



Select Committee on the European Union

Energy and Environment Sub-Committee

Corrected oral evidence: Brexit: agriculture

Wednesday 8 March 2017

10.30 am

Watch the meeting

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

Evidence Session No. 7

Heard in Public

Questions 81 - 91

Witnesses

I: George Eustice MP, Minister of State for Agriculture, Fisheries and Food, Defra; Mike Rowe, Deputy Director for Future Agriculture Policy and the CAP, Defra.

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Examination of witnesses

George Eustice MP and Mike Rowe.

Q81 **The Chairman:** Minister, I welcome you to the last evidence session in our inquiry into Brexit and agriculture, which also stretches into the food-processing supply chain and similar issues. I also remind fellow members of the Select Committee to declare the interests that they may have. I would remind everybody that this is a public session; it is being webcast and there will be a transcript of it. If there are any errors when we send it to you, please come back to us and we will make sure that they are put right. First, perhaps I could ask you both to introduce yourselves very briefly and then we will start the session.

George Eustice MP: I am George Eustice, the Minister for Agriculture, Fisheries and Food. Agriculture is an area that I have been covering for about three years now.

Mike Rowe: I am Mike Rowe, deputy director in Defra for future agriculture policy and the common agricultural policy, and I also head up our farming statistics team.

The Chairman: Mike, I should have welcomed you as well. Thank you for being here in front of us. Perhaps I could start off on one of the questions which is obviously of great importance to our agricultural industry, and that is on Pillar 1 and Pillar 2 payments to UK farmers, and ask you what assessments you have made of the implications of Brexit on UK farmers as far as they are concerned; how you will mitigate any adverse impact; what plans you have, if any, for a transitional period; how long it would be; and what would it cover? I should say here that, although we are primarily trying to look at the challenges of where we are at the moment in the transition, we are not looking at the huge detail of what will be the policy within the UK; that is not our remit. How we get to that point is what we are particularly looking at in this evidence session.

George Eustice MP: The first thing to say is that the Common Agricultural Policy in total for the UK costs, depending on exchange rates, about £3 billion a year, of which the majority, about £2.3 billion, is on our Pillar 1 direct payments and the remainder is in other Pillar 2 agri-environment schemes and countryside productivity-type schemes. Immediately after the referendum result, within a matter of weeks, we confirmed that we would have the same budget available until the end of the multiannual financial framework, up to 2020. I think that gave farmers the certainty and clarity that nothing was going to change quickly. We are now doing a lot of detailed work and analysis, looking at policy options for future agriculture policy. We will make sure that we make our intentions clear to farmers well in advance of the end of the current schemes, so that they know where we are heading. You mentioned the point about transition. I think that depends on how different where we want to end up is from where we are now, and the length of that transition will depend on that. I would envisage us, in the

course of the next 18 months, giving quite a clear indication of where we want to be after 2020, so that farmers know where we are heading, and, alongside that, a plan for a transition from one system to a new one.

The Chairman: One thing that strikes me is that although 2020 seems a long way off, the end of 2020 will only be some 18 months after we exit the European Union, so there is not a huge gap there. Perhaps you can help me on one thing. The Secretary of State did say that Pillar 2 payments signed before we leave the EU will be there for their lifetime, but does that have any effect on people, say, between Brexit in March 2019 through to the end of 2020? That leaves a gap, does it not, or is that not significant in terms of those payments?

George Eustice MP: I do not think it is significant because we do not want any cliff edges. I think the Prime Minister has been clear in all her statements on this that we want an orderly transition from being in the EU to being out of the EU. I think the point that the Secretary of State was making is that, in terms of some of the agri-environment schemes where we agree to enter into, say, a countryside stewardship scheme before we leave the EU, we will honour it for the duration of the scheme.

The Chairman: What is the average length of those programmes?

George Eustice MP: The higher-level schemes can be up to 10 years, and I think that most of the mid-tier schemes are around five years. So there is a budget consideration because, obviously, we are binding our hands to fund projects some years after we have left the EU. The view we have taken, particularly on the agri-environment schemes, is that they tend to have quite good value for money anyway. They tend to be the sorts of schemes that, in some form or another, we would want to continue after we leave the EU. We have therefore taken the view that we can continue to fund those.

Mike Rowe: Perhaps it is worth adding that that also covers the expiring tail of environmental stewardship agreements, the last ones of which were signed up in 2014, so it is both environmental stewardship and countryside stewardship. On countryside stewardship, we are planning to open up the new round for applications very shortly.

