



SELECT COMMITTEE ON THE EUROPEAN UNION

Energy and Environment Sub-Committee

Corrected oral evidence: Brexit: agriculture

Wednesday 8 February 2017

10.30 am

Watch the meeting

Members present: Lord Teverson (The Chairman); Lord Boswell of Aynho; Lord Cunningham of Felling, Viscount Hanworth; Duke of Montrose; Lord Rooker; Lord Selkirk of Douglas; Lord Trees; Baroness Sheehan; Viscount Ullswater; Baroness Wilcox.

Evidence Session No. 4

Heard in Public

Questions 42 - 58

Witnesses

I: Guy Smith, Vice-President, National Farmers' Union; Wesley Aston; Chief Executive, Ulster Farmers' Union.

II: Peter Hardwick, Head of Exports, Agriculture and Horticulture Development Board (AHDB); Ian Wright, Director General, Food and Drink Federation; Jon Woolven, Strategy and Innovation Director, Institute of Grocery Distribution.

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Examination of witnesses

Guy Smith and Wesley Aston.

Q42 **The Chairman:** Gentlemen, I welcome you to the European Union Select Committee Energy and Environment Sub-Committee. We are undertaking an inquiry into Brexit and agriculture and this is one of a number of sessions that we are holding. We are also pleased that we have Lord Boswell here, who chairs the EU Select Committee. I remind colleagues to declare their interests, if they have any, when they ask questions. This is a public session. It is being webcast and a transcript will be taken. We will copy that to you and if there is any inaccuracy in that transcript please let us know. Perhaps I could ask you both, not only for the Committee but for those listening from the public, to briefly introduce yourselves. We will then move on to the questions and I think you pretty well know the sorts of areas that we will be asking about this morning. Perhaps, Mr Smith, you could introduce yourself first.

Guy Smith: Good morning. Many thanks for the opportunity to speak to you this morning. I am Vice-President of the NFU, which represents 46,000 farm businesses in England and Wales. We have an additional 50,000 members in our countryside capacity. At heart, I am but a simple Essex farmer.

The Chairman: Thank you. Mr Aston.

Wesley Aston: I am Chief Executive of the Ulster Farmers' Union of Northern Ireland. We have 11,500 members across all parts of Northern Ireland representing all sectors. Obviously, the land border with the Republic of Ireland is a big issue for us.

Q43 **The Chairman:** We welcome you both. We look forward to your contributions. Perhaps I could start with the very broad question of what you see as the key opportunities and challenges—and clearly we are looking at the positive as well as the negative sides of Brexit—arising from the decision to withdraw. What are those in the short and medium term and the implications of leaving the CAP in particular? I am very interested, given that we have a devolved area of policy-making and you are from different parts of the United Kingdom, and any differences that you see. Mr Smith, perhaps you would like to start us off.

Guy Smith: Chairman, we are very conscious of the fact that in terms of in or out we were quite a split industry. Some people think farmers overwhelming voted out. I do not think that is the case. Our survey suggested that our membership voted 60% remain and 40% leave, but we recognise that other polls suggested differently. We were a very split industry and it was a difficult time for the NFU to represent what were fundamentally opposing views on this issue.

However, we are now happy that it is decided and we do not need to rehearse any of the old arguments. We need to unite and see this as opportunity rather than threat—a chance to build a better, more resilient, more robust British agriculture which will better face the challenges going

forward. We recognise that over the next two years key decisions will be taken that may determine the future pattern of agriculture for a long time and it is very important that agriculture makes its representations as strongly as possible.

On devolution, primarily we would be happier with a more homogeneous UK policy rather than having vast differences between the borders, between Scotland, England and Wales, but I fully recognise, with Wesley at my left-hand side, that Wales, Scotland and Northern Ireland have key differences in topography and the land border with the Republic of Ireland, in the case of Ulster, that have to be recognised in this process.

Wesley Aston: I have nothing to add to the broad picture that Guy has painted. The only thing I would say is that agriculture is a long-term industry. We need certainty in the short term and confidence for the longer term. We have a commitment on funding from the UK Government for the year post Brexit as such, but it is beyond that that is the real issue. I know that at a European level the Common Agricultural Policy is currently up for discussion as well, but we certainly need confidence going forward on what it will mean for us.

The Chairman: Perhaps I be very straightforward. If both of you had to list those top three opportunities and top three challenges, what would they be, to give us that foundation for the rest of this session?

Guy Smith: I think we can conceptually divide this up between trade, labour and policy or support. How we trade with the European Union going forward is very important. Primarily, we would like to see business as usual so that we trade with our ex-EU partners much the same as we did before. When we trade with the rest of the world we need to be cognisant of the fact that British farmers tend to operate to high standards, which we are very proud of, but those lead to higher costs of production than you would find elsewhere.

We recognise that our industry is very dependent on EU migrant labour and to stay competitive we will need to have access to that labour pool. I would say that British farmers would welcome a world where no farmers across the world received support. We are wary of having to trade or compete with farmers who get greater levels of support than we do. Economics will tell you what would happen. Also, we are wary of trading or competing with farmers who have lower costs of production because of lighter regulation.

The Chairman: Thank you. Could I ask you the same question, Mr Aston?

Wesley Aston: On challenges I have nothing to add to what Guy has said. On opportunities, the UK market is a big one that we are looking at. Yes, there are markets beyond the European Union. We have to try to maintain what we have within the European Union particularly, but the UK market is a big one for us. We are only 61% self-sufficient across the commodities and 75% self-sufficient in our indigenous products, so there

is huge scope to make sure we provide the standard of product that our consumers want.

Wearing a farmer's hat, farmers want to get out there and farm. We do not to have to fill in forms and do as we have on CAP. The amount of regulation that tied them up and prevented them from farming and getting on with the business they enjoy doing was one of the main reasons why farmers voted to leave the European Union

The Chairman: Thank you. Mr Aston, clearly Northern Ireland is in a particular situation with its land border with the Republic of Ireland. Does this produce any particular issues for your members?

Wesley Aston: Very much so. To give you a few figures, in the Northern Ireland agri-food trade we consume just over a quarter ourselves. We put about 44% into the GB market and the remainder goes for export, of which 55% actually goes to the Republic of Ireland. About 15% of our total products go to the Republic of Ireland and they put a lot of products our way. It depends on the sectors because each sector is different. Primarily, we export milk and lamb and import beef, cattle and pigs. Roughly, 25% to a third of our milk crosses the border for processing, which is huge. We are primarily a livestock-based sector, so that is particularly difficult. What the border means for the free movement of goods, people, the whole peace process, which is a separate issue in its own right, is huge. That is one of our key issues. Obviously we are different from Guy and the folks in GB in that.

Q44 **Lord Selkirk of Douglas:** May I express an interest in a small family company which owns small pockets of land and a field which may or may not have a turbine in due course? What are the really critical policy decisions the Government must consider and possibly implement before the UK leaves the EU? Are there any particular issues or challenges arising from the proposed Great Repeal Bill which could affect your members? Are there elements of the EU acquis that you would like to retain through the Bill? Lastly, do you have close connections with the Scottish NFU? Would I be correct in thinking that their position would be broadly similar to yours?

Guy Smith: As Lloyd George said, the main fertilizer for the soil is the confidence of the farmer. Farmers feel slightly unsettled and unsure about the future, but maybe that has always been the case. We were glad to see the Chancellor of the Exchequer make initial statements in June last year on guaranteeing funding for the first two years. You might say he had to do that anyway, but it was appreciated. For the next two years hopefully it is business as usual.

My concern is that I think the timetable that the Prime Minister laid out two weeks ago is extremely ambitious. I am sure that as experienced politicians, you recognise there is a lot of work to get through before 2019. I worry that some of this might be rushed. I can see an awful lot of EU regulation being simply copied and pasted into British law, and that may be the best way to tackle it. I am minded that most farmers feel that

the deal with the European Union is they have a heap of regulation which constrains what they can do and winds up their costs of production but they get the benefit of support payment. I think they would be very worried if they felt they were going to get all of the regulation and restraints and none of the old benefits. What we look for post-2019 is an element of transition. We would be reluctant to find ourselves facing what the Kiwi farmers in New Zealand faced in 1992, which was known as 'big bang', whereby the rug was suddenly pulled out from under their feet. We think that would be a misguided way to do this.

We should be gearing up for a transition or phased period post-2019 so this is not rushed into in an unseemly manner. We are concerned about the number of trade deals we may need to do in the next few years, and agriculture needs to be considered. I am always wary of saying agriculture is a special case—that makes us sound deserving and needy. However, because of issues like animal welfare we are a peculiar industry and our trade negotiators have to be mindful of that when they go into the trade negotiating chamber with countries to hammer out new trade deals in what may be rushed circumstances.

Lord Selkirk of Douglas: Can I ask a very brief question? When the position becomes clearer as to exactly what will happen, if you have strong views on transitional arrangements would you feel able to let us have in writing what you think is necessary? The position in three weeks' time may be different from what it is today.

Guy Smith: That is a very good point. We would be wary of suddenly finding ourselves in a very different place from our old EU colleagues. We might have left the European Union but we are not being towed out into the Atlantic, they are still there off our shores and are mighty agricultural powerhouses. The CAP within the EU is in a permanent transition and, because of the leaving of the UK, I imagine the next CAP reform post-2020 will be quite radical. It makes sense for us in the UK to keep a mindful eye on what is policy within the EU before we decide where we are going to go.

On relations with our Scottish colleagues, we have very strong contacts with the SNFU and the UFU. We share an office in Brussels with them. I am loathe to start telling you what the Scottish NFU position is, particularly as they changed their president yesterday.

Wesley Aston: The main critical policy decision is around trade. It is only when we figure out what actual trade agreements we reach in terms of import and export standards that we are then in a position to fully understand what we do on our support levels and the format of that support. We have a broad idea of the direction of travel of the format of that support. As Guy has said, we want to keep a close eye on what is happening at the European level. The level of that support will be critical and depends very much on the outcome of the trade negotiations.

The Chairman: You have mentioned the risk of pasting all the Regulations in and carrying on and perhaps there is the opportunity to

change that. As a Committee we have found it quite difficult to identify particular areas of regulation, red tape, paperwork—whatever one wants to call it—that you would actually want to take out. The Secretary of State mentioned crop rotation rules but, apart from that, are you able to give us any examples of areas where this red tape can disappear?

Guy Smith: I will give you an example. We are very concerned with the way the EU is currently approaching the regulation of crop protection products—pesticides—to the point where we are losing them radically very quickly. We have lost half of them in the last five to 10 years. We feel that the Regulation is becoming increasingly populist rather than science or risk-based. We would like to go back to science and risk-based regulation of crop protection materials to make sure that we have the ability to produce wholesome food at affordable prices. However, we are also conscious that when you trade with other countries the one thing they are mindful of is MRLs, which are the residues of pesticides that may be coming in, and in the case of GM there is a huge political rhubarb patch out there as to whether or not you can use it or trade freely between countries, some of which do use it and some of which do not. I am sorry if I sound evasive or as if I am side-stepping, but there are many aspects of EU regulation we would like to see reformed—the Water Framework Directive, NBZs—that we find are crude and clunky and do not address the problems they are trying to address. I think this is step by step rather than rushed.

Wesley Aston: One of the key frustrations that farmers face is having to farm to a calendar. There are certain dates where you are allowed to do things on one side of the date and not allowed to do on the other, and that just does not happen. Look at the weather we have had this winter time compared with what we had previously. Farming by calendar dates is a real problem in setting the EU rules. Over and above that, the standards that you require us to meet through legislation are required by our customers, supermarket customers or whatever. It is not necessarily the standards but more the enforcement of those standards. That is a big issue we would have. Interestingly, the Ulster Farmers' Union as recently as yesterday won a judicial review in our court in relation to the enforcement of those standards on the definition of intent versus negligence. We are getting into that level of detail and it is costing farmers thousands and thousands of pounds, which is not farming.

The Chairman: Thank you. Can I ask Members to be very short in their supplementaries?

Baroness Sheehan: I am struck by the number of times both of you have used the word "confidence" and its importance to the farming community. It is obviously a major concern. Could you outline what you think the impact on confidence will be over the next couple of years until we know what form Brexit is going to take? If you could give a couple of examples to illustrate the impact that would be appreciated.

Guy Smith: We like to bleat on about how we are victims, but we already suffer with the volatility of the weather and markets, which seem

to be becoming more volatile, and now we have political volatility to take into consideration as well. My plea would be to go back to the issue of transition rather than big bang. In 2019 we would like careful thought to be given as to what happens to policy when it comes to agriculture in the UK and trade deals. We would be very wary if we felt that things were being rushed. I would come back to the idea that we do not rush to a whole new regime.

Having said that, we are not frightened of new ideas. Many of my younger members would push me to accept a very different policy going forward. I accept that challenge and can understand their frustrations. It may be that we would shift from support payments to what we call competitive measures where farmers are given funding or grants to invest in new technology. Agriculture is at a really interesting point with developments in robotics, camera technology, drones and GPS. If we could find a way of helping farmers adopt that technology I think we would build a much better and more resilient industry.

Wesley Aston: From my perspective, one of the key issues in how you build that confidence is engagement to make sure that the Government interacts with the industry. We have an opportunity to write a new policy—let us seize the opportunity and do it properly. Engagement will be critical.

Viscount Hanworth: We have heard the opinion that if we wish to export to the European Union we need to abide by the Regulations. Would either of you agree with that? Do either of you envisage diverting our exports away from the European Union substantially to other takers?

Guy Smith: At the moment we export €16 billion of our agricultural produce into the EU.

Viscount Hanworth: About 70% of our total.

Guy Smith: But we do get €40 billion back, so we are primarily importers rather than exporters. We need to be very mindful of that. We would look to have the best access possible to foreign markets.

The Chairman: We will come on to that later. The question is on the Regulations.

Guy Smith: I understand the other side of the sword is it may be that to retain good access to EU markets we have to accept we retain abidance by EU regulation. You could say that is a rather daunting prospect because we would have to abide by Regulations over which we have no influence, and that is my concern.

The Chairman: Can I come back one of Lord Selkirk's questions about the Scottish NFU? The EU Committee met the Scottish NFU in Scotland earlier and we are getting written evidence. That is also true with the Welsh NFU. We are not leaving them out from this at all. Baroness Sheehan, would you like to move on to the labour side?

Q45 **Baroness Sheehan:** How important is access to labour from the EU? Is there a distinction between skilled and unskilled labour?

Guy Smith: At the moment my horticulturalists tell me they have 80,000 workers picking, supporting, grading and packing, most of them migrant EU citizens and they are an integral part of their businesses. They are concerned that if they start losing access to that labour pool they will not be competitive. I would remind you that you can import a strawberry from California quite easily on a jet nowadays. I used to mention that if Californian growers have access to Mexican labour we need the equivalent. That might be pre-Trump analysis so we have to move on from that. We are dependent on EU migrant labour. We will need access to those people or other migrant labour from other parts of the world to stay competitive. On whether it is skilled or unskilled labour, I suppose in terms of visa requirements it will always be unskilled because you do not tend to get degrees in picking vegetables. I am very wary of describing these people as unskilled; they are extremely diligent and clever at what they do. It is not something that any old body can do, you need to approach it with a certain mindset, although you would not call it qualified or skilled on a visa.

Wesley Aston: I would make a couple of quick points. The first one is this is not only an agri-food industry problem, it applies across government departments as well. From a Northern Irish context we do not have the same issue in primary production, it is mainly in our processing capacity where we have non-British labour involved. That is not because we brought them in deliberately but we could not get people to fill the jobs locally so we had to bring foreign labour in. The other thing is we depend very heavily on practical labour at this stage. Automation can come in but it is further down the line and it will take us a long time to automate a lot of these processes.

Guy Smith: That comes back to my point about investing in technology. Seed funding the industry to start investing in robotics and camera technology may mean that we do not need that labour pool as much as we do now. However, at the moment there is no such thing as a robot that can pick a strawberry; it does not exist other than in a lab somewhere.

Baroness Sheehan: I want to address the immediate shortage of labour. In the submission that you sent us¹ you say that there is possibly a solution trialling a controlled fixed-term work permit scheme for agriculture and horticulture targeted at non-EU workers during 2017. Could you expand on that a little?

Guy Smith: Irrespective of Brexit, because of the strengthening of the pound and maybe EU citizens not feeling particularly welcome in the UK, some of my horticulturalists are saying they are struggling to recruit at levels they have in the past and feel if they could extend that recruitment to beyond the EU, maybe over the border towards the east in places such

¹ 'Farming's Offer to Britain: How farming can deliver for the country post-Brexit'

as Belarus they may find those labour pools there. We would be interested in a return to what was called the old Seasonal Agricultural Workers Scheme (SAWS) where people came in to this country to work at one establishment, one business, and then went back to their homes having served that contract. I think those sorts of models would be of interest to us. We are talking to the Home Office now because, as you quite rightly say, this is an immediate problem, not a post-2020 one.

Viscount Ullswater: There was mention on the "Farming Today" programme that there had been a drop in labour from Eastern Europe in the last quarter of last year. How worried are you that the labour you want will be available for you? I suppose the drop in the pound is not making it so attractive for them. How do you see the future with the numbers that you require?

Guy Smith: I think our horticulturalists and poultry and pig farmers are always wary that they need to line up their labour requirements going forward. You cannot do it at the drop of a hat, by putting a note up in the pub and people turning up the following day, as they did in my dad's time. There is an element of preparation. Talking to some other horticulturalists, they say they are now trying to recruit through British universities more than they did in the past to make up for what may be that gap. I suspect we are going to find out the hard way. We may find that there is not the labour there to handpick British fresh produce, but I am not going to forecast that is going to happen.

Viscount Hanworth: Do you mean students during vacation being used for seasonal labour, like east enders picking hops as used to be?

Guy Smith: Happy days as they used to call it.

Lord Trees: On the labour situation, did I understand you to suggest that instead of using non-UK EU labour we might be able to look outside the EU? How would that change the issue of net migration figures? Are you suggesting that a lot of the EU labour stays quite a long time because they can? Against the backdrop of reducing net migration to tens of thousands, what difference does it make whether they come from the Philippines, South America, Belarus or the EU?

Guy Smith: Under the old SAWS scheme, which is now scrapped, the condition was that you came into the UK to work at a specific business and did not move on from there, you went home. You could say it was more controlled. Now, under EU Freedom of Movement of People, people can come to the UK and start working on a strawberry farm and move somewhere else because they feel that it is not as cold in a hotel in London as it is in a Kentish strawberry field, although Kentish strawberry fields are lovely places to work, I wish to remind you of that. It did change then. Access to that secure labour pool which returns back to place of origin may be more acceptable. I fully accept that this issue about migrant labour and immigration is what I call "red hot" politically. We have to be careful of that as we express the needs of our industry to

the wider world. We do feel it needs to be approached in a sober, clear-thinking manner, understanding our requirements as an industry.

The last thing I want to see is us not producing as much fresh fruit and vegetables in this country as we used—but it does have a picking requirement which it is difficult for many reasons to get indigenous people to do. To be frank, I do not blame some indigenous people for not wanting to do it because not many people would want a career in picking fruit and veg, but the prospect of going abroad and spending a short period of your life picking fruit and veg is far more appealing.

The Chairman: Can I follow up on that before we need to move on? The point that these workers have great skills has been emphasised a number of times by other witnesses, and I see that in Cornwall around my own home. We often emphasise the seasonal aspect of this, but how important are the permanent foreign workers, whether they be vets in abattoirs through to the field? Is that an issue as well as the seasonal workers?

Guy Smith: It is. I have not got figures as I am here to represent farmers but I am very conscious that the rest of the food chain, including abattoirs and vets, is very dependent on migrant labour, so indirectly our industry would be damaged if we did not have access to that skill set. I am mindful of that but I do not have detailed figures as to how many people we are talking of here.

The Chairman: You would be very welcome to offer that as supplementary evidence if you wish.

Guy Smith: I am sure we can. I will do my homework.

The Chairman: Do you wish to say any more on this?

Wesley Aston: From a Northern Irish perspective it is not primary production where we have an issue with labour availability, it is our processors. We have been told that anywhere between 30% and 65% of the labour force in any individual processing plant would be non-British labour, so it is huge. It is from the unskilled to the skilled. A lot of them make their homes in Northern Ireland and are welcome there. There are issues surrounding how we will address that.

The Chairman: Perhaps we can move on to funding issues and Viscount Ullswater.

Q46 **Viscount Ullswater:** I should perhaps declare an interest. I am a trustee of a landed estate in Cumbria which receives payments from the CAP. Would you like to see Pillar 1 and Pillar 2 subsidies replaced by UK subsidies? On what grounds and in what form? The Minister George Eustice MP has suggested he would like to see a system that supports farmers who deliver ecosystem services. Would you see such a system affect your members?

Guy Smith: We fully accept that the concept of paying farmers to deliver environmental goods or landscape, hedges and ditches, the traditional British countryside that is so loved by British people, is maybe an easier political ask than some blunt support payment. I think we would always like to see an element of what we call agri-environment scheme, which you may be familiar with. In our survey of our members their view was that we ought to maintain an element of this and to make them broad and shallow, accessible to farmers. I come back to the point that with agri-environment schemes you need uptake from farmers to make them work. It is a particular issue we have now with the current countryside stewardship scheme. That should always be a part of agricultural policy and we would be supportive of it.

I have two concerns. Wesley referred to this already. One is you would not want it to be too bureaucratic or complicated. Hopefully when we free ourselves up from the aegis of the European Court of Auditors we can do things a little more simply. It almost feels like man-to-man marking when it comes to being involved in environmental schemes. There is an opportunity to have simpler schemes.

My other concern is that if we only support farmers for delivering landscape where does that leave food? We always have to be mindful that as a nation we should always try to secure an element of our food needs from within our shores and our policies should reflect that concern. Markets may be able to do that but you cannot take too much for granted.

Viscount Hanworth: It seems that upland grazing in less favourable areas is entirely dependent on direct payments under Pillar 1. Indeed, if they were withdrawn and something less put in place they would without doubt disappear. Do you regard that prospect with equanimity or does it disturb you?

Guy Smith: It is not inconceivable that you could have an old Pillar 2-type scheme which pays farmers in these fragile important ecological areas to look after the landscape and derive support primarily from that. I will tell you that my members in those hills see themselves as sheep farmers, not custodians of the landscape. That is their culture, their background, the intrinsic nature of their communities. They will find themselves in a strange place if they are only being supported to deliver landscape where there are not any sheep.

Viscount Hanworth: You would like to defend their livelihood?

Guy Smith: I think it is a great tradition. The Lake District looks like as it does because of sheep grazing. There is an impact on landscape if you remove all the sheep from that landscape.

Wesley Aston: It is critical that we understand the importance of the level of support that we achieve. Bear in mind that the figures for Northern Ireland show that in the last 20 years there were only probably three years when the total income from farming was actually greater than the amount of direct support that we received from the European Union.

That would not be atypical of any other part of the UK. It is all about the refocusing of that support and trying to go back to where we started being rewarded for producing food. We would love to get a proper reward from the supply chain but it does not happen. Because of market failure there has to be some sort of support given.

EU support has been moving away from productive agriculture towards environment/landscape-type issues. This is where we want to reconnect to producing high-quality food for the British consumer bearing in mind that we are not self-sufficient in what we produce indigenously. At the same time there has to be a menu of options so there are individuals who can decide in their circumstances it is probably better that they do something from an agri-environment or landscape point of view. As farmers we take great pride in producing the environmental landscape and protecting it generally. There may be individual cases that everybody highlights, but across the piece we are environmentalists. We live in rural areas, in the environment, and we would like to make sure it is delivered.

Lord Rooker: We seem to be skating around the issue of Pillar 1 and Pillar 2. We need to get this on the record. In 2008 I shared a six-seater aircraft with Michel Barnier as we travelled to a sheep summit in France where he delivered his views as the Farming Minister and he wanted to go back to headage payments. What you have said this morning, Guy, is what I would take as you would like to return to headage payments once we are outside the EU. Is that the case or not?

Guy Smith: It is good to be questioned by you again; it was always fun in the past. No, we would not want to go back to direct headage payments. We feel we could not do that because we would be in breach of the WTO anyway. I think you can maintain an element of sheep grazing in the hills by well-designed agri-environment schemes that pay you to deliver a grazed environment. It can be done indirectly with a bit of imagination and thought. We do not want too much market interference and a return to the bad old days of headage payments.

Lord Rooker: How would that support work for the pig industry? You are implying it is not only environmental and agricultural schemes; there has to be direct support for creating our food. I am taking that from what you are saying. How would it work for pigs?

Guy Smith: Traditionally, the pig industry is an unsupported sector. I think what our pig farmers would say is, "It's not the lack of support we worry about; it's the continuation of regulation that drives up our costs of production". That is what will determine our future in a policy going forward. That is where their focus would be. Traditionally, pigs have not been supported for many years. Lord Rooker, you will remember the early 1990s and the trade deals when we brought in a lot of serious restrictions on what pig farmers could do in the way they kept pigs, and quite right too. We are very proud of our high welfare standards and do not want a return to those cruel systems. However, the Tory Government of the early 1990s failed to protect those farmers from the imports of pigs raised under the old cruel standards which gave those

farmers economic advantage of lower costs of production. All we did through that regulation was suck in more imports from regimes we were trying to ban. This is why, particularly for the pig industry, the trade deals we do with the rest of the world will be really important for their future.

Lord Rooker: That was because our supermarkets did not care about animal welfare, they wanted to compete on price and British people bought on price, not on welfare.

Guy Smith: Lord Rooker, from your time at the Food Standards Agency you know only too well that while we are always very keen to trade up and produce to very high standards, we are wary that sometimes in that scenario our consumers can let us down.

Duke of Montrose: I declare my interests having spent a lifetime in farming and being president of the National Sheep Association. I have a hill farm in an area of natural constraint receiving support. Do you have any fear in looking at this question of a change from Pillar 1 and Pillar 2 that there will be a drop in the number of farmers or areas farmed in your particular parts of the country?

Guy Smith: Generally, in England and Wales that is a risk that if you have badly designed policy and badly negotiated trade deals you will simply export agriculture to those parts of the world where the regime is more farmer-friendly. That is a risk of what this is all about. If I had to draw attention to one metric where I would judge our extrication from the European Union as a success or failure, I would suggest if it caused us to suck in more imports from parts of the world that have lower standards that is a fail and we would shout very loudly at that point. The consequence of that would be a negative impact on rural communities, a decline in farmers and a general weakening of rural areas, which I suggest would not be good particularly for your part of the world where you have communities that are still very dependent on agriculture.

Lord Trees: You were referring to pigs and welfare as an example. I want to be absolutely clear: is it consistent with WTO rules to be able to restrict imports on the grounds of animal welfare standards?

Guy Smith: WTO rules do not allow the process whereby it was produced to be taken into consideration. However, I am well aware that when you negotiate trade deals with countries you do not have to abide strictly by WTO rules. Under the TTIP or Mercosur it was decided to exempt beef or do a deal whereby greater quotas were done for non-hormone produced beef from South America. While you are right that that is the exact ruling, I think to a certain extent it can be renegotiated with the exact deal you do. I am very conscious that the European Union has managed to exclude a lot of GM over the years and that is strictly in contravention of WTO rules.

The Chairman: We are going to come on to trade. Mr Aston, do you want to add anything?

Wesley Aston: Can I pick up on the previous question? Regarding a future agricultural support policy, we would not want anybody forced into taking decisions they do not necessarily want to take. Guy has mentioned the whole New Zealand scenario. We would like people to have a range of options so they can decide what is best in their own circumstances. Fundamentally, what we are trying to achieve, certainly from our perspective, is to help those who want to help themselves, and if they want to get involved in producing food and bringing their sons into the business we want a way to achieve that. If it is the other side of the coin with an older farmer who has no successors and does not want to do that and there is some sort of agri-environment-type landscape options they can choose, that is fine; let them do that. It goes back to fundamentals about food production and trying to ensure that we reconnect the support with the active farmers who will produce the food that we need.

The Chairman: Can we move swiftly on to trade and Lord Cunningham, please?

Q47 **Lord Cunningham of Felling:** Good morning, gentlemen. The free movement of goods is one of the four freedoms of the Single Market of the European Union. From what you have both said in answer to previous questions, trade and the ability to continue to trade profitably is going to be fundamental to the future success of agriculture. In addition, as your president said, Mr Aston, 85% of the revenue of agriculture in Northern Ireland comes from financial support from the European Union. Leaving the European Union without a similar level of support is going to cause a catastrophe for agriculture in Northern Ireland. In addition, Mr Smith has suggested, and I do not want to put words into your mouth, that some means of shadowing or replicating the standards and conditions of the Single Market may be one way forward for Britain. Given that trade in agriculture and food is one of the most complicated and difficult areas of trade in the whole of the world, how are we going to reconcile this?

Wesley Aston: In relation to support, I have emphasised how absolutely critical it is, not just currently but historically and going forward. It depends on the extent of the trade deals. That is the issue. While we have within the European Union access to the markets, we still need support, so if we are outside the European Union and do not have the same level of access, depending on whatever trade agreement we reach, there is probably even more merit in giving us more support.

The form of that support can depend on what we are trying to achieve, but we cannot do without it. While there are unsupported sectors, they are indirectly supported through grain prices as in the pig industry, the poultry industry. I think fundamentally we have to start off with the trade deal and then look at the level of support. As far as we are concerned, we are very clear that we will need support—it is the format of that support and how much that is the issue at this stage. Hopefully not for the next two to three years, but going forward we need a clear commitment, some sort of clear CAP approach in five-year blocks that clearly indicate where we are aiming.

Lord Cunningham of Felling: Which would be more valuable, a free trade deal with the European Union 27 countries or country-to-country free trade deals? Free trade deals can be outside of the European Union, to be clear.

Guy Smith: Presumably when we do a deal with the European Union we are doing a deal with 27 countries en bloc. As I said, we think it is in our interests to have free trade access to those markets, much as we have done in the past, not encumbered by tariffs or border controls, which would add costs into our industry. You are quite right to say I am walking into a lot of EU Regulation which I said I wanted to move away from, and it is a fair point. Even in the European Union at the moment we have some variation on policy. Lord Rooker pointed out headage payments and there are headage payments now in France and Poland. It is possible to have a nuanced British-type policy and continued access. Danish farmers are allowed to use neonicotinoid seed dressings in their oilseed rape production; we are not. There is the ability within the European Union to be a little bespoke and hopefully we could do a deal with the European Union whereby we are allowed to take back some of the regulation of our industry and continue to trade with them freely, but that is a big political ask and is well above my pay grade.

Lord Cunningham of Felling: I doubt that, but never mind. The real challenge is this: is it in any way possible or credible to replace the trade we have historically done—and it is a very large percentage as you pointed out earlier and I will not ask you to repeat the numbers, unless you want to—with country-to-country single trade deals in other parts of the world?

Guy Smith: You are right, that is a huge challenge. Rather than negotiating with the rest of the world, as we have done, through the European Union we are going to have to do it individually, and I do not underestimate the challenge this country will have in putting those trade deals together. It may be by some interim arrangement whereby we continue to use the agreements we have in place by virtue of EU membership when we have left the European Union, but how that is going to look to the rest of the world is a very good point. We must be mindful that this is a British decision with the bloke on the other side of the negotiating table. I do not see this clearly at all. All I know is it strikes me as being something that is going to be very rushed, if at all, and I am wary of where we are going to end up in 2019 with what trading relationships we have.

Wesley Aston: I did point out earlier that the UK is not self-sufficient in the food that it produces, and that is declining and has declined for some time. We certainly see opportunities to substitute product within the UK and that is very clearly where we are coming from. We want to try to maintain as many of the current markets as we have. We want to look at new markets, particularly for what we call fifth-quarter products, which are products that British and European consumers do not eat, that go to China or wherever. We certainly see that if those could be opened it

would give us a better return for those particular products that currently we have to pay to dispose of. While we would like to maintain as much of the current trading arrangements as we have, we see there is scope within the UK to try to displace some of the existing imported product.

Guy Smith: Could I add some figures to that? It is often forgotten that the trade gap between food and drink in this country has doubled in real terms in the last 15 years from £5 billion to £10 billion. That is not all kiwi fruit or oranges and things that cannot be grown in the UK. A lot of that could be grown in the UK. Our ambition as part of this process is to narrow that trade gap. It will be good for our economy, it will underpin the largest part of our economy—the manufacture of food and drink—it will be good for employment, and there is no reason why it cannot be done with a little bit of political ambition.

Lord Cunningham of Felling: What specifically should be done to assist British agriculture in reducing that appalling trade gap?

Guy Smith: Not overregulating our industry, allowing us access to the labour pools we need and respecting our high standards in trade negotiations.

The Chairman: I think we need to make progress; I am aware of the time. Lord Rooker, do you want to continue this theme?

Q48 **Lord Rooker:** I do not want to repeat what Lord Cunningham has said. There are a couple of questions on trade and you have covered some of the issues. There is a dilemma, is there not? Sheep is a good example, which you have raised. I said yesterday to our witnesses that yesterday morning on "Farming Today" there was a farmer in Wales who said we should be lambing all year so we can snuff out the New Zealand supplies. Three-quarters of our imports of lamb come from New Zealand and half our exports go to France. There is a dilemma because in New Zealand there are no subsidies, so when we do a bilateral trade deal with New Zealand, the first thing the New Zealand sheep farmers are going to say is, "Hang on a minute, if we want to deal with you, you've got to stop subsidising your lamb farmers. Fair's fair", if you see what I mean, on the basis that they made the overnight change in 1992.

What is the priority? Is it preserving our current situation with the EU, in which we preserve our EU standards to export to the EU, because if we are going to do that we will have to follow all their rules, as indeed New Zealand farmers do when importing to the EU, or break out, as the NFU paper seems to imply, farming's offer to Britain and deliver food to the rest of the world? You cannot have it both ways. What is the priority as far as the NFU and Ulster Farmers' Union are concerned? Is it to stick with as much as we have with the EU, with the constraints of that, or break out completely and say, "Because of our quality", emphasised throughout this document, "we can sell to the world"? I do not believe we lead the world in everything, it is not possible, but it is constantly there—superiority in quality, science, food safety, animal welfare. For some reason we have not been able to do that while we are members of the

EU. What is the priority, because we cannot do both?

Guy Smith: For starters, we do not expect to do what we have always done. The world is a dynamic changing place. There are new markets emerging, as you know, Lord Rooker, in the Far East as a middle class emerges wanting to eat more red meat, so there are opportunities there where our high standards could gain us access to those markets. For instance, as you know because you have been one of the architects, we have an extremely robust assurance system in our agriculture that gives us very good food safety standards. If we can convince the Chinese that that gives us a premium status and they should open up their markets to us, we will walk through that door. If the Chinese are of the view they want to go for the cheapest supplier, we will have a problem in as much as our costs of production may well be greater than New Zealand's.

New Zealand is often put up as a model that would be good for British agriculture. What we must remember is that while New Zealand farmers are not supported, you are quite right, they have a very different regulatory regime in particular when it comes to animal health. The way they have tackled TB in New Zealand could not be more of a contrast to the way we have tackled it in this country. When it comes to equivalence it is not just about support, it is wider issues such as the way Fonterra New Zealand would probably breach UK competition rules. I come back to animal health. The Kiwis have a far more robust approach to animal health than we have in this country and that impacts on our ability to compete across the world. There are wider issues to consider here.

Lord Rooker: The only people who ever came to me when I was a Minister concerned about the welfare of cattle and the illness of cattle from TB were farmers. Only farmers were concerned. I had no idea that those who did not want to tackle disease in wildlife gave a monkey's about the food production of animals. It was only the farmers who did that.

Guy Smith: I am happy to leave that on the record.

The Chairman: That moves slightly beyond where we are getting to. Mr Aston, do you want to say something briefly?

Wesley Aston: In terms of markets, faraway fields are always greener and you are better to concentrate on what you have rather than what you think you might get.

Duke of Montrose: At present our exports to Europe go into a protected market with good prices that we find satisfactory. If we do not get the European markets, which areas of the world do you think are going to pay that premium for our products?

Guy Smith: It must always be our ambition to seek out markets wherever we can find them and to place an expectation on the British Government to help us find those markets. There are emerging really interesting markets, particularly in the Far East, for poultry, pigs, red meat in particular. I cannot sit here and say I know exactly what that

demand is going to be in 2020, because I do not know, but our ambition should always be to open up as many markets as possible. Our ambition should be to reverse the increasing importation of food into this country that could be grown here. That must be an aspiration for a vice-president of a National Farmers' Union.

The Chairman: Mr Smith, to educate me, I would find it very difficult to imagine most of the farming community that I know in the far south-west getting on a plane tomorrow to Beijing to sell their products. What needs to work or who needs to be activated? How do we successfully find that sales channel into those sorts of markets? Can you describe that to us?

Guy Smith: Those same south-west farmers pay AHDB £65 million a year through their levies, and in return for that money we expect them to be going out trying to facilitate trade deals in places where traditionally we do not have a big market.

The Chairman: This is information seeking. You feel from the farmers' point of view that system does work quite well and is there to work in this new way?

Guy Smith: At the moment probably not, but we are moving to a very different world very quickly and we need to think differently across the piece as farmers. Our levy board, AHDB, will also need to think differently and seize new challenges rather than just carry on as they have.

The Chairman: So this is an area that we to need pay some attention to?

Wesley Aston: Yes. Regarding Red Tractor, our kite mark, we will need to think differently going forward both in reassuring our home consumers that it is sensible to give preference to high-standard home-produced British products and also, for instance, to reassure the Chinese that British produce is produced to very high assurance standards, which are audited and inspected quite rigorously and better than anywhere else in the world.

Wesley Aston: I have a very simple answer to your question, which is to look to our colleagues south of the border in the Republic of Ireland and the interaction between government and the equivalent promotional body there, Bord Bia, and how they are seeking new markets and marketing their products.

The Chairman: That is most useful.

Duke of Montrose: What impact would new or higher tariffs and non-tariff barriers for exports have on your members? Is the impact the same for imported goods and agri-supplies?

Guy Smith: That depends on which sector we are talking about. For instance, on lamb, where we export 80,000 tonnes into France and Italy, tariffs would have a huge impact on our industry, particularly in fragile areas in the uplands. For cheese, where we are primarily importers, a

tariff would probably be to our benefit. It is sector-by-sector specific. On the whole I would say we prefer tariff-free access to trade negotiations going forward, particularly with the European Union.

Q49 Lord Trees: Good morning. You were talking earlier about the desire to reduce the trade gap and improve self-sufficiency. Some have argued that higher tariffs or non-tariff barriers on imported agricultural products could help us in that respect. What steps do you think the Government might take to ensure British farmers are more competitive on the global market? Do you think restrictive tariffs or non-tariff barriers have a role to play? Could they be positive for British farmers? Should we seek to retain some of the EU's tariff-rate quotas with other countries?

Guy Smith: I do not think we would ever support or promote a protectionist attitude to trade with the rest of the world. However, as I have said, we are very conscious that farming in particular has different standards across the world which impact on our costs of production and, if our trade deals do not respect that fact, it could simply mean we import food from parts of the world where farmers either get greater levels of support or have lower costs of production because of lighter regulation. That needs to be thought through very thoroughly as we go about this enormous challenge of recalibrating the way we trade with the European Union and the rest of the world. I am sorry to talk in generalities because it is difficult. I am sure I could hone down on carrot exports to Bolivia, if I really wanted to, but it would be so complex. I would rather talk in generalities about standards and costs of production within tariff-free access.

Q50 Lord Cunningham of Felling: We know that things are going to be difficult. Changing tack, if we think about food and agriculture supply chains and the processing of food for export in this country, for example, what are the most likely consequences of Britain leaving the European Union for those aspects of agri-business?

Guy Smith: The danger is that we suddenly see ourselves as a new globalised player that scours the world for the cheapest food to feed the British population irrespective of the standard it is produced to. My ambition would be that we respect that short supply chains are good for food safety and for local economies. Our ambition should be to secure that for British farmers, although we recognise that there will always be some foods that we cannot produce in the UK and we respect consumers will want that. Lord Cunningham, these are big issues, with respect, and there are not easy soundbite-type responses. You might say I am saying I would rather not answer the question; I am not saying that. Every time I think about this I think of a detail within it which I could go on about for ever.

The Chairman: The detail is probably the issue on these things and that is why we are trying to grapple with that. I respect entirely that answer, Mr Smith. Presumably UK farmers participate in European supply chains, do they not? British product is used in manufacturing over there or back, whatever, apart from the Irish situation.

Guy Smith: I put milk into Arla, which is a pan-EU co-op. The future there is different, as you say.

Wesley Aston: Fundamentally, everybody gets a margin apart from the primary producer. Everything is passed back down to us and we get whatever is left, and usually it is very, very little, if anything. Going forward, if they do not have that raw material we do not need the processing industry, so the producers are likely to go abroad, they will not need to be here, and we will import the finished product rather than producing and processing it here. There needs to be some more integration between producers and processors rather than this historical adversarial relationship. We all need to look at where we are going. Contracts and sharing of risk need to come more to the fore.

Lord Cunningham of Felling: Mr Smith, you said the details are complicated, and that is absolutely right, but the point is that how those details are resolved is going to be critical to our future success or not. Is the NFU in regular continuous discussion with Defra about these negotiations yet or are discussions going to begin?

Guy Smith: Not as much we would like to be. You will remember in your time at MAFF, sometimes the door was open and sometimes the door was closed. I remember it well, or the tales about this.

Lord Cunningham of Felling: That was not about leaving the European Union, was it?

Guy Smith: That is true, but it was still a closed door sometimes. Let us not go back to that. Sorry, I have lost my train of thought.

Lord Cunningham of Felling: We were talking about negotiations.

Guy Smith: One of our main concerns is whether Defra is fit for purpose with the increased challenge going forward as we repatriate policy from Brussels to Whitehall for the first time in 40 years. The workload, the expectations, the skill needs on that department have increased exponentially. At the same time we are conscious that department has been first in the line suffering government cuts. We are concerned that they do not have the necessarily resources and skillsets in place to take us forward to make sure that our industry has a smooth transition. For too long Defra has seen itself as a regulatory body because support comes from Brussels. It must now see itself as a sponsoring body that looks after the interests of British agriculture. That is going to need a culture shift within this square mile and we are already expressing our concerns about it. I am sorry if that is not quite the question you asked but it is an important point.

Lord Cunningham of Felling: It is a very satisfactory answer. Thank you. The question might not have been very good but the answer was.

The Chairman: I think Mr Aston wants to come in.

Wesley Aston: Yes, wearing my Northern Irish hat, on how the devolved Administrations interact in that process bearing in mind there is only one UK negotiator.

The Chairman: Yes, indeed. That is something that Lord Boswell's EU Committee has been looking at. Lord Rooker, do you want to finish our session with anything that you feel has not been covered?

Lord Rooker: We had a question about deregulation and you have given us a couple of examples of crop protection issues and rigid calendar dates. Will Brexit leave UK farmers, probably English and Welsh farmers, more likely to co-operate with each other, as European farmers tend to, in this new climate for survival and marketing? We have been notorious at not really co-operating in terms of genuine co-ops. I know fruit growers have radically changed the way they work very successfully, as I understand from my last time at Defra. In farming in general, do you think there is prospect for change there?

Guy Smith: Lord Rooker, as you know, traditionally British farmers are hopeless individualists but they have a structure that is significantly larger than their continental counterparts, which means they are not as prone to forming co-operatives out of necessity. Going forward, in a rapacious globalised world we may have to think differently and it may be that government can give a lead on this. For instance, through what we call Pillar 3 or competitive-type grants, if they make it easier for POs to secure money to invest in new technology then farmers will have to work through PO structures, so you could take them to that place if that was the political will. I am wary sometimes of imposing structures on farmers that they are not comfortable with. At the end of the day what is most important is farmers have to feel that they own those structures rather than they are imposed on them.

The Chairman: Those are interesting comments. Do you feel that larger farms and organisations will be able to survive better in this new environment than smaller family farms?

Guy Smith: There will always be a place for the small farm catering for niche-type markets with direct supply chains and the like. Long may that happen because that is very much part of our rural culture. However, I think to compete in global marketplaces you will need to find economies of scale and one way to do that is through co-operative type structures.

The Chairman: Thank you. Mr Aston, and then I am going to bring Lord Trees in finally.

Wesley Aston: If I could add one point that is not specifically in relation to co-operation but how we embrace co-operation and other issues going forward: one of the key things that we see in this new era is we need a generational change within the farming industry. Looking south of the border to our counterparts in the Republic of Ireland, they have introduced taxation arrangements to encourage that to happen. As we embark on this brave new future, we feel that the more we can

encourage that change to happen and get younger people in who will embrace the very things that we are talking about has to be a key starting point.

Lord Trees: Given the colossal trade deficit we have with the EU in agricultural products, how optimistic are you that the Prime Minister will succeed in getting a free trade agreement?

Guy Smith: With respect, does this body have any clear view on what is going to happen? How can little old me have a clearer view than you?

Lord Trees: You understand the difficulties.

Guy Smith: As vice-president of the NFU I go into the next two years fully convinced that we will come out of it a stronger, more resilient industry, that government will look after us and we are building for a stronger place. I have no time for fatalism or self-doubt at this moment in time. It is really important that we are front foot about this, ambitious and up for change.

Wesley Aston: But government must engage with industry in achieving that.

The Chairman: Thank you very much indeed, and for your past reflections on past Ministers of Agriculture. It has been most useful to other members of the Committee.

Guy Smith: It is like memory lane.

The Chairman: That has been a robust but very useful session to us indeed. Thank you very much.

Guy Smith: Thank you for the opportunity. We are happy to provide detail, if you require it. There are more intelligent people than me backing me up, he says looking around frantically.

The Chairman: We would welcome that very much. I bring this public session to an end at that point.

Examination of witnesses

Peter Hardwick, Ian Wright and Jon Woolven.

Q51 **The Chairman:** Can I welcome you to this witness session on our inquiry into Brexit and agriculture? We are particularly looking at some of the non-direct farming areas, which are equally important, that we are very keen to take into consideration in our report. Can I just remind Members to declare their interests, if they have any, when they ask questions, and can I remind our panel of witnesses that this is, clearly, a public meeting? It is being webcast and transcribed. Indeed, that will be circulated to you and, if there are any errors, please come back to us and they will be corrected. Perhaps I could ask you to just introduce yourselves briefly

before we start. Perhaps, Mr Hardwick, you could start.

Peter Hardwick: I am Peter Hardwick. I am head of exports for AHDB, although I cover a wider remit, which also includes the work of our Brussels office as I deal with the policy side as well. My principal responsibilities are to develop our export trade both within the European Union and outside to new markets.

Ian Wright: Good morning and thank you for inviting me. I am Ian Wright from the Food and Drink Federation. We are the body that represents food manufacturers in the UK, so we take things from farms and growers up to the distribution centre for retailers and out-of-home, who are our customers. We represent over 300 companies in the food and drink manufacturing sector, which, as you will know, is the largest manufacturing sector in the UK economy. I also chair the Food and Drink Round Table on Brexit and other matters, which brings together 45 trade associations across the food and drink sector.

Jon Woolven: I am Jon Woolven, Strategy and Innovation Director at IGD. I have responsibility for the Brexit-related work in our organisation. We are a charity that works with food and grocery companies to deliver public benefit. I would like to emphasise that, although we have extensive membership throughout the food chain, we do not represent those members, we are not a trade association and are strictly non-political, so I will not have an opinion on Government policy, but I hope to compensate with full answers to the other questions.

The Chairman: In fact, sometimes we in the House of Lords are described as being non-political and it is completely untrue. Yes, I am sure you will manage that in the questions. Perhaps I could start off with a broad question and ask you: what are the key opportunities and challenges, because we are looking at both sides of that equation, for UK agriculture, food and food processing arriving from the decision to withdraw from the EU in the short and medium term? What is the big picture and what are the priorities? Perhaps, Mr Hardwick, I could ask you to start.

Peter Hardwick: There is obviously a whole raft of areas which are both concerns and opportunities. If I take trade, clearly, if we look at our agricultural exports, they are currently very dependent on trade with the European Union and, on average, about 80% of our agricultural exports go to the European Union. It is true that we have a negative trade balance with the European Union, but that does not always tell the full story because there are sectors, such as the sheep sector, which are heavily dependent, particularly at certain times of year, on exports and they help to support the domestic price as well as imbalances in the market which we can take advantage of. Clearly, that is extremely important.

On the positive side, certainly we want to develop that trade with non-EU markets, which was mentioned in the previous session, but I think we can say pretty positively that we have had a very positive effect at AHDB

on growing those markets. We work very closely with Government; we have the UK Export Certification Partnership, which works with Defra, the Food Standards Agency and others to open those markets, and we participate in outward missions with government. We also help with the technical side of the negotiation because the single biggest obstacle in exports is not trade deals but the sanitary and phytosanitary rules you have to meet in the importing country. One has to bear in mind that, whatever happens to regulation in the future, it is those importing countries, one of which, hopefully, will continue to be the European Union, which we will have to comply with if we want to serve those markets. From a trade point of view, clearly there are, and there will be, some challenges, but there are some great opportunities to develop exports outside the EU.

Other areas, of course, of concern to the industry are those relating to migrant labour, particularly in the meat processing sector where as much as 70% of workers in abattoirs are migrant labour, principally from Poland, it is true, and, on average across agriculture it is around 20%, so there is a significant dependence on migrant labour.

The third area, of course, is regulation and how we will deal with that. It is a complex area; some parts of the EU *acquis* will be readily acquired and others will be more difficult. Those are the key areas that I would raise. We could talk about farm support but that really is something for the farming unions to discuss.

The Chairman: Yes, we will deal with that elsewhere perhaps.

Ian Wright: I am going to echo much of what Peter just said. For us, the three key parts of the Brexit decision that are most challenging are the labour market, the regulatory framework and the future of tariffs and trade, and I will briefly touch on each.

We are an industry that is significantly reliant on European workers. We have 120,000 European workers out of 400,000 in the UK, and we are obviously very concerned about them at the moment because they faced a 20% cut in their pay as a consequence of devaluation, many of them are here simply to send remittances home and, as a consequence, we are seeing those workers beginning to think about going home. When we surveyed our members in October, one in 12 of the companies that took part reported that they had people beginning to go home. That is not one in 12 of the workers, but one in 12 had that happening. For us, an urgent challenge is for the Government to come forward with a pledge that European workers can stay here, and we have had very good discussions with the Government on that subject.

Further downstream, in retail and in out-of-home, by which I mean hospitality, some of those figures are even greater. If you went to Covent Garden, probably 85% of the people who work in the restaurants are European workers and across London it is about 60%, so labour is a big issue for us.

Longer term, the question is how we manage what seems to be certain, a quota system, and how you get your place in that, because the expectation is that the Government will look favourably on some sectors and not so favourably on others. There will be an issue about skills, and the definition of skills depends on which industry you are in. To me, a fishmonger is skilled, but somebody in financial services may not accept that definition, and trying to find a level playing field in that will be very difficult when the numbers of people likely to be allowed in are so small.

I agree with what Peter said about the regulatory framework. I have one concern, which I think has not been voiced very often, that at the moment we have a Single Market in regulation here in the UK, both from the regulatory point of view and the Common Agricultural Policy, sort of imposed by our membership of the EU. After we have exited and the Great Repeal Bill has gone through, we will, in effect, have three or four markets because the regulatory framework is different in each of the devolved nations. They are not very different at the moment, but we have heard from the Scottish Government that they intend to take a much more active view of regulation, and we may well see challenges between the Food Standards Agency and Food Standards Scotland, and you would have to expect that the regulators in Northern Ireland will look very closely at the Republic.

On tariffs and trade, the issues are fairly obvious. We are very concerned about the tariffs position, but we are also very concerned about the way customs regulations are interpreted at ports, and we are particularly concerned about the transition because it is only two years away and a lot of the systems that we will need to do this stuff are not in place.

A final point is that, for us, Ireland is the worked-out example. We are very concerned about Ireland, which I have said before in this House. If you take one example—a bottle of Baileys Irish Cream—one in five cows in Ireland produces the milk and, if you are a Northern Irish cow, your milk crosses the border five times before it goes into the bottle. The idea that that would be subject to tariffs hither and yon is really very scary.

Jon Woolven: I do have a long list of issues on either side of the ledger, so I will confine myself at this point to some of the short and medium-term ones, with the expectation that others will come out later. Ever since the EU referendum there has been overall market growth measured by sales at retail level of food and groceries. That has turned around a longer-term trend which had been running for several years, so that is growth in volume terms. This is evidence that consumer confidence has been resilient, perhaps taking many people by surprise since that point and, as long as it remains so, that will be good at a macro level for the industry. There is a strong and renewed sense of consumer patriotism, so 45% of shoppers say it is more important to buy British food now that we have voted to leave the EU, with 19% taking the opposite view and others sitting on the fence.

In a time of uncertainty, as we look forward, that is more incentive for buyers to move into longer-term supply arrangements, so that represents

an opportunity for producers to build on the sort of model we have seen, for instance, in the dairy sector emerge over the last decade. There is a clear interest for buyers to enter into those sorts of arrangements to hedge against some of the uncertainties. Although the new trade deals with the rest of the world will take a long time, I do not doubt, to fully unfold, we could be getting some fairly clear signals at an early stage as to where some of those export opportunities might be in the future and we can start to prepare ourselves for some of those.

In terms of some of the challenges, clearly this is a time of uncertainty and unpredictability. That tends to hinder people's willingness to invest. In particular, we could see some further big currency swings, not just in the sterling versus the euro but in the dollar, for instance, so these are major risks that companies will need to hedge against. We find that companies have to manage at the moment the rising cost of many ingredients, and they are clearly primed to prevent passing all those costs on to consumers, so this is an incentive for people to look for measures to cut costs. If we see inflation feeding through into consumer prices this could reverse this pattern of consumer confidence, so we could see a squeeze on household incomes. The other side of the coin to patriotism in the UK is that we may find some potential consumer resistance in the rest of Europe to British-produced products, so we may lose out to some extent from that.

The Chairman: Thank you very much; that was a very good, comprehensive and varied summary.

Q52 **Lord Selkirk of Douglas:** My Lord Chairman, I should mention an interest; I am a director of a small family company which owns some pockets of land and fields, one of which may have a turbine put on it in due course. If I may say so, you have, to very large measure, answered the questions which I would like to put to you, but I will just mention the essence of what I wish to ask. Do any particular issues or challenges arise from the proposed Great Repeal Bill for your sector which you would particularly like to give priority to so far as the negotiations are concerned? Are there elements of the EU *acquis* that you would like to retain through the Bill? Would you accept that there may have to be some flexibility in relation to possible transitional arrangements, depending on how circumstances work out and whether or not changes are brought in?

Peter Hardwick: The initial challenge, of course, is how the Regulations and Directives are transposed into UK law. There are Directives which are not directly applicable and we have to transpose them into UK legislation and, therefore, the Directives that currently exist already sit on our statute books, whereas Regulations which are directly applicable do not necessarily have to go through that route. There will have to be a process, in particular, by which Regulations are, in some form or another, adopted into UK legislation. Of course, there arises the first opportunity to decide what we will do and what we will not, but we must always remember that, whatever we do, if we want an ongoing trading relationship with the European Union we will have to align ourselves

largely with their legislation. That has been defined, if you like, as legislation which is operable, which is readily adopted, and legislation which is inoperable. The reason it is inoperable is that at some stage in the regulation or piece of legislation there is an intervening European regulatory body involved and, as we will withdraw from the European Communities Act and no longer be subject to those regulatory bodies, we will have to invent or create our own. It was mentioned in the previous session, but that is a major undertaking in terms of the UK, so I think we need to understand that.

As we go forward and develop some of our own regulations, we need to bear in mind that we will remain subject to WTO rules, which means that you cannot use methods of production as a mechanism for obstructing trade. Now, where outcomes meet the standards, the way that the animal or product is produced falls outside the rules of the WTO. The example that is often quoted is that of hormone-treated beef from the United States, which is not allowed within the European Union, technically speaking, in breach of WTO rules. That has been settled through concessions on quotas and so on, but there are complexities there, so we need to bear in mind the complexity.

At this stage I do not think we have looked specifically at pieces of legislation and said, "We like that one, we don't like that one". I think we have not got to that point yet, but there are some very complicated areas, such as plant protection in particular, where we depend at the moment on the European Food Standards Agency and its mechanism to do approvals and we will have to create our own system. I cannot really comment at this stage on what bits of the *acquis* I would cherry pick, whether we can or not and I suspect we cannot.

Ian Wright: I would defer to Peter's expertise in this area, but add a couple of points. I think the process of passing the Bill through this House and the House of Commons will be very complex, and it seems to me that it is a huge opportunity for individual companies, my members actually, and pressure groups to have a field day. The truth is that almost every company of any size, not just in the food manufacturing sector, has "lawyered" and "advisered" up and those people will want to do something through this process, so they will start scrutinising this Bill in great detail. That is probably a good thing, but it does mean that we could end up with some really quite interesting debates. I think the Government's wish is that this becomes a great repatriation Bill and that the whole lot is lifted and shifted—we keep hearing this expression—into UK law and then we edit it at our leisure. If that is the case that would be something our industry would welcome because, although there are bits of the regulatory framework we do not like, we can have certainty if we have this current regulatory framework and, rather in the way that Peter just described, the regulatory framework in this country will entirely drive the exports agenda and, indeed, the imports agenda. If the regulations mirror those of the EU, we have a better chance of continuing to export to the EU. If they do not there will be over time, and it might be imperceptible, an erosion of the opportunity. For people who are

exporting, the costs of having to produce one set of products to a European standard and another set of products to a UK standard increase the question of whether you will try to manufacture here, so over time that will be an issue.

Jon Woolven: This is a question that I would like to pass on because it is government policy-related.

The Chairman: Well, it is on the first bit of it, but I do not think the Great Repeal Bill is particularly political, but I will not press.

Jon Woolven: It is not an area that we study because it is not within our field of interest.

The Chairman: That is fine. Viscount Hanworth, you wanted to come in on something earlier?

Viscount Hanworth: There was something which occurred to me, which is to ask Mr Woolven whether he has an assessment of the elasticity of demand for exports. The question arises in view of the devaluation of sterling. Will that stimulate demand in any particular sectors of exports, in your opinion?

Jon Woolven: Of course, it depends for how long a period it is devalued. I know that some banks are predicting a rebound for sterling, so sometimes these factors take quite a long time before they play themselves out.

Viscount Hanworth: Yes. I am not asking you to predict.

Jon Woolven: The people who purchase do not necessarily purchase at today's market price—they are buying on forward contracts and so on—so these things can take quite a while to work through.

In terms of elasticity of demand for food products, you have to look at it on an item-by-item basis. Some products are a lot more elastic than others, and it depends on whether it is a fairly basic commodity or it is differentiated by a quality brand and so on, so it is hard to generalise.

Viscount Hanworth: Can you be specific?

Jon Woolven: There are specific products, such as grain and cereals, where we would gain an advantage in terms of exporting into Europe if there is a prolonged period in which sterling is devalued against the euro. It will not make such a big difference for something like whisky.

The Chairman: Thank you. We move on to Baroness Sheehan.

Q53 **Baroness Sheehan:** I will talk a little bit about labour, and you have already touched on it in very general terms. The question is how important is access to labour from the EU and is there a distinction between skilled and unskilled labour? I want you to try to unpick that distinction between skilled and unskilled labour a little where you can. To follow on, are there stages in the food supply chain where this is a

particularly critical issue, and what percentage of the labour force in the agriculture and food sectors comes from EU countries?

Peter Hardwick: I will take that first, if I may. Immigrant labour is extremely important to the agriculture sector, which I think I said in my introductory comments. When I mentioned that, on average, around 20% of the workforce is migrant labour, the vast majority of that in agriculture is from the European Union, so, whilst I do not think the numbers are identical, they will be very close.

There are a lot of variances though, as I have mentioned, and within some sectors the percentage is a great deal higher, and in the meat sector it is. When you talk about skilled or non-skilled labour, it might be better to redefine that as "hard-to-fill vacancies". In particular, in some aspects of the agriculture sector where the work is quite hard or not entirely pleasant, working in an abattoir, for example, those jobs may be quite low-skilled, but they are extremely hard to fill from local sources. That is the reason why we have such a high percentage of migrant labour in some of those sectors. Of course, on top of that you have low-skilled labour in the horticulture sector on a seasonal basis. A good part of that migrant labour is relatively unskilled, it must be said, and I cannot put a percentage on how much of it is unskilled, but we would say that a good percentage of it is. That, of course, is the problem because, if we have a points-based system, those sorts of posts would probably not get through, so we will have to look at some other model, a seasonal agricultural workers' scheme or some visa-type system, so that workers from those sectors can participate.

A knock-on effect, of course, of restricting migrant labour will be, potentially, increases in wages to pay for local labour and, of course, that has a knock-on effect on prices to consumers or, at least, the price the farmer gets because farmers tend to be price-takers rather than price-makers and have to absorb these knocks to their costs, so there is a significant challenge there.

In broad terms, a significant proportion of that workforce is unskilled, bearing in mind the definition of a fishmonger being a skilled worker, so many of these workers have skills but they may not be defined as skilled workers under a points-based system, for example.

Ian Wright: I think this issue is a combination of demographics and the way in which you define the workforce. One question that people often ask is, "Why have you got so many?" As I said, 25% or probably 29% of our 400,000 workers are from Europe. Why are they here? We know why they are here: because a lot of them want to send money home. This is a very successful economy and it is a great place to work; they are here for those reasons. Why have we recruited them? For precisely the reason that Peter adduced: we do not have access to British workers who are available to do those jobs. One of the reasons, I think, will come out in a new study by Mercer, the wages consultants, which they are publishing today or tomorrow, which is a fantastically detailed analysis of the UK workforce and the demographics affecting it up to 2030. What that

shows, and I am sure you will have heard evidence on this, is that there are areas of this country which have, in effect, super-full employment, so all the available British workers are attached to businesses. Because of the costs of living in some of those places, and London is a good example, it is very difficult for people on the national minimum or living wage to work in these areas, so people are attracted in who will live in conditions or are willing to undertake transport odysseys to work in a way that some British workers will not do.

It is very interesting, and Peter gave this example, that 20 years ago I worked for Sun Valley in Hereford and the people who worked on the killing line for chickens in that factory were all locals from the Herefordshire area. Now, 80% or 90% of them are eastern European in the middle of Herefordshire. It is a strange thing to have happened but the fact is that those people are skilled at those jobs and British workers do not necessarily want, or are not available, to do them. I think this issue of skilled is critical in what comes next because the definition of skilled might well be somebody with a university degree or somebody with five A levels or five GCSEs, but I think that is the wrong way of looking at it. We need to look at this as geographical elements and demographics rather than skills. It is interesting that the Government's industrial strategy, just published, takes massive account of what they call "place", so they have recognised the demographic issue in the industrial strategy, but it is really important that they recognise it in the labour strategy which will follow.

Jon Woolven: In terms of which parts of the chain are most heavily reliant on imported labour, they are obviously horticulture, which was discussed at length in the previous session, and some particular parts of food processing, and meat processing, sugar refining, for instance, which spring to mind. Distribution is quite heavily reliant. We have a shortage of HGV drivers in the UK and in many other parts of Europe they are quite scarce, so we are reliant on many European drivers. The sector I would have to put right at the top of my list, which Ian alluded to earlier, would be catering. I have seen it reported that there are 442,000 EU migrants working in Britain's restaurants and hotels, and some of those businesses, I think, would find it almost inconceivable to operate if the drawbridge was suddenly raised on all those staff. Of course, it is possible to distinguish between higher and more limited skills. In terms of catering and the difference between a chef and a waiter, for instance, there is a clear distinction. For businesses, the implications of the shortage are exactly the same: a long gap and a high cost for filling those vacancies.

We do not know, of course, how the immigration rules will end up in these professions, but we have to think of better promoting careers in the UK in these areas, which is important, and making sure that we are geared up through our educational system to develop people and train them in some of these skills. There are definite skills gaps in the areas which require a high priority.

Baroness Sheehan: I have asked other panels this question. There is

already, we know, a shortage of labour in 2017 for, I think, agriculture, and I do not know whether that is the same in the other sectors you have mentioned. Addressing that shortage in the here and now, are you feeling optimistic or not?

Peter Hardwick: I met with a group of food processors yesterday evening, a Waitrose group, and they were commenting on the fact that they were finding it harder to recruit people, partly because of uncertainty. I do not think there is any physical barrier to them coming at the moment, but there is some concern about it. They are anxious about it, that is absolutely true. Largely, they are coping. In some of those sectors where they have the capacity to exchange labour for capital in some form of future-proofing by going to more automation or whatever it may be, certainly they are thinking about that, but that is not possible in all sectors, as we know; there are certain skills that certainly today you cannot automate readily. I would say there is a level of anxiety out there at the moment about that and it is difficult for me to say more than that, but that is certainly the view I have got from the ground.

Ian Wright: In manufacturing, I said we have 400,000 workers, but 130,000 of them are over 50 and about 100,000 are over 55. Clearly, if people expect to retire between 60 and 65, that leaves us with a big gap in about five years' time. Jon is quite right, and I have only been in this job for two years so I can claim no responsibility for this, but I do not think the industry has promoted itself very well over the previous couple of decades. It is a significant issue and we must get better at that because, clearly, we will have a situation where labour is scarce and we will be in competition for it, and we must do a much better job of explaining the great careers that people can have in food and drink.

To pick up Peter's point about robotics, it is ironic, I think. Of course, you can automate, but I go on factory visits probably once a week and I see a lot of the robotics stuff that has been put in. It is fantastic and almost all of it is German or Japanese, so we may have stopped the labour coming in but some of the machines that replace those people will not be British either, so we are actually exporting the value of the capital equipment instead of bringing in the workers. I think that is deeply ironic and, hopefully, there will be ways in which we can develop a better robotics industry as it applies to the food sector.

Jon Woolven: We have an initiative, Feeding Britain's Future, in which we go into schools with the help of volunteers from across the industry and we talk to people about their future career options and, in doing so, talk about the broad range of opportunities in the food sector. We find it is a real eye-opener for those children who have a very narrow view on careers in our sector where they tend to think of stacking shelves in supermarkets or standing on a production line or in a cold, wet field picking crops. When we talk about the much broader range of skills and opportunities in food, we find it usually does excite schoolchildren and makes them much more likely to consider a career in our sector. There is an opportunity and we will be looking to build on that initiative and there

is plenty of scope for other organisations in other ways to promote careers in our sector. I am optimistic over time that we will be able to manage this. As Guy Smith was saying in the previous session, what would be damaging is some sudden and immediate change in the regulations for us all to have to manage.

The Chairman: Mr Wright, you talked about retirement, but the other area is where people decide to move back to their country of origin. Do you have a view of the proportion of people engaged in your sector who see the UK as their permanent home where they have a family and they want to remain and those who might, over the next two, three or five years, assuming that not everybody is forced to go immediately, go back?

Ian Wright: We have never researched that to answer that question. It is a really good question that we could ask but, unfortunately, not before you publish your report. We know that, as I said, about one in 12 companies report that people are thinking of going home. I do not think we should underestimate what a big decision that is for a person who is here. They have made their life here and they may live in perfectly ordinary circumstances, they may live with their fellow co-workers; but it is a big decision to leave Poland, Bulgaria or Romania and come here, so I think you have to assume that they are committed. Most of the people I talk to expect to be here certainly for five or 10 years. Whether they think they will live out their old age here is rather a different question. You have to contrast that with the churn at the bottom end where you have people who are genuinely here as seasonal workers, they are here for the summer, they will earn as much as they can under the tax rules and then they will push off back home. But as far as the people who are doing jobs and have homes here, I think they see themselves as here for the long term. That is why it is so important for the Government to give this guarantee, because it is that level of uncertainty, and if it is affecting them that much it clearly is a very concerning time for them.

The Chairman: Thank you; that is very useful.

Q54 **Duke of Montrose:** I must declare an interest as a farmer in an area of natural constraint, receiving money under the Common Agricultural Policy, and president of the National Sheep Association. The question I would like to ask is: should the Government review, diminish or strengthen existing EU Regulations and/or Directives, as transposed into the UK, that affect agriculture and food? What examples can you give us of legislative areas or legislation that merit deregulation?

Peter Hardwick: I will perhaps preface my comment by saying that it would be inconceivable to explain to British consumers that you are doing something to reduce standards. Whatever we do, if we wish to describe that as making regulation more efficient or simplifying it in some way, that is one thing; but if it effectively leads to lower standards that is different, and that is complicated even internally, never mind the issue of international trade and particularly trade with the European Union. As I said, we have not looked at individual Regulations and said, "We don't

like that one; let's change it". But, as an overall comment, it is difficult for me to see how we would explain to consumers that a dividend of Brexit is a lowering of standards in some way.

To try to give a physical example, if you have meat inspection requirements in meat plants and the requirements are outcome-based, the mechanism you use for doing it is something you can look at, but the outcome is not. In other words, you have to end up with a safe product at the end of the day. As we start to look at this in detail we may want to look at how we execute, but I do not think we can look at compromising the standards as such.

Ian Wright: I totally agree with that. I do not have much to add, other than to reiterate what I said earlier, that this issue of regulation is critical to the places from which you can import and to which you will export. I think that my members would be particularly keen to have—if we do not remain under the auspices of the European Food Standards Agency, and in the same way as people in pharmaceuticals would take a view about the European Medicines Agency—some form of equivalence to the way it operates between food standards in New Zealand and Australia, so that they mirror each other's standards, at least at the most significant levels. Of course there will be local divergences—there always are—but I totally agree with Peter that we cannot conceive of a world in which British consumers are subject to lower standards. That is not acceptable either to my members or to anybody in the food chain and, most importantly, to the consumers themselves.

Duke of Montrose: To put a rider to that, to what extent do you consider these legislative areas to be examples of UK gold-plating of an EU Regulation? That would not necessarily lower the standards, no matter what the public consider.

Peter Hardwick: I am not sure that I have any genuine examples of that. I know it is something we believe happens, but I am not sure that the evidence is clearly there that we significantly gold-plate. I have worked in the meat industry all of my working life. I have worked in South America in the beef industry and so on, and the view that there are people out there who are operating at significantly lower standards to us is not as accurate as you might think, particularly where they have to be EU-compliant. I am not sure whether there are clear examples there.

Coming back to the question, let us take the sheep industry and the European requirements on the electronic identification of sheep, which has always been very challenging for the UK. Again, the European Union has tended to make some concessions to the UK and we may want to diverge there, but the outcome needs to be the same; we still need to be able to trace sheep effectively in one form or another. It comes back to what I was saying—that as long as the outcomes are delivered, we may want to look at how we implement things. I do not have a clear example of where the UK clearly gold-plates over and above other member states, for example.

Duke of Montrose: In enforcement perhaps?

Peter Hardwick: That is a good example of implementation, but I do not know.

Lord Rooker: You have raised the meat industry, and you have fantastic experience of it. In the EU, the control system is not risk-based, it is 24/7; a meat plant cannot open in this country and work unless one of the FSA inspectors is present, irrespective of whatever else. Obviously I am a bit out of date now since I left the FSA, but the plan in Europe was to move to a risk-based system so that they would not be there all the while, and I used to be told, "Well, they are not there all the while in the rest of the food industry; the Environmental Health Officers go in from time to time". I thought that there will come a time when we are going to say to people, "The food inspectors are not in the abattoir", and we would rely then on the supermarkets and the other big producers to do extra checks. Are they still going that way? Are they moving towards a risk-based system, because our industry here would do the same, would it not, because they would want to follow what the EU does? How do you explain that to the public?

Peter Hardwick: You are right, and having watched that debate develop in Europe you will see that they teeter to the brink and then they kind of back off because they are worried about genuinely implementing a total, full-on HACCP approach to things. There are interesting examples and I can give a concrete one of a difference in implementation between the UK and another European member state in, for example, export health certification. Here in the United Kingdom—and perhaps this an example of gold-plating even though I said I could not find one—when we want to export a consignment to a third country, there has to be an Export Health Certificate and it is issued on crown watermarked paper and sent as a hard copy, either by snail mail or by courier, to the exporting business. If any changes are made to that document subsequently, they have to be overwritten, countersigned, et cetera. At the point of departure we also require a veterinary officer to be present when that document is signed off.

In Denmark, they do not do it that way at all. The document is generated electronically at the plant, it is given a unique number through computer wizardry and they do not require, at that particular point in time, a vet to be present. The authorities regularly audit the plants and check that they are doing it properly and so on, but they are not there the whole time. Providing the Danish authorities can demonstrate that that level of control provides the right level of assurance to the importing country, in this case China, for example, it works.

There are examples where you can look at the outcome and say, "It is delivering the same outcome and doing it in a slightly more efficient way or a quicker way", so there are some opportunities there definitely. To be honest with you, they are not linked to leaving the European Union but to us deciding if we can do it in a more modern way.

Lord Rooker: Obviously there is a ban on exports to Russia at the present time, and I understand the reason, but when we were exporting meat to Russia it turned out that the Russian requirements in the abattoirs were higher than in the EU. I can mention the firm because the MP raised the issue at Prime Minister's Question Time, much to my annoyance, blaming the FSA for delaying Chadwick's exports. They had higher demands where we in the UK had to certify to the Russians that, yes, these higher standards were being met, so the EU is not the top of the pops in some ways.

Peter Hardwick: I would argue that some of those are obvious non-tariff barriers which are there simply because they know that they can be a member of the awkward squad and make it as difficult as possible. As you will know, they actually required, in some cases, Russian inspectors to be present in the plant during that process paid for by us, so some of those were, I think, deliberate.

Lord Rooker: They still wanted to export there though.

Peter Hardwick: Indeed; it is worthwhile.

The Chairman: I think we will move off that particular angle.

Lord Trees: To some extent, you have answered my question on smart regulation. There is a tendency to confuse regulation with bureaucracy, form-filling and so on, and I suggest that there are differences. We all agree that we do not want lower standards, nor would the consumer accept it, and we will need to enforce the standards for trade. Can you go back to your industries and work out, "We actually can get rid of this form and that form and this red tape"? Is there a real chance of a bonfire of the bureaucracy or is that really an illusion when we will have to commit to the same sorts of standards and regulations?

Peter Hardwick: I would suggest that it is a question of not a bonfire but a refining. I think we can do some refining and there is some work to be done there. At AHDB we will certainly take that back to industry and try to see if we can define some of those areas more clearly.

Ian Wright: I would agree with that. Because of the process of having to go through the Commission, the Parliament, and so on, there is the danger that some developments which are technically possible take longer because you have to go through a process of approval by 28 Member States. There is undoubtedly a dividend there. Before I joined the FDF, I was the corporate affairs director of Diageo, the world's largest drinks business, and my boss was on the previous group of leading business leaders that Prime Minister Cameron asked to look at red tape in Europe before the 2015 election, and I shepherded that group for a bit and we could not find any. We had about three regulations, all of which were about implementation, as Peter said, not actually about any substantive issue. There is understandable frustration with the speed some of these things take, but, as Peter said, you must not mistake standards and implementation for bureaucracy.

The Chairman: We move on to Viscount Ullswater.

Viscount Ullswater: I fancy, if you read the question, it has been answered.

Q55 **The Chairman:** Yes. I would perhaps bring up that we have looked a little bit at PDOs and PGIs and one of the things we wanted to look at was whether they can be retained. In a previous session it was said that they would, but we are also interested in anything about that area.

Ian Wright: It is not an area of particular expertise for me, but, given that I live near Melton Mowbray, you might not be surprised to hear that I believe they should be retained, and that it would not be worth my life to go back there if I did not. It is interesting that it took that guy—I cannot remember his name, sadly—15 years and he got an OBE as a result of his diligence and continued attention to the issue, but they are a very important part of the marketing of products and, indeed, of their provenance, and we need to be sure that we can retain those. Also, if and when we have left the EU there is a huge commercial opportunity for our competitors in that area, so we need to be watchful on that issue.

Jon Woolven: I do not live near Melton Mowbray, so I can possibly mention both sides of the coin here. Clearly, for those people who have that protection it has been hard-fought-for, it is very valuable and those companies would not want to relinquish it. You also have other companies that would like to produce something that they call “Parma-style ham”, for instance, but cannot under the current protections. Of course, this has been a particular sticking area in some of the international trade negotiations, for instance with the US. I think there will be a broader range of views on this that the Government will need to reconcile.

Peter Hardwick: If we look at it from a trade point of view, you asked a little earlier about the question of exchange rates and volatility, and what I would say is that in specific times primary agricultural exports have benefited from the exchange rate. If you want to protect yourself from those sorts of commodity markets and “de-commoditise” as much as you can, you need to add value in some form or another. PGIs are not the only answer, but they are certainly part of it and are helpful in that sense. From that point of view, we would want to retain those that we have and, as we know, we can within the existing scheme because there are third-country participants in the current European scheme, but there is also an interest in developing our own scheme in the future.

The Chairman: Give us some other ways. Obviously, branding is the classic one, but are there others that you are thinking of, Mr Hardwick?

Peter Hardwick: There is branding, but there are also opportunities to differentiate on the basis of quality, for example, and specific types of, say, food safety. If I take an example, we are exporting pork ribs to the United States from a key UK exporter that is exporting on the basis of the product being antibiotic-free. They have an antibiotic-free system and are

able to get a premium for that product. They are not promoting it specifically on the basis of any sort of label, but they have a cachet around it, and I think there are opportunities for all sorts of things like that where the UK can take a lead.

The Chairman: Thank you very much. We will move on to trade, in fact, and Lord Cunningham.

Q56 **Lord Cunningham of Felling:** We know from previous witnesses, of course, that our trade with the European Union is very important to us in agriculture, food and, I am sure, drinks too, although I know less about the drinks industry. If you had any priorities for a future trading relationship with the European Union once Britain has left, what would they be?

Peter Hardwick: For me it is extremely clear, and that is continued tariff-free access. I think that is absolutely essential. There are some sectors which will be extremely vulnerable to losing that tariff-free access, were we to lose it, so some form of continued tariff-free access to the European Union would be my absolute number one priority.

Ian Wright: I would endorse that and only add two things. One is that, whatever the long-term future is, it is really important that we do not have some kind of shock on 1 April 2019, or whenever the leave date is. We need a very orderly, well-planned and well-executed exit for all sorts of reasons, not least the customs posts issue that I raised earlier but also so that business can plan. Two years from now is not a long time in many business planning cycles, so the level of uncertainty about what that might mean is very important.

The other thing I would mention, and I am banging the drum that you have heard me bang already, is Ireland. In the north-south and east-west trade, Ireland is absolutely critical to the UK in terms of food exports and food imports. It is an entirely integrated food chain, and if we do anything to disturb that, we will cause not just huge difficulty for the companies and workers involved but, of course, it is also integral to the political settlement reached in 1997. We should not muck about with that without being very clear about the consequences.

One thing I should have said earlier, and I think my colleagues would agree, is that food is a matter of national security. If you cannot feed the country, you have not got a country really, and it is important that we view these matters and our access to the European Union in that light.

Jon Woolven: If not tariff-free then at least equal tariffs in and out. The real nightmare scenario would be if we had an unlevel playing field with free trade in and then restricted trade out. What makes food companies most nervous at the moment is their worry that food could be used as a bit of a bargaining chip by the Government in order to get a preferential deal in some other sectors, such as financial services, possibly underestimating the economic importance of the food sector. Of course, it has one in seven jobs, if you take the total chain, it is the biggest

manufacturing sector by far and so on, but sometimes these points are not recognised right across all government departments.

Lord Cunningham of Felling: Let us say for the sake of argument that the deal we get with the European Union after Britain leaves will not produce an equivalence in the amount of trade and business we do with the EU. How easy or difficult would it be to recover any loss of trade with free trade agreements with other individual nations?

Jon Woolven: There is no like-for-like Europe out there which is an exact replica, so we could have trade deals with other countries, but if we, say, had a new deal with New Zealand that would mean access to perhaps dairy and to lamb, for example, at cheaper prices for UK consumers, that would not resolve our need for warm-weather citrus fruit and out-of-season crops.

Lord Cunningham of Felling: It would not do much for our sheep farmers either, would it?

Jon Woolven: It would not, so they would obviously be highly concerned about that particular deal.

Lord Cunningham of Felling: I understand the points that you have all made on different questions about tariffs, tariff trade quotas and other obstacles to trade, but the fact is that even in the EU our food exports, with one or two exceptions, have been flat-lining for the last decade. Why is that?

Ian Wright: There are so many different factors. You are absolutely right that if you looked at our economy, the vibrancy and the companies, you would be surprised that we export as little as we do. I think that is partly a result of very sophisticated supply chains. Very many large companies make here for here and they make in Europe for Europe and it is all about near to market, distribution and supplying supermarkets, particularly, just in time, and it is easier to do that if you are close to the market. Where you have big, global or multinational companies, they will organise themselves not around the opportunity to export but the economic opportunity in the widest possible sense, and we have a lot of food companies which are global and multinational. For smaller companies it is an issue of time and access, so it is easier to export to the EU because it is nearer, it is more familiar, it is easier to get on a plane and go and talk to people or go through the tunnel or whatever. In some sectors we have been super-successful. I bang on about this: Scotch whisky is an astonishing success story, but that has taken 150 years, and similarly with Guinness.

Lord Cunningham of Felling: They did not make so much of it 150 years ago.

Ian Wright: They probably did, but probably not legally. Those sorts of stories can be found, but it is a huge commitment for a small business to go to China, say, and try to prospect the market; it is a question of

access. I am fairly clear that we have grasped this nettle now and my discussions with the Department for International Trade indicate to me that they are very clear on the issues. One thing I would say, and it is gratuitous and you would expect me to say it, is that Ireland spends €50 million on a thing called Bord Bia, which is their food export promotion body. It is hugely successfully, disproportionately so. We do not have a similar unit. We do have the Great British campaign, which has made great progress, but a unit dedicated to food exports would have a disproportionate impact in a period when we are going through a lot of uncertainty.

Lord Cunningham of Felling: That is a very full and comprehensive answer.

The Chairman: Lord Cunningham, I think Mr Hardwick wanted to come back on your question.

Lord Cunningham of Felling: Just before he does, I mentioned food in particular but the same is true of agricultural products; meat exports from this country have been flat-lining for a decade too. It is in your document.

Peter Hardwick: It depends on the sector. Lord Cunningham, you experienced the BSE crisis, like everybody else, and we have certainly had the legacy of BSE for ruminant meat for a great deal of time in non-EU countries. I would suggest that we are coming out of that. If we take the pork sector, where we do not have that problem, we have seen tremendous growth in exports, particularly to non-EU markets. In the last 12 months alone our exports to China will have increased by around 70%.

Lord Cunningham of Felling: That is not in this document though, which ends in 2015.

Peter Hardwick: That is because it is last year's number. The reality is that we have seen some great export growth in the cereal sector as well over the same period. What we are seeing is that where we are getting through to non-EU markets we are making progress. If we are looking at this from a positive point of view, there is no doubt that the European Union has been through a financial crisis as well and the markets have been slow, so we need to look further afield when we leave the European Union. We are looking at those markets, but it takes a great deal of time. To get the deal that we have with China on pork took us negotiating around seven years to complete because of the sanitary requirements.

Lord Cunningham of Felling: I had the great pleasure, when I was Minister of Agriculture, of helping to secure a deal with the People's Republic of China on the export of British breeding sows. I do not know whether it is still in existence.

Peter Hardwick: It is.

Lord Cunningham of Felling: And similarly, if I remember rightly, with

Cherry Valley ducklings. Selling pork and duck to the Chinese should be a bonanza because they are the two most popular meats in the country, so are those things being pushed hard?

Peter Hardwick: Yes, they are. Those export figures, which are not comprehensive, look at carcass meat, but they do not look, for example, at our exports of fifth-quarter products, so the export of cheap beef and fifth-quarter products have increased hugely over the last three to four years, so there are sectors where we are seeing a great deal of export growth. We have a lot more to do, there is no doubt.

The Chairman: We have to move on, I am afraid, because of time.

Q57 **Lord Rooker:** Scotch whisky is important, it is true, but Irn-Bru has been pretty successful as well, by the way. I have a question about trade, but, Mr Woolven, you said something 10 minutes ago that worried me. This Committee did one of our Brexit inquiries on fishing. The fishing industry said to us, "We are worried, because we are so small in the great scale of things that we will lose out as part of the deals because we are such a tiny part of the food industry", notwithstanding they are bigger in Scotland. You have just talked about the UK's biggest manufacturing sector employing more people than anybody else and that you are fearful that food in its widest sense will be used as a bargaining chip by the Government in parts of the other negotiations. You must have contacts with government. The fact is that none of the higher echelons in the Government have had any contact as Ministers—the food Ministers, agriculture Ministers or anyone else. Have you made them aware of the size of the implications for employment, trade and exports in the food industry, to stop anybody even saying or thinking what you have said about it being thrown away as a bargaining chip to preserve the City of London, or something like that?

Jon Woolven: We are a non-lobbying body, so we do not particularly put our effort into that but we do pull together statistics to demonstrate the significance of our industry. Defra, as a department, is highly alert to this and is a strong voice for the importance of food. In recent years, successive Secretaries of State have been making some of these points quite loud and clear but always the danger is that, because of the existence of Defra as a separate department, other departments feel that food is not their issue. They produced, for instance, the recent industrial strategy but it does not refer to food on the grounds that Defra will be producing a separate food and farming strategy. What we have to hope, clearly, is that that is aligned with the industrial strategy, which has some very important points to make which will be very pertinent to the food industry, and that these things get tied together. There is always a danger here that, because of the way the departments are set up, Ministers of other departments think of food as an afterthought.

Lord Rooker: Mr Wright, I wanted you to answer this, but you made the point earlier on. It is hardly surprising, therefore, that the Scottish Government, where food is a bigger percentage of the economy than in England or GB, will delineate itself from England and Wales to push the

Scottish products once we are out of the EU because they will have the freedom to do that, will they not?

Ian Wright: I take slight disagreement with Jon on that point, and rarely in this session, but we are the lobbying body so it is our fault if it goes wrong. I am very clear that the importance of the food sector is right in the heads of all the people it needs to be. They are very seized of the importance of food manufacturing for agriculture, retail and out-of-home. I think they get that now. Whether they did at the start of this process is a different matter, but they certainly get that in the discussions we have had. I will have had five ministerial meetings this week on these very subjects, so I am very clear that they understand. But, of course, the process of exiting requires them to make choices in a way that we have not had to before. That is the difficult bit, that they will have to prioritise at various points particularly, for example, in the labour market where somebody will have to decide who gets the most of those 100,000 jobs, or whatever it is.

Just on the industrial strategy, I am pretty confident—in fact I am certain—that there will be a sector deal for food and drink. How they involve agriculture in that will be a different matter, but I am very confident about that. In the presence of so many former agriculture Ministers, it ill behoves us to say anything other than what a wonderful department Defra is, but it is becoming more and more effective as people realise the importance of food, drink and agriculture. It has a huge task, which we have not talked about, Chairman, but the replacement of the Common Agricultural Policy is a job that would tax Stephen Hawking on speed. The fact that Defra has to do that in two years is a huge undertaking and it is not surprising that that is taking up a great deal of its time.

The Chairman: We are leaving that to the House of Commons to sort out.

Ian Wright: I think very sensibly.

Jon Woolven: I have to say, I am very reassured by what Ian says there; he is much closer to the pulse because of his daily political contacts. I was only reflecting the worries that some people have voiced to me.

Q58 **The Chairman:** I am going to have one question on WTO, but there is one thing which I think is important which, Mr Wright, I want to take up with you. You mentioned, very interestingly, how supply chains configured themselves and, in fact, although we have great food processors here sometimes we just land up as the market because it suits them to do the manufacturing elsewhere. Do you think there is a risk that because of tariffs, barriers, non-tariff barriers or whatever, companies will over time just see us as a market and that it is really important to keep the rest of the supply chain within the European Single Market? Is that a risk or is that unlikely to happen?

Ian Wright: It is clearly a risk, but whether it is a big risk is another matter. I take exactly what you are saying, and who can predict the future, not least because of the technological developments which might allow people much smaller-scale manufacturing in multiple sites. At the moment the economies of scale do not allow you to do that. The one thing to remember here is that this is a big market—it will be 70-75 million people, so in any circumstances it is an important place. It is the fourth largest economy at the moment, though whether it will go on like this is another matter. It is vibrant and has a big population, so it will always be important at a level that would require companies to take it seriously.

The Chairman: For the last two minutes, Lord Cunningham, WTO issues and then we will need to finish the session.

Lord Cunningham of Felling: Once we have left the Common Agricultural Policy we will become—sooner or later; perhaps sooner, who knows—affected more than we have been in the past by WTO rules and regulations. How do you think they will affect our ability to expand our trade in agricultural and food products? Will the WTO be an obstacle or will it be a facilitator?

The Chairman: Just brief answers, please.

Peter Hardwick: The WTO has always been a relatively pragmatic body, so I think that, if it sees, as I think it will, that the UK's direction of travel will be to intervene less and be more free-market that will be helpful. That said, it is an agglomeration of hundreds of countries.

Lord Cunningham of Felling: Yes, 164.

Peter Hardwick: That is the problem. To take one very quick example, whilst you could try to grandfather part of a trade agreement with another country, and that might be accepted, it just takes one member to step in the way, so it is very difficult for me to predict that. I would hope at least that, in terms of agricultural support and other mechanisms where the UK will have to make those things compatible, the direction of travel will at least be helpful in terms of how that is seen.

Jon Woolven: I would say from a company perspective that we can look at the separate implications of Brexit on trade, but companies have to think more broadly than that; they have to think around the world and of a wide range of different things that are happening simultaneously. The changes in US trade policy, for instance, could be absolutely enormous in terms of trade flows around the world. Businesses have to manage this high level of volatility and uncertainty. They are used to that, it is not sudden; we have been in a time of perma-uncertainty really over the last decade or so, but it is stepping up to another level, so businesses cannot just think of a forecast of the future but of a range of scenarios and plan according to a variety of different possible outcomes.

The Chairman: Gentlemen, thank you very much indeed; it has given us

a very good extra dimension to this subject. Can I once again say that if there is any further evidence you wish to give us or any cases you wish to expand on, please do come back to me. Can I say, Mr Hardwick, from our previous session that I am very interested in getting further evidence on how we open the gateway for the bottom of the industry, if you like, to export more generally. As you say, it is quite difficult for a farmer to get on a plane to go to China or wherever, so I would be very interested in having your further thoughts around how the UK could be successful in that area. Thank you very much indeed.