well with that work. Thank you all very much for a very good session.