Q82 **Lord Rooker:** Good morning. It is good to see you, George. I have to declare an interest that Mike and I had a professional relationship during my time at Defra. Good to see you, Mike. I have a high-level question, George, on what you said about the planning for that. Given the fact that we will still be the UK and you will be responsible externally for the UK, what contacts and discussions are you having with the Scots, Welsh and Northern Ireland in terms of the planning for posts now in setting up a new system? It might be different in the four, but you will be responsible for the UK negotiations externally.

George Eustice MP: That is right. This is obviously a crucial area that we have to get right. To be honest with you, we have not reached any decisions yet about exactly what the structure of a future UK framework

might look like, but we are meeting our counterparts in the devolved Administrations regularly, typically once a month, and the Secretary of State met them last week in the most recent meeting. At official level we are doing a huge amount of work with them, obviously, with the preparations needed for the Great Repeal Bill. Some of the EU Directives and EU Regulations that we are pulling across through the Great Repeal Bill will require the Welsh Assembly and the Scottish Parliament to do something similar in their own legislatures to bring some of those across. So there is an enormous amount of joint working going on on that very technical exercise.

The Chairman: We will get into devolution later on, Lord Rooker.

George Eustice MP: You will appreciate, because many of you have been in government and you know what it is like, that we have not decided that yet, except I think there is a consensus, particularly among the industry, that you need some kind of UK framework, but within that you want to make sure that the devolved Administrations have the freedom to pursue policies that work for them as well.

The Chairman: Minister, you said, and I think it reflects what the Secretary of State said, that the budget for Pillar 1 would be guaranteed. Would it be paid in the same way, and are you saying that the format of it would be the same as well, or might that alter?

George Eustice MP: On Pillar 1, the reality is that the guarantee pretty much takes us up to the point at which we have left the EU, as there would be a one-year overlap if we left in March, but what we are really saying is that nothing will change until we leave the EU, to all intents and purposes. After that, obviously the options range from bringing big elements of the Common Agricultural Policy across through the Great Repeal Bill and having, effectively, a sort of rolling forward in the interim until we have planned what we want to do. That is one option. The other option would be to try to do something a little more radical and go for primary legislation in a shorter timeframe so that we had something that could come in new from 2020, which might look quite different from the CAP or, indeed, might be on a trajectory to something different but would start by looking quite like the CAP and morph into a new UK policy.

The Chairman: But in that last year you envisage that the way that budget is spent would be very similar to how it is now?

George Eustice MP: Yes, to all intents and purposes. I think there may be an option in the final year for us to leave behind some of the frustrating EU auditing requirements and pointless record-keeping, the things that drive people to distraction. There may be the possibility for us to loosen some of those rough edges, but the design of the scheme, essentially, will be the same.

The Chairman: Thank you. Lord Trees, did you want to come in on this question?

Lord Trees: I would like to ask about the two strategic plans for environment and agriculture. Brexit has really changed that complexion. They will still be separate strategic plans, will they, although there will be a huge amount of overlap going forward?

George Eustice MP: Yes. It is a very good point, and, to be honest with you, there is a manifesto commitment to have two plans: one for the environment and one for food and farming. The reason we decided to have two plans, and there is clearly an overlap between them, was that we wanted the food and farming plan, in particular, to look at things such as export opportunities, trade, skills, business investment—a lot of issues that are not pertinent to the environment. That was why we thought there was a logic for two plans. But we have always maintained that there is an overlap between the two. As you rightly point out, the decision to leave the EU has quite fundamentally changed the context, so we are looking at these again. It is still our intention to publish, if you like, a kind of loose framework on each or a Green Paper of some sort which can then be a basis for discussion as we design policy, but the timescale for those final plans now has probably been delayed until we work out exactly what policy looks like after we leave the EU.

Q83 **Lord Curry of Kirkharle:** Good morning, George and Mike. As you know, there is a huge debate going on out there in terms of what the world should look like after Brexit and how support should be targeted, whether it is ecosystem services, public goods or whatever; and there is speculation as to, if I can be frank, how sympathetic the Treasury will be to the world after the Common Agricultural Policy because, in the past, whenever CAP reform processes have taken place, the Treasury has been leading the field in terms of reducing funding and trying to cut back support. I know it is very early days, and it may be that you are not in a position to answer this, but it would be good to get your take on how you think support might be directed, because these next three or four years will pass very quickly and the nearer we get to 2020 the greater the uncertainty will be, unless we have started to resolve some of these issues. Farming is a long-term game, so farmers need to plan well in advance as to what changes they might anticipate, and I wondered how far you had got in your thinking on that.

George Eustice MP: The answer is that we are doing quite a bit of thinking about options. So we have made no decisions on anything yet, but we are doing a lot of exploratory work, looking at how other countries approach things and assessing the merits of certain ideas and schemes that NGOs or the NFU and others have brought to us. I have set out quite publicly and quite consistently the types of areas that I think we should be looking at. My view is that we need to disentangle some of the conflicting objectives of the CAP, and first, if we want income support, let us work out why farmers need income support.

Also, there is something around risk management. This is an industry that is exposed to risks, such as weather, very high market volatility, animal disease outbreaks, all sorts of problems. What some countries, such as the US and Canada, have done is look at policies for government-

backed insurance schemes or countercyclical disaster payments or incentives to help farmers set money aside for a rainy day, and a range of policies that help farmers manage risk. We are looking at that.

When it comes to the environment, I think we could adopt an approach that is much more holistic and much more local. I am interested in whether we could use people, such as the Wildlife Trust and the RSPB locally, to design an agri-environment scheme that works maybe on a water catchment basis or based on a local landscape. At the moment, we have very centralised schemes, very prescriptive, national things and even EU options, but the truth is that the approach that we should take in Devon—where you have mainly grassland, lots of livestock, high rainfall, clay soils and lots of hedgerows—would be very different from what we would do in Cambridge, where you have low rainfall and light soils and it is mainly arable with low hedgerows. The ability to have locally tailored and locally designed schemes is important.

There are two other areas that we have talked about as possible options for farm support. One would be doing a lot more by way of productivity, knowledge transfer, investment in science, good value for money by investment in technology and maybe grant aid to help farmers invest in the next generation of technology.

Then, finally, there is animal health and welfare. We have a manifesto commitment to put stronger emphasis on animal welfare in the way we design future agriculture policy. We are looking at options of anything from grant support to support the development of units that might be more welfare-friendly, right through to possible incentive payments as well to encourage farmers to adopt approaches to farm husbandry which might be better for welfare and, indeed, better for animal health.

Mike Rowe: I might add that we are keen to look at what is working around the world in those circumstances and at what has worked previously. The Secretary of State said recently at the NFU conference in Birmingham that we are looking at ways to try to get as many farmers as possible to be incentivised for delivering environmental improvements, which might take our looking back at some of the schemes we have had in the past, including universally available schemes, and how they might fit with the future. We are really trying to pick and mix the best possible policies for the circumstances that we face, based on what we know about what has worked in the past, and there is lots of evidence there and about what the rest of the world are doing.

Lord Curry of Kirkharle: I certainly think that the more localised water catchment approach is worth exploring. On a slightly separate note, there is a concern within the farming sector about this whole level playing field, which, frankly, has never been level. Our competitive position within Europe in terms of a level playing field is clearly a bit of an issue with what we have now and what we might have in the future. How serious do you think this is? Linked to that, and you touched on this a little bit earlier, can you see a transitional period after 2020 when we will be moving from where we are now to where we want to get to?

George Eustice MP: On your first point—and, for as long as I can remember, organisations such as the NFU have talked about level playing fields—my conclusion, having seen lots of attempts to try to pursue a level playing field, is that you largely end up chasing rainbows because you can never get there. The truth is that, even now as an EU member state, changes in the exchange rate can affect relative pricing, and we have different labour costs, different infrastructure costs and different land costs, so the notion of a level playing field is elusive. My view is that it is probably not the right thing to target. As a point of policy, we should be targeting good, coherent policy that delivers for agriculture so that our farmers can get a competitive advantage in the world because we have good policies that support them to become profitable, competitive, productive and sustainable. We have to get the focus in the right place, and mine is very much on the latter.

There is a second issue, which I know you have touched on and I have dodged, so it is a nice way of coming back, which is the issue of the Treasury, money and that kind of thing. I know that the NFU and others have always expressed this concern, but the final decision about what future policy looks like will be a Cabinet decision. Clearly, the Treasury will express a view, which the Cabinet will consider. The Welsh Office, the Scottish Office, BEIS and all sorts of other departments will have a view about what the future should look like and will all express a view, and the Cabinet will do what the Cabinet does quite well, which is to drive out from that a policy that they believe is right, coherent and, crucially, that they can get through Parliament. That is the beauty of our system; our Cabinