

# Select Committee on the European Union

## Energy and Environment Sub-Committee

### Corrected oral evidence: Brexit: agriculture

Wednesday 1 February 2017

11 am

Watch the meeting

Members present: Lord Teverson (The Chairman); Lord Cunningham of Felling; Lord Curry of Kirkharle; Viscount Hanworth; Duke of Montrose; Lord Rooker; Lord Selkirk of Douglas; Baroness Sheehan; Lord Trees.

Evidence Session No. 2

Heard in Public

Questions 11 - 29

#### Witnesses

[I](#): Tim Breitmeyer, Deputy President, Country Land and Business Association; Tom MacMillan, Director of Innovation, Soil Association; George Dunn, Chief Executive, Tenant Farmers Association.

## Examination of witnesses

Tim Breitmeyer, Tom MacMillan and George Dunn.

**Q11 The Chairman:** Welcome, everybody, to this next witness session of our inquiry on Brexit and its effects on, and challenges and opportunities for, agriculture. Can I remind members of the Committee to declare their interests if they have any? I would just remind our witnesses that this is a public and open session. It will be recorded both in terms of a webcast and we will be taking a transcript, which we will send you a copy of. If you think there are any errors in that transcript, you are very welcome to come back to correct that. Please briefly introduce yourselves, particularly for the benefit of the public and those watching.

**Tim Breitmeyer:** My current role is Deputy President of the Country Land and Business Association. I was historically a soldier, followed by then going home to a family business, which is an arable farm in East Anglia with contract farming attached to it. Also, I worked as a farm business consultant for about 16 years with a firm called Andersons.

**Tom MacMillan:** I am Tom MacMillan. I work for the Soil Association. We are a charity. We promote good food for all, farmed sustainably. Part of the way we do that is through a certification business. We are the leading organic certifier in the UK. We also certify a lot of Forest Stewardship Council—we are one of the largest of those certifiers internationally—and certify sustainable catering. My role is in looking after the setting of our organic standards and in promoting and supporting sustainable innovation by farmers, whether they are organic or not.

**George Dunn:** My name is George Dunn. I am the Chief Executive of the Tenant Farmers Association, a role I have had for just over 20 years. I am also involved with the National Trust as a specialist volunteer, although today I am here representing the TFA. I was previously chairman of the Farming Community Network, which is a charity that helps farmers throughout the country who are in distress.

**Q12 The Chairman:** Thank you very much indeed, gentlemen. Perhaps I could start off. What we are looking at overall in this inquiry are both the challenges and the opportunities that there are in agriculture and Brexit. Clearly this is one of the industries that will be affected most by Britain's withdrawal from the European Union. Perhaps I could start off by asking you indeed what the key opportunities and challenges are for UK agriculture from Brexit in both the short and the medium term, and particularly the implications for your members of leaving the CAP. Do those vary across the UK or groups of farmers, such as young farmers or tenants versus those that own their own farms? Perhaps I will come on with a supplementary later on about the rural economy more generally. Mr Breitmeyer, would you like to start us off?

**Tim Breitmeyer:** Certainly. If I may, I will deal with the opportunities and the challenges in each case that are relevant to the particular topic.

There is an opportunity here for the UK as we leave the European Union to have perhaps a more tailored and relevant UK food, farming and environment policy as we move forward. That very much should be the aspiration.

It needs to be fully funded, having said that. The reason I say that is because we have to accept the fact that we have lived off a system for the last 40 years that was not of our making, but it is an income support system. If you look at the facts of the total income from farming, British agriculture would not have been profitable at all over the last 20 years without it. That, in a time of austerity and a time when public funds are going to be short, is going to be a real challenge as we move to a more relevant policy.

In the long term, it gives us the opportunity to perhaps make better regulation in the rural economy and the countryside. However, we have to be extremely careful, as we move from one set of regulations to another, not to create further uncertainty during the process. It gives us the chance to have a more global workforce and attract the brightest and best people in the world here on seasonal permits and in some cases on longer term contracts, because we have to realise the challenge here at the moment is that our industry over time has become very reliant on an EU workforce, particularly in agriculture: 85,000 are required for 2016—and we are already struggling to get them—and 95,000 by 2020.

Finally, trade probably is the biggest driver of all these. Over the last 40 years, inevitably our businesses and our marketplaces have tended to err and become centric towards the European Union. If we face losing that free access, there are significant challenges for our businesses, and we must not underestimate those challenges. But it does give us the opportunity to have open markets globally and to trade more with the rest of the world.

**The Chairman:** Thank you. Mr MacMillan?

**Tom MacMillan:** It is easy to imagine the clock stops and starts again with all this conversation around leaving the EU. If we start from a recognition of the challenges farming already faces, that is helpful. That includes those in the here-and-now around profitability, bovine TB and all those issues that are front of mind for a lot of farmers, and the monumental challenges that we are not properly facing up to yet around, for example, reducing greenhouse gas emissions by 80% by 2050 and dealing with the threat that our food trade poses around public health and to the future of the NHS. There are big, looming challenges we have not quite grappled with yet, with or without Brexit.

In that context, the risks are that we compromise our ability to address those bigger challenges in three main ways. One is in the short term, with the inevitable risk of uncertainty. Uncertainty is really difficult and really disruptive for people in any sector to deal with. The second is that we end up with too much squeeze on spend and investment in this area to be able to grapple with those challenges, because it will take quite a

bit of investment to deal with things like climate change. The third is that any big compromises in terms of standards that get done in the name of trade could be really damaging, again, in terms of our ability to progress in facing those challenges.

Conversely, the opportunity is the chance to do things in a way that really does grapple with issues like climate change. The window is quite well timed in some ways to enable farming to make the kind of transition that we will need to see for the next 20 or 30 years to be able to have an industry that is really thriving in the face of climate change and a changing global picture of trade and demand and so on.

Those are the risks and challenges set in that context. In the short term, it would seem sensible to focus on the area of opportunity, which is largely around what follows the CAP, and maintain as much as possible a holding pattern on the areas of risk, which are from all those uncertainties about what might happen around the regulations, and so transposing those as far as possible into UK law.

**The Chairman:** Good. Thank you. Mr Dunn?

**George Dunn:** Thank you very much. I would agree with Tim. There is now the opportunity to put together a broad agricultural and environmental policy that fits our circumstances better than we have had previously. Connected with that, there is the opportunity now to build a new consensus, not just within the farming community but with the animal health and welfare agenda, the environmental agenda and our place in the world in terms of aid and trade. That consensus is very important so that we have a policy that ensures that, if we see political change, that policy continues.

There is also the opportunity now for the Government to do more to support the British brand. In terms of food, we have a certain level of standards. We have the Red Tractor scheme for example, which we believe our consumers want to see. There is now a greater opportunity for the Government to think about how they might protect those standards, even to the extent of considering import substitution on products, where products from abroad are not to the same standards, and on things like public procurement. If Brexit means Brexit, our public services should be buying British food in our view, because previously we have not been able to do that.

In terms of the challenges, the biggest challenge is the trade deal. We want to trade with the rest of the world, but we want to make sure we have a transitional arrangement with the EU before we have that. Labour use is a big concern, and we need to be developing schemes that allow us to use more domestic labour into the long term, but we cannot turn off the tap of that EU labour that we have been used to date.

Devolution causes a big problem. We went into the EU as one country. We are leaving almost as four countries—and we need to understand how we do that in a way that brings the whole of the UK together. Finally, the

biggest risk that we face in my view is not taking full advantage of the freedoms we are offered by leaving the EU and taking a lily-livered approach to our exit. We have the opportunity now to really carve out a better future for Britain, if everybody together works towards using those freedoms in the way that we need to.

**Q13 The Chairman:** That is a very good introduction. A number of those themes will be expanded later on in the session, but perhaps I could just come back to two of them very quickly. Is it your opinion that different groups—young or old, tenant or landowner, north or south, grain versus livestock or horticulture versus flowers—will be affected in different ways, or are we likely to have a fairly united agenda around this?

**George Dunn:** If I throw out the tenancy issues, given my badge today, there is a big difference between those who own and farm the land and those who rent and farm the land. Part of that is because they do not have the capital value of the land to fall back on. Things are difficult. If they do require additional support from the banking sector, that security is not there for them to achieve that. If we have a particularly hard Brexit, that could cause problems for my sector particularly, which is not able to secure the level of financial support they need to get themselves through that.

Another concern for our members is that the newer farm business tenancies tend to be short. The average length of a farm business tenancy is only three to four years. In our view that is no length at all to plan the sort of future we are looking at here. Short-term interests in land are a big problem for our sector. Cash is very important to our sector. It is not so much profitability; it is having the cash flow within the business to keep it going. That is also a concern.

Finally, the extent to which our members can use their land for different purposes is also limited in comparison to an owner-occupier, because as a tenant farmer you are required by your tenancy agreement to be a farmer, so you cannot necessarily look at planning consent for change of use for buildings or renewable energy schemes to the same extent that an owner-occupier might. The jeopardy for our sector in getting this wrong in my view is much higher than for the owner-occupied sector.

**Tim Breitmeyer:** I have to say I would not disagree. The tenanted sector is going to be the most difficult sector in terms of making sure we give them the tools for the future such that they are productive in the future and running businesses that have had the investment in them. I have no doubt that that is a challenge we need to look after.

In particular, in addition to that—and it involves the tenanted sector to a degree as well—we have to think very hard about the upland farming of this country. It is a fact that it is extremely difficult economically to farm in the uplands, and yet the uplands have the landscape of our country that so many of our public want. We have to fashion a policy to make sure that we continue this farming on those hillsides—because that is

how the hillsides and the landscapes have been formed—and those farmers remain in business.

Secondly, and it ties in to a degree with the tenanted sector, we need to make sure we try to look after the new entrants who want to come into farming, not just from a management perspective and an ownership perspective but in terms of skills—what I would describe as tractor driver’s jobs, which are by no means unskilled any longer. We need a younger workforce in the industry.

**Tom MacMillan:** Perhaps briefly on organic farmers, both as a sector and indicative of a wider segment of farming, they are perhaps exposed to some risks a bit more strongly but are maybe better equipped to deal in some ways with what might come next. In organic farming you earn eligibility automatically in terms of greening payments through the CAP at the moment, and there are specific organic payments that farmers get through the Rural Development Programme in recognition of the public benefit that that farming delivers.

That means they have more income often than the average from the Rural Development Programme and the CAP overall, but if the wind is blowing towards a greater focus on payments being in return for public goods, they may be better equipped to deal with that kind of situation. They are more exposed, but perhaps in the right direction.

One area of variation we see within the organic sector is between those who export a lot and those who do not, and that will be reflected across the board within farming and, again, will be a key factor perhaps in how people are exposed to the risks and opportunities.

**The Chairman:** I will come back to the rural economy if I have time.

Q14 **Lord Cunningham of Felling:** First of all, Mr Breitmeyer, may I congratulate you on raising the issue of farming in the uplands? I know you are a lowland farmer. I represented about 400 square miles of the uplands in the Western Lakes for 35 years, and I could not agree with you more in terms of the survival of farming in those circumstances. My question is different. I think I know what you would all hope for, but when Britain has left the European Union, and when the Government are able, after some transition period, as yet unspecified, would you expect the total financial support for agriculture in the UK to go up or to go down or to remain broadly the same?

**George Dunn:** We have certainly argued for it to remain the same, at least initially until we understand exactly what we need to be doing. We have asked for it to be spent in different ways, so that it is much more in keeping with the demands of what we need, but we would certainly be arguing for the budget to be maintained. There are issues of devolution in terms of the CAP dividend that Wales or Scotland might get in comparison with the Barnett formula, which will need to be thought through, but we would want it to be maintained.

**The Chairman:** We will not get on to the Barnett formula in this

particular inquiry if we can help it. We will come on to the major issue of how funding should change, but could we concentrate on Lord Cunningham's question around the level of it?

**Tom MacMillan:** Pre-empting that later conversation with the assumption that there will be a focus on all payments being expected to deliver public goods, even on that basis it would seem still very straightforward to justify spending the current level on things that are recognisably very good value for money for the public. The previous assessments done by some of the conservation NGOs—and they may be in the process of redoing some of those now—are that to meet our international commitments and public expectations around clean water, climate change and so on, we could easily spend the 3.2 billion that we have at the moment and still be perhaps falling short of where we ought to be.

**Tim Breitmeyer:** The term I used is fully funded—I would certainly see it being the same. I fear that politically it might be unrealistic to expect much more. My only proviso with that would be a lot depends on exactly how we end up in terms of a trading deal. We may find that we have very adverse conditions going forward. I come back to the fact that the current funding has basically been the equivalent of the total income from farming for the last 20 years, and if we take a significant proportion of that away, we face significant structural change very early on. Transition is a very important part of it, at certainly the level we are at at the moment.

Q15 **Lord Trees:** My question follows your statement that without CAP support agriculture would not have been profitable. I recognise farming is a hugely broad church—very heterogeneous—but some might argue that it is the very existence of considerable subsidy in some areas that has held back improvements in productivity. It is fair to say we have not improved productivity at the same rate as some of our European colleagues. Is that a fair assertion to make?

**Tim Breitmeyer:** It would be entirely fair. There has recently been a study done in Europe itself on the effectiveness of direct income support, and they have come to the conclusion that it has not made European agriculture any more productive. Look at the fact that our productivity in British agriculture has stood still while in fact even in Europe some of it has moved ahead. Over time, yes, as Mr Dunn said just now, we will be looking to focus much more in terms of productivity rather than income support.

Q16 **Lord Curry of Kirkharle:** Good morning, gentlemen. Just for the record, I farm in Northumberland and benefit from the Basic Payment Scheme. I am also trustee of Clinton Devon Estates. They also have the Basic Payment Scheme, and both are involved actively in environmental stewardship. I would like to explore the issue of the Great Repeal Bill. Tom, you already mentioned the transposition of EU legislation into domestic law. I am interested in your views on this. What should Government be doing by way of preparation in advance of this

happening? Are there or could there be elements within the Great Repeal Bill that you are or would be concerned about—any issues, challenges or things we need to be aware of and that might impact on your own members?

**Tim Breitmeyer:** I come back to the word “uncertainty”. Much of the legislation for the rural economy comes directly from the EU itself. Far more than any other industry in the United Kingdom, whether it be the Birds and Habitats Directive, plant protection products or animal health, it all originates in Europe. To have certainty going forward, direct transposition to start with will give the industry time to settle down, and then we can look at the things that we would ideally like to make better regulation for.

**George Dunn:** The key here is to ensure that we write as much as we possibly can of the EU *acquis* into our UK legislation, particularly for ensuring that we can do some form of trade deal with the EU into the long term. If we begin to tinker with some of that standards legislation, for example, we run the risk of not being able to get a good trade deal with the EU transitionally. We need to ensure we write that in.

In terms of the challenges about that, I said previously devolution is a challenge. It is a bigger challenge here when you consider how much has been devolved in the agricultural world to the four bits of the UK. We need to understand how we govern some of that stuff, because we have been used to bits of the European institutions governing that legislation for us. We may need to put in place new structures for governing that and to have that audited by the EU if we want to have a trade deal with them.

**Lord Curry of Kirkharle:** Should we be doing that in advance?

**George Dunn:** We certainly need to be scoping out what new institutions and what new bodies we need to ensure there is adequate governance for this new body of legislation that we are going to be inheriting. Also, there is the question of resourcing. Our dues that we pay to the EU partly go to paying for that administration. We will have to find the money to administer those new regulations in our own country on our own terms. Those are the big challenges from the Great Repeal Bill.

**Tom MacMillan:** We are of the same view in terms of the approach being to transpose first and then review where appropriate afterwards, for the reasons that have already been mentioned around dealing with the uncertainty and the trade opportunities. There is another element to it that is equally important, which is public expectation. While there may be an excitement about the possibility of reducing the audit burden in various areas by leaving, there is no expectation or mandate to reduce standards.

There was a useful YouGov poll over the summer looking at what people expected when it came to standards, and it found that 83% of those polled expected current standards to be maintained or higher once we



leave. There was a mere 4% who were in favour of some lowering of protection in areas like the environment, animal welfare or food safety.

Q17 **Baroness Sheehan:** How important is access to labour from the EU? Separately, is there a distinction between skilled and unskilled labour?

**George Dunn:** My view is that it is vitally important that we understand the extent to which we are reliant upon EU labour, not just in agriculture but in other sectors of our economy—the care sector, the healthcare system et cetera. Already with the reduction in the exchange rate we are seeing some EU nationals making the decision to return to their home countries, because they have seen a 20% reduction in their salaries and the remittances that they are able to send back. There are certain parts of the country where we are seeing pretty repugnant xenophobia, which is also encouraging people not to feel welcome and return home. We have a problem now with labour. We need to find a way of securing that now.

Long term, we need to have a system whereby we can continue to have access to good labour—and I would be cautious about using “skilled” and “unskilled”. If you look at how someone in a field of leeks is harvesting those leeks with a knife, that is a pretty skilled job. I would not like to be let loose in a leek field with a knife. To be harvesting to the speed that they are, these are skilled people doing skilled jobs. We need to find ways of ensuring that we have access to that skilled labour, but I completely get the point that into the long term we need to be developing systems that allow for a greater degree of domestic labour to take those roles. To date there is not really the supply of domestic labour available for the roles that we are looking to fulfil.

**Tom MacMillan:** To add to that, within the organic sector in many areas the picture is the same as for other farmers, particularly when you are looking at large-scale organic horticulture. However, there are also perhaps some other ways that things are happening on organic farms that might give us some hints as to how things might unfold in future. For example, there are some small to medium-scale organic box schemes that are successful businesses, profitable, and relatively big employers relative even to some mid-sized farms because of the nature of their business. Those schemes will have year-round employment of people who are from that area, who are interested in working there because they are values-driven businesses and they are committed to what those businesses stand for.

When we are thinking about the future, looking further ahead and to how one deals with this challenge of creating more appealing jobs within this sector that draw more people in from the local community, as well as ensuring that we have access to people from other countries as needed, there are questions around what types of businesses farms are. Are they places where people who are not the owner or the tenant want to work? What is it like to be there? Do you feel valued and rewarded? Do you have a diverse job? As well as being a fantastic picker of leeks, do you have other opportunities to develop other skills as well? There are some

lessons to be drawn from the way that some organic businesses operate at the moment.

**Tim Breitmeyer:** We need to get rid of the distinction between skilled and unskilled. It is the defined need we have for different businesses. There are vets, abattoirs, vegetable pickers, vegetable processors, hotels and farms shops. They all have labour from the European Union and indeed outside working in those places, and many of them are very skilled. We do right here and now face a shortage, even in 2017. We are going to need to have some sort of scheme to allow access for workers from around the globe to come in so that we make sure there are enough people to do this job.

The aspiration of having more domestic use must be for the future, but I have to say the reality at the moment, sadly, is that that is not there. The Association of Labour Providers chief, who I saw the other day, described to me how a Lincolnshire farmer tried to get the local labour for his staff last summer, bearing in mind Brexit had just happened. He got 30 local workers—he decided not to take on Eastern Europeans—and after three weeks he had one. The fact of the matter is that, at the moment, those businesses are terribly dependent on that supply.

One of the things that has not been talked about very much is the fact that, particularly in the vegetable industry and the horticultural industry, those businesses are very European-orientated already, and they are already starting to make plans to export their business to Europe so they can find sufficient labour and be able to continue to trade. We have to be terribly conscious of that in the short term, let alone the medium term.

**Baroness Sheehan:** I hear what you are saying about not being too hung up on differentiating between skilled and non-skilled labour. However, there are jobs that require skills that are other than picking fruit skilfully without damaging crops. For example in sugar beet processing, how might you distinguish between the skilled and the unskilled work?

**Tim Breitmeyer:** I believe it is more a question of defining the need for each particular industry and then seeing whether a quota of people can be supplied for that industry. I am a sugar beet grower myself. They are part-time workers. Even in a sugar beet factory, there are skills that have to be learned to make sure that the process works. They would not necessarily regard themselves as particularly unskilled, funnily enough.

**George Dunn:** The story that Tim gives of the chap who tried to employ domestic labour and failed is repeated many times around the country. We believe we need to do this on a needs basis to ensure that there is an adequate system to allow us to have access to labour, when it is required and when it is not available from domestic sources, while we ramp up the opportunities for people domestically to take those roles into the long term. Deciding if it is skilled or unskilled is not going to assist. We need to have a system that says, "What is the need? Is there a supply?". If not, we need to have a system that allows that supply to be brought in.

**The Chairman:** A couple of my colleagues wish to come in, but, Mr Dunn, you seem slightly more optimistic that we could eventually get a UK substitute workforce here, whereas Mr Breitmeyer is saying very definitely this is a task one would want to do but is perhaps beyond practical policy. How might your more optimistic vision happen?

**George Dunn:** We already have the Government's new apprenticeship levy, and that will create opportunities for people to have access to new training opportunities within Britain from domestic sources. That is a good start. There is certainly the opportunity now, if we are going to be looking at a requirement to use more domestic labour across the piece, for industry—not just agriculture but right across the piece—to sit down with Government and to carve out a plan for how we do that over a period of time. We will not do that by 2019. We will have to have a period of time beyond that where we are putting in place the necessary processes.

Q18 **Duke of Montrose:** I will first declare my interest as President of the National Sheep Association and a farmer in Scotland, getting support under the Areas of Natural Constraint, and with two tenanted farms. We can see a disaster with a cut-off from this supply of European labour. What about pressing the Government or anything to throw open this field to the rest of the world? There are thousands of labourers out there in the world. Who is going to go out and say to skilled people in the world in general, "Come and fill these vacancies"? The organic side of things does that quite well at the moment. One has seen these WWOOFers<sup>1</sup> coming in to help on organic farms. We have to get more of that.

**Tom MacMillan:** George mentioned apprenticeships. It is a small example, but we have an apprenticeship scheme that works with organic growers. It has been running for many years. We have a waiting list in the hundreds—over 500 people wanting to do those apprenticeships on organic farms. The problem is there are not enough of the organic farms available to give them placements, so the limiting factor is the size and shape of the types of farms that they want to work with. They are attracted by values-driven farms that will offer them some diversity. They are not looking for vast amounts of money; it is about the quality of the job they get. That is not an aversion to working hard. It is about the quality in other respects of the job they get.

That demand from a certain segment—you could perhaps characterise the people queuing up as millennials—to do a certain type of work is high. It is just that the shape of the industry is radically different from the type of opportunity they are interested in. Besides the WWOOFers, which again is an interesting and very valuable scheme but in itself is not an answer to the nation's challenges around labour supply for horticulture, it is the questions that open up about motivation, about how people are rewarded for work they do, about the non-financial qualities of that work and about the periods for which they might work in a particular

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<sup>1</sup> Clarification: 'World Wide Opportunities on Organic Farms'

role. Is it something that people are doing for a long time or a short period of their life as an experience?

**The Chairman:** If you wanted to send us more information about that particular scheme, that would be useful as additional evidence perhaps.

**Tom MacMillan:** Absolutely.

**George Dunn:** Take a sector like the abattoir sector, on which I am not an expert, but I am led to believe that it has traditionally relied upon migrant labour in the past. There was a lot of Latin American labour in the abattoir sector 30 or 40 years ago. As we have had free movement of people within the EU, that has tended to be displaced by EU migrant labour. We have a visa system at the moment that would not allow us to attract the labour that we would require from overseas, beyond the EU's shores. We absolutely need to look at the visa system to ensure that we have the right access for a transitional period while we build capacity at home.

**Tim Breitmeyer:** I would only back that up. I said right at the beginning that we need a global supply of labour—the brightest and the best. Because of our European connection and our free access, we have rather limited it to Europe in the past. This gives us an opportunity to go wider, while at the same time accepting Europeans on a quota basis. We should be looking globally.

Q19 **Lord Trees:** Closing this workforce deficit is hugely important, not only to agriculture. We have to do it, apparently, in the backdrop of reducing net migration—so going elsewhere in the world does not really solve that problem if we have a Government that wants to hold to that. How are we going to do that? One way would be more mechanisation. How much more do you think in these areas you have been talking about is it possible to mechanise?

**Tim Breitmeyer:** I have spoken to some of the vegetable farmers about this. Vegetable farmers are extremely innovative already. If you have ever stood on a vegetable picking rig in the middle of the Fens, it is remarkable how the back of the system produces the Tesco-wrapped bundle of celery by the time you have finished. The problem is the quality that they need to put into the supermarkets. Innovation has not yet produced the equipment to ensure that quality. It can do the job, but it will not ensure the sufficient quality. For a sugar beet harvester, it does not matter what it turns up at the factory like, but a stick of celery needs to be of good quality for Tesco to accept it.

**George Dunn:** I absolutely agree that technology will to a certain extent displace labour over a period of time. We need science. We need innovation. We need knowledge transfer to ensure that we are taking full advantage of technology as it develops. I would also argue again that right now we do not have that technology available, so we need to cover that labour deficit while we take on board new technology.

**Lord Cunningham of Felling:** This is not meant to be a trick question.

Maybe somebody has already done this and we just have not seen it, or maybe I personally have not seen it and should have done, but is there any way that the “total people effort”—because they are not all men, I know—from European Union people into the annual people effort of agriculture can be quantified? In other words, put more simply, if this was all stopped, what percentage of the total effort of people in agriculture would disappear? Would it be 10%, 20%, 30%?

**George Dunn:** I am not aware that that work is currently under way, but it certainly is a piece of work that should be looked at, and perhaps there are organisations like AHDB who might be encouraged to produce those sorts of figures, but currently they are not available.

**Tim Breitmeyer:** I believe the figure for 2016 is that there is a requirement for 85,000 people, and that for 2020 that goes to 95,000. I will be honest: as a percentage of the agricultural workforce, I would not know the answer, I am afraid, but certainly that is the quantum of what I believe is required.

**Lord Rooker:** Briefly, as a follow-up to a couple of things you have said, I am not generally in favour of turning the clock back, but before the accession of the eight in 2004 we had a perfectly good, workable seasonal agricultural workers scheme worldwide. It worked. They were not immigrants because they went home. It was seasonal, so it would not cover the abattoirs, which tend to be more full-time. I am partly responsible—I declare an interest—because I was at the Home Office from 2001-2002 and I had to comply with restricting it and starting to stop it in preparation for the accession of the eight. It made sense.

Once we are out, we are not trapped in that way anymore. We can look worldwide. Is there a case for going back to what was a formalised scheme? There were never any problems of overstayers, to the best of my knowledge. It worked perfectly sensibly. That is not to say that we should dismiss our European colleagues, but it was a scheme that worked prior to the accession of the eight. Is there not a body of people within the industry who remember it, used it and used it successfully? Could they not put the case to the Government to say, “There is a way out of this problem”?

**George Dunn:** You are absolutely right. The seasonal agricultural workers scheme did work, and we should look at some of the concepts of that. My comments about labour are not to say that these things are not fixable. They are definitely fixable, but we need the Government to ensure that they are putting in place the necessary measures. The seasonal scheme is one of those measures that should come back on to the agenda again for the seasonal labour need. However, my point was that it is not just seasonal labour that we need; we also need permanent labour for full-time jobs. I would absolutely agree that the seasonal scheme should be one of the issues that the Government are looking at.

**Tim Breitmeyer:** I would back that up. We did not articulate the mechanism that should be used, which is a failing on my behalf. That is what we would see as the mechanism, because it is defined. A person

can come in and a person can go home. It worked extremely well in the Fens for the vegetable industry up until then. When it was dropped, there were businesses desperately short of labour, having lost that particular scheme.

**The Chairman:** Baroness Sheehan, you wanted to come back very briefly, and then I want to move on, please.

**Baroness Sheehan:** I am very concerned about the evidence so far about current shortfalls for this year, and presumably into 2018 and 2019 as well, until we get alternative sources of labour to fill supply. We are not able to get Europeans this year in the same numbers as we have in the past. From what you have said, Mr Breitmeyer, we are also failing to encourage domestic labourers to return to the fields and processing facilities et cetera. How do you see us meeting this shortfall in the next two to three years?

**Tim Breitmeyer:** I believe there is a trial under way. The National Farmers' Union are asking for a trial of the Seasonal Agricultural Workers scheme to start from this year. That is most certainly what my organisation is also calling for. We should bring a SAW scheme back in with great urgency, to try to make up the shortfall of Europeans who are suddenly not coming across, because of Brexit and what they perceive to be the attitude of their reception here.

**Baroness Sheehan:** Would that be legal?

**Tim Breitmeyer:** It would need legislation, I suspect, to get it into being. Certainly, that is something I believe they are looking to trial.

**The Chairman:** Let us move back to the area of funding.

Q20 **Viscount Hanworth:** Would you like to see Pillar 1 and Pillar 2 subsidies replaced by UK subsidies and, if so, on what grounds? What form should these replacements take? In your answer could you make some reference to the various WTO categories, the Amber, Green and Blue boxes? Such arrangements would be constrained by WTO requirements.

**George Dunn:** We had a discussion previously about the extent to which the current system was holding back productivity. I would disagree the current system is holding back productivity. It may not have done much to enhance productivity, but I do not think it has held back productivity. The issues that have held back productivity are things like deficiencies in the supply chain, people in the supply chain having a greater degree of influence than others, lack of investment on farms because of poor returns, and lack of provision for retirement for farmers and to bring in new entrants on progression units.

While I believe the current system has not helped productivity, it has not held it back. Therefore, we need to develop a new system that will help us to look at productivity. Initially we need to be looking at, as Tom said, making sure we have provision for public goods—those goods that the market will never produce. We also need to ensure that we are dealing

with the market failures that exist within the supply chain, to ensure that farmers are not left in the cold by those market failures. We would see an outcome-focused agri-environment scheme, much more beefed up than the ones we have had to date, that rewarded people for what they were doing in terms of the environment.

We would see a scheme that encouraged infrastructural grants, grants for improvements, grants that encouraged farmers to plan and grants that encouraged farmers to consider their skills base, looking at the business of the farmer to ensure it is resilient for the long term. It should be a more business-focused scheme, and there should be an amount of money spent on things like near-market research and development, technology transfer, and promotion of international trade links. The Government should become more active in that space than they have been hitherto. That would be our view as to how the money should be spent differently. In our view, that would assist productivity, help with public goods, and deal with the market failures.

**Viscount Hanworth:** We are, however, constrained by WTO rules, so perhaps some of you can expand on that and tell us what the restraints and possibilities are.

**Tom MacMillan:** The types of measures that George has just outlined, as far as I understand, would fit very well in Green box requirements, because it is all about public goods. Our take on it is not very different from what George has just outlined, but I will perhaps just colour in a couple of other elements of it. There are aspects of the current Countryside Stewardship Scheme that work pretty well. A lot of thought has gone into them, and they could potentially be carried forward. One of the themes that the Minister has mentioned a few times is the notion that assurance schemes, potentially including organic, could play some part in the audit process, in effect, for agri-environment schemes in future.

In organic et cetera that already happens to some degree, but there is a scenario in which schemes like Organic, Leaf, RSPCA Assured and potentially others could play a much bigger part in demonstrating that farmers comply with those outcomes that the Government have defined. The Government define and own the outcomes, and retain some regulatory capacity, but then rely much more on assurance schemes to demonstrate and provide earned recognition for farmers. It reduces the audit burden, while retaining that focus on those big outcomes. That is one possibility. There are risks to it, and potentially some real benefits.

Another area that has arguably been underexploited to date is around procurement. While there are some government buying standards, there is also an approach across central government and the wider public sector that says these need to be put in place at zero net cost. There is a question there as to whether £1 spent on better public procurement, for example through procurement that meets certain higher standards, is better value for money than £1 spent directly through an

agri-environment scheme. It will differ, I am sure, for different types of outcomes, but that is a question that should certainly be on the table.

Infrastructural grants also potentially have a significant part to play, during the transitional phase in particular. They might perhaps go beyond the areas that George mentioned into, for example, measures to help meet our greenhouse gas commitments. Those might include planting quite a lot more trees in the countryside, for example, including in agroforestry schemes. There are environmental as well as productivity reasons to be looking at the infrastructural grants, too.

**Tim Breitmeyer:** I would entirely endorse what Mr Dunn has said. That lifts productivity, skills, research and development. It is much more targeted investment. However, it can only be done over a period of time, and there will have to be a phased transition to this policy. I think they all fit into the correct box for the WTO. The one thing that we have not mentioned, although it has been alluded to, is this business of market failure. There are a significant number of areas where landowners and farmers are providing services that effectively have no market, whether it be response to climate change, the environment, flooding or welfare standards. These are all areas where, if it is a service given to society, it would be perfectly sensible to attach some sort of direct payment to it, and those would all be perfectly allowable within the WTO rules.

Q21 **Viscount Hanworth:** Can we move to Pillar 1 and the other boxes? It has been asserted that direct payments under Pillar 1 have largely benefited landowners rather than tenants. Therefore, it is proposed that a subsidy should be devised that is more effectively targeted at those who do the farming. Could I ask Tim Breitmeyer and George Dunn to comment on that? Either or both of you can respond, and maybe even Tom would like to jump in.

**Tim Breitmeyer:** The direct payment goes directly to the occupier of the land, and that is a significant injection into his business. I accept the argument that some of that then gets translated into land price and rental value. Yes is the answer; both parties possibly get some benefit from it, but I do not think it is only one or the other.

**George Dunn:** There are two constituencies of tenant farmers that we need to think about here. There are those who are on secure tenancies under the 1986 legislation, which provides a regulated rent for those farms over a long period of time. They do get the benefit of the subsidy payment and are able to retain much more of it in their bottom line, notwithstanding what I have said about the supply chain issues and the extent to which it becomes dissipated within that structure.

The real problem for our members is where they are letting on farm business tenancies and those tenancies are short term, or they are forced to re-tender for them. Quite often the landlord, or more often the landlord's agent, knows the extent to which they are getting support, and there are many agreements that simply require the tenant to pass the Basic Payment Scheme, plus a rent, to the landlord. We have a large



constituency of our members who are saying, "What are the benefits of the CAP for us, when it is in fact a cost on our business, because we have to ship it to the landlord in rent?"

We have two horses running in our organisation: those who are on the old-style tenancies, who understandably quite like the subsidy, because it supports their businesses, and those young, aspirational, progressive farmers who are coming on to FBTs, who are saying "We do not see the relevance of the Basic Payment Scheme, because it is a cost on our business".

**Viscount Hanworth:** Can I get some notion as to the proportion of land that is under tenant farmers?

**George Dunn:** We are now at 60% or 70% on the old-style tenancies. One-third of the land is tenanted, in total, and it is probably split into two-thirds traditional AHAs and one-third new farm business tenancies.

**Tim Breitmeyer:** I would only say that there is clearly a divide between the two tenancy systems. The Farm Business Tenancy system that came in in 1995 did very much free up the market, and meant that more land was let back on to the market.

**George Dunn:** Only for a short period of time, though.

**Tim Breitmeyer:** It is a market rate, at the end of the day, and the market will dictate it.

**The Chairman:** You are very welcome to sort this out outside, after the inquiry.

Q22 **Lord Curry of Kirkharle:** George, in your written submission to the House of Commons Environmental Audit Committee you have mentioned the concept of a farm business development scheme. Whilst many of your other comments are repeated elsewhere by other organisations, this is an interesting new concept. It is almost like going back to the old agricultural, horticultural and allotments schemes that I remember as a younger man. Do you think there is a realistic possibility that the Government will consider a scheme like that, in terms of providing capital to reinvest in farm infrastructure and the like?

**George Dunn:** Certainly, Lord Curry, in the discussions that we have had with Ministers and officials to date, there does appear to be an appetite for looking at the extent to which farm businesses will be resilient. This is not just for productivity, but for some of the issues that Tom was talking about in terms of environment and climate change et cetera into the long term. There is, in our view, a reawakening of the issue of concern about investment in our businesses, which we have not been able to do for a generation. It was only in the days of those schemes that we had the last round of major investment in our industry, because the profitability is not there to sustain anything for the long term. I believe there is an appetite for it.

**Tim Breitmeyer:** We certainly believe there should be some targeted investment within these businesses. Interestingly, we have been talking to some Treasury officials and they are almost alongside grant funding, and would look at the idea of tax relief. We used to have the agricultural buildings tax relief, which was taken away. It is another way of achieving the same objective in the long term.

**The Chairman:** Viscount Hanworth mentioned the various coloured boxes. We are dealing with those next week, for those who are following this inquiry.

Q23 **Lord Trees:** The Minister of State, George Eustice MP, has suggested that he would like to see a system post-Brexit that supports farmers who deliver ecosystem services. We have already talked a bit about public goods. What, in your view, are public goods, and to what extent and how could the provision of such public goods and ecosystem services be promoted and protected through the agricultural sector post-Brexit?

**George Dunn:** The economic definition of a public good is something that is produced that everybody can enjoy but nobody pays for: for example, clean air or clean water. The question is how we monetise that, either through a grant scheme or through some sort of private initiative. Some of the water companies are already looking at how they can incentivise some of those issues. That is the archetypal public good issue, but we believe we need to go further than that and look at other areas of market failure, where the state has a legitimate role to ensure that the market is operating fairly for all operators within it.

**Tim Breitmeyer:** In addition to the market failure, we can add to those public goods. Perhaps I will take flood protection as an example. There is evidence and data out there to show that natural flood management is a service that is very effective, and could be provided to the public and paid for. One can also take it further, possibly into the area of animal health and welfare. We have very high standards anyway. There is a lot of talk about the fact that people want our standards to get even better. If that is what the public want, then that is a public good that farmers can provide. If they have to provide it without payment, however, it is to the detriment of their business.

**Tom MacMillan:** To add to the list of public goods that we have already heard, there are some that are sometimes at risk of being neglected, in addition to clean air and water, and so on. There is the impact on public health. There is a direct impact through people's access to the countryside and the benefits that that can bring. The link through nutrition is more complicated, because it also involves trade and all sorts of other factors along the supply chain, but it is certainly there in some regard. The connection between what we do in farming and in farming policy and public health should be within scope of those discussions.

Then, also, there is the public good of a beautiful countryside. It is easy to be very instrumental about these public goods, but a lot of what people value about the countryside, and some of the benefit that plays

through into some of the things that people do pay for, around rural tourism and so on, is to do with the countryside being a beautiful place. One of the accidents we sometimes make when talking about public goods is to see the mechanisms for achieving them largely through the lens of current agri-environment schemes.

Those are one way to do it, and in some ways are working well, but some of the things that we have already talked about, such as investment in infrastructure, procurement and leveraging assurance schemes, are all potentially ways of delivering public goods. In some cases, they may be at least as, or more, cost-effective than current agri-environment scheme arrangements.

**Tim Breitmeyer:** If I could just add one—and this is a new area we need to look at, particularly after the Paris accord—we have to rise to this target that has been set for us on the climate change front. Landowners and land managers have the best carbon sink that this country has, whether it be grassland, forestry or the uplands. There is a difference between a ploughed field, which is 30 tonnes of organic carbon per hectare, and a grass field, which is 180 tonnes per hectare, and equally a forest, which has 180 tonnes of carbon in the soil, naturally. We can provide a significant solution to climate change mitigation.

**Tom MacMillan:** I might just build on that theme. In the patchwork of the countryside, we have that potential, as you say. The forests are a net sink, and then in croplands we have a net source of greenhouse gases. The challenge is how to make sure that, overall, we are much nearer being a net sink. We are a long way from that. In many of the Committee on Climate Change's predictions, they were sceptical about the degree to which one can anticipate farming becoming a net sink. In fact, they were fairly sceptical that it would come anywhere near meeting its proportion of the UK's overall commitment to reduce greenhouse gases by 80% by 2050, or even our Paris commitment to perhaps go even further.

That potential is there, but it will require really significant investment, and a very deliberate effort, to get us on track to meeting it. That is a huge opportunity, but one that we are not seizing at the moment.

**Lord Trees:** You all use the term "market failure", which everybody uses, but it is a bit misleading, is it not? There never was a market that has failed. It is about creating new markets, and taxation might to some extent intervene. There is another option, though, which is persuading people to voluntarily pay a bit more. That has been very successful in, say, egg prices and people choosing to buy free range and so on. What is the scope, do you think, for creating new markets that the public will want to pay into?

**George Dunn:** I need to completely disagree with you that there is no market failure. Market failure is an economic term that says if markets are not perfectly competitive, they do not produce sustainable outcomes for society. What other market is as rife with market failure as

agriculture, when you look at the supply chain? Market failure exists in all markets. It is the Government's responsibility to intervene when those market failures exist. I would disagree with the statement that there is no market failure. There is market failure. We just need to address where it is, and deal with it specifically.

Yes, we can develop new markets, but we must not get on this treadmill where we think the open market is the only place in which sustainable solutions are produced. Government has a legitimate role to play when open markets are not operating freely.

**Tim Breitmeyer:** I would add to that that there are many assurance schemes out there that produce the greater quality you are talking about. I am afraid in many cases it is a requirement now, not a reason for getting a better price.

**Tom MacMillan:** In organic, you have an assurance scheme that is underpinned by law—currently by EU regulation—and there is sometimes a market premium. However, even there the success and growth of that market, to the extent that it has grown in the UK and in those economies with thriving organic markets, has depended on additional backing from Government in the form of payments in recognition for public goods. You get a better deal, in a way, as a taxpayer because there is less income forgone. However, it is the public support that swings it and has driven the growth of the market and the quality that comes with it, in other European countries and internationally.

**Tim Breitmeyer:** Could I just add one very short point?

**The Chairman:** Very briefly, because we are running short of time.

**Tim Breitmeyer:** Regarding the question that my Lord puts, only landowners, land managers and farmers can provide the solution to these ecosystem services. Everybody in the country would sign up to that idea.

**The Chairman:** We will move on to regulations. I am aware of the time here, so we need to move on please to these final areas of regulation and trade.

Q24 **Lord Cunningham of Felling:** We are all aware of the long reach of European Union legislation, Directives and the rest. They govern agricultural production, land management, animal welfare, food safety, product standards, environmental protection and rural development. They ensure that we as a member state—currently at least—comply with World Trade Organization rules. Indeed, even organic standards are set by the European Union. There is a vast range of legislation there. When the UK finally leaves the European Union and controls agricultural policy, should the Government, in your opinion, strengthen or reduce the effect of regulations on the agricultural sector? For example, can you highlight any important legislation that may merit abolition?

**Tim Breitmeyer:** Lord Cunningham, the key word there is that the European legislations were according to WTO rules. We can only assume

that we should probably have the same amount of legislation, but there are specific areas where we would like to see change that is possibly different from the European Union. In particular, we would like to see change when it comes to the risk versus hazard principle of looking at some of the products that farmers use.

At the moment in the European Union they work on the hazard principle, the precautionary principle, whereas we would suggest that possibly the principle of risk, backed up by good science, is just as good a principle to adhere to. Plant protection products like glyphosate are an example of that. I would like to see us looking very closely at that. However, I have to acknowledge that we have to be incredibly careful about moving in that direction if it is to the detriment of our trading ability. If we move away from the European regulation, we may well find that that is used against us as a weapon as far as free access for trade is concerned.

**Lord Cunningham of Felling:** I do not want to put words in your mouth, but are you saying that the UK should continue to pursue or shadow, if you like, European Union developments in these areas, with the one exception that you have understandably raised? Or should we take an entirely different view?

**Tim Breitmeyer:** To start with, we have to shadow it, but we should very quickly, in that particular area, look to see whether we can apply those rules. My caution is whether we will have a problem in trading.

**George Dunn:** I would agree with Tim. We need to move cautiously in terms of understanding which bits of the *acquis* we want to retain, which bits we want to ditch, and which bits we might want to amend. Obviously, we need to do that with our Devolved Administrations together. We need careful time and wisdom to think through that. We cannot rush to a bonfire of the regulations on day one.

**Tom MacMillan:** We also have not identified any areas of European regulation that we would like to be rid of. We would also err on the side of caution. In the longer term, there may be some areas where we would like to see some strengthening, but the priority at the moment is on thinking through what the future beyond the CAP will be: the known possible gap, if you like. On this business of pesticide regulation, there are perhaps some urban myths that float around about the European Union's approach and its basis that are popular in the UK.

On something like endocrine disruptors, where effectively there is no safe threshold that can be defined, a hazard-based approach is the same as a risk-based approach. They are not different concepts. There was a very thorough review of the use of the precautionary principle over decades, on both sides of the Atlantic, by the European Environment Agency, a couple of years ago now. It was a very thorough review, looking at lots of case studies, and looking in particular for areas where, with hindsight, precaution had been overapplied and people had then said, "Hang on a minute. Why on earth are we banning this thing that we banned?"

Contrary to expectation, the instances they found of what you might call false negatives, I suppose, were in the US and not in Europe. The vast majority of instances of the application of the precautionary principle—I think all the ones they looked at in Europe—had stood the test of time. If anything, the evidence backed up those decisions that had been made in a climate of uncertainty. As that certainty has arisen subsequently, those decisions have looked increasingly well thought through and justified. The European Union and European Commission have a reputation around caution, but I do not think that reputation is justified.

**The Chairman:** To make progress here, could I ask both colleagues and our witnesses to be fairly brief in terms of answers. As a Committee, we have spent some time on endocrine disruptors in the past, and I will ask Members not to go too far down that route.

Q25 **Lord Rooker:** My supplementary on this subject covers what I was going to ask later. If we leave the European Union and then mirror EU regulations in order to preserve trade, that makes a trade deal with the United States of America impossible. Alternatively, the US will take us to the World Trade Organization, because we are following EU rules and regulations without being a member of the EU and going beyond the WTO. We would be in an impossible situation. If we have to mirror the regulations to preserve our EU trade, we are then vulnerable to attack by the US, in the sense of hauling us before the WTO. It makes a trade deal with America impossible. What is the answer to that?

**George Dunn:** It very much depends on the nature of the trade deal you do with the EU, and how that is regulated through the WTO process. We would obviously see any reciprocal access to each other's markets as having a sunset clause that required us to enter into a long-term trading deal. At that point, you could look at the way in which our regulations are changing with time. It is not insurmountable. We also need to protect ourselves from some of the products that we could see on our shores, such as chlorinated poultry or hormone-treated beef, which I do not think our consumers want to see on our shores, by doing a trade deal with the US. We should all be thinking about these things very carefully.

**Tom MacMillan:** Absolutely; you win some, you lose some, because the European Union already has reciprocal arrangements with some of those major trading partners, as well. As you say, it depends on the nature of our agreement with Europe as to whether we would retain some of that indirect access. As a microcosm of this, in the organic market there is a harmonisation or equivalence agreement between the European and the slightly different US organic standards that allows a trade deal there. Either we carry that through by respecting the current EU regulations, or we have to start from scratch in negotiating with the US.

**The Chairman:** That agreement already exists, does it?

**Tom MacMillan:** It already exists.

**Lord Rooker:** The implication, therefore, is that we leave the EU, mirror

their regulations, and then look to the EU to protect us when we are then attacked, as an individual free-standing country, vulnerable to the United States. That does not make sense.

**George Dunn:** We would be protecting each other, under the trade deal that we have done, regulated by the WTO. It depends on the trade deal that we do with the EU, so that we stand together and say, "This is a trade deal under the WTO rules", and we will protect ourselves within that environment.

**Lord Rooker:** Then why leave the EU?

**George Dunn:** Let us be clear; I voted remain, but we do need to ensure that we have a transitional agreement. We cannot do this in two years. This will take time to achieve. All we are saying is think through these things carefully and ensure that we do them without regret.

Q26 **Viscount Hanworth:** Can you advise us on the status of the three-crop rule, which may be an interesting case in point of European Union regulation? I believe it has met with a great deal of resistance among UK arable farmers. What sort of force does it have, and how can it be supplemented?

**George Dunn:** In a Brexit environment, do you mean?

**Viscount Hanworth:** In any case, but certainly in that environment.

**George Dunn:** It is a daft requirement. We should have a crop rotational requirement, if anything, rather than a crop diversification requirement. It is one area that I am sure will disappear in any Government agriculture policy going forward.

**Tim Breitmeyer:** It was a policy that was brought in, not specific to the United Kingdom, to get rid of the monocropping of crops in Europe, in particular. It does not fit our farming model at all well here. We do need crop rotation, but it is considered to be an irritation as much as anything else, and it is not really effective.

**Viscount Hanworth:** But if we defied it, would it make trouble in exporting our goods to European Union markets?

**George Dunn:** No.

Q27 **Lord Curry of Kirkharle:** As an extension to the debate around regulation, are you concerned at all about the impact of Brexit on the supply of wholesome, home-grown, healthy, affordable food? If I can just add one piece of EU legislation that has frustrated me and many others over the years, it is the EU procurement rules. We were talking earlier about the public sector and food. There is no doubt that the EU procurement rules are rather clumsy and clunky, and have arguably been an obstruction in terms of penetrating that public sector market.

**George Dunn:** Absolutely. As I said earlier, if Brexit means Brexit, then our public services should be buying British food, because that is

produced to the standard that we have required of farmers. We are concerned about a race to the bottom in terms of standards. If we do trade deals with Uncle Tom Cobley and all around the world, we cannot regulate the extent to which stuff coming through our borders will meet the requirements that our consumers wish to see. If our Red Tractor standards mean anything, we should be able to protect them both at our border and in our retail and food service outlets.

**Tim Breitmeyer:** I would be surprised if, in getting rid of that particular procurement regulation, we found ourselves in extra difficulties in a negotiation we have with the European Union. Certainly, from the point of view of public procurement and more home- and self-grown food, it must be a good thing.

**Tom MacMillan:** On procurement, we operate a scheme called the Food for Life Catering Mark, which is in one-half of all primary schools in the country, so it is quite a widespread scheme. There, we have found that there are plenty of ways of supporting quality procurement that, in practice, will often mean local or UK sourced food, which meet higher standards. That is completely practical, in spite of the current EU rules, and other countries manage it as well.

It is partly about our interpretation and implementation of the rules as much as the rules themselves. That needs to be amended and improved in terms of how we go forward; we should not assume that in leaving we suddenly have this freedom that everybody will exploit to procure better.

**The Chairman:** Thank you. Could we move back to trade, which Lord Rooker started us off on?

Q28 **Duke of Montrose:** The question we have here is how important trade with the EU is to your members. What are your priorities, if any, for the future of the trading relationship with the EU and the wider world? We have been touching on this all along. In your view, should the UK strengthen or preserve the current standards for agricultural goods, or adopt equivalents? How would divergence from such standards impact on your members?

**George Dunn:** We absolutely believe that we need to have reciprocal access to the EU market on a free basis, as we have today, for a period of years while we negotiate a bespoke trade deal for the long term. If we do not have that transitional arrangement, it will be very serious for British agriculture, particularly the sheep sector, which I know you have an interest in, and to a lesser extent beef and arable as well. If we do not have that access for a period of time, we will be in grave difficulty, but we need to ensure that we use that space to negotiate a long-term bespoke deal that allows us to trade with Europe and the rest of the world.

**Tim Breitmeyer:** I would entirely endorse that. I always think it is good to bring a picture to life. I am told that the level of our exports of sheep meat abroad is between 27% and 35%. Of that 27%, 95% goes into the



European Union. A 54% tariff on sheep meat would not help that sector at all.

**Tom MacMillan:** Going back to those earlier questions about how we regulate and so on, being a high-standards economy should serve us well, both within Europe and beyond. The organic market globally is a case in point. Within the UK, the market grew last year by 5% against a background fall in the full food market of 1%. It was a growth year. In Europe, growth rates are faster; in some European countries, they have double-digit growth rates from more or less the same market share that we have at the moment. In the US, which is the largest organic market in the world and has about 40% of the total global market, growth was about 11% last year.

It is a big market, and it is growing fast. In China, the growth rate is extraordinary, but from a lower base. You can see that as a sign of which way the wind is blowing in terms of consumer attitudes to standards of animal welfare and environmental protection around the world. It would suggest that from an export point of view, as well as a domestic public and consumer point of view, standards count for a lot.

**Duke of Montrose:** In some ways you have touched on this: what geographical areas or countries do you see as potential markets for us, if we were to lose Europe?

**Tim Breitmeyer:** China is a very big market. They very much like our quality produce, and it is quality that we should trade on. That is a huge untapped destination for UK produce in the long term.

**Duke of Montrose:** They like our fifth quarter, but I do not know whether they would pay that much for quality.

**George Dunn:** The truth is we have not really developed external markets, because we have been so reliant upon the EU market. It is difficult to say, at this stage, who would want to trade with us. In the period of transition, we would need to use that time wisely to develop new relationships across the globe.

**The Chairman:** Lord Rooker, you started us off on some of the WTO stuff; would you like to supplement some of the questions you asked before?

Q29 **Lord Rooker:** I will deal with the two aspects we have not touched on. In terms of the trading relationship with the EU and external influences such as WTO rules on your members: is there a difference in impact between imported goods and agricultural supplies? Secondly, are there any things you have not raised that the Government should do to ensure that tenant farmers and organic farmers are competitive in a global market? They are two quite separate questions, but I did not want to duplicate what has already been raised.

**Tim Breitmeyer:** As far as WTO rules are concerned, this is what I call the tightrope that we are facing. We like our animal welfare. We are

very proud of our quality and our high standards of animal welfare. There is significant difficulty in making sure that that is taken into account when it comes to any import deals that are done around the world, such that we are not undercut by cheaper food that is not of the same quality standards. The rules in the WTO have a very fine line here as to what is and is not considered to be an acceptable practice. It is a real challenge for the Government to protect our standards while at the same time remaining within the GAP rules that exist. It is a very complex subject; I would not wish to go into it any further.

**Tom MacMillan:** When we look at our resilience as an agricultural sector, in the face of what will be quite uncertain times in terms of trade, our dependence on feed imports in this country is one of the areas where we are most vulnerable. As you say, whatever trade deals that are agreed that might affect our exports and imports of food might also affect imports of feed. That might have ramifications for the availability and cost of food here that are at least as large. The answer is not to look at it in the short term in terms of: "We must secure cheap feed at all costs". The question is how we can build a resilient food and farming system that stands the test of time and can weather these sorts of issues in the future.

Even beyond this transitional period, we will probably be in more uncertain times anyway, from a trade point of view. Feed is a good example of an issue that should loom quite large in our thinking, but the answer should not be, "Right, top priority for food and farming is cheap feed at all costs". It is completely the opposite, in a way: it is trying to make sure that we evolve as a sector to be less dependent on that kind of cheap feed.

**George Dunn:** I agree with all that, and I would say this: the Prime Minister has said that no deal is better than a bad deal, but I cannot think of anything worse than no deal.

**The Chairman:** Unless you have any supplementary questions, Lord Rooker, that is a useful area to end on.

**Lord Rooker:** I am resisting; I have something, but I am leaving it.

**The Chairman:** I am sure there will be other opportunities in other sessions to come back to that. Thank you very much to our witnesses for their evidence today; we have drilled down quite deeply in some areas, and it has been an excellent session. Thank you very much indeed, and we will come back to this trade issue and its complexity next week. At this time, however, I end this public part of the meeting. Thank you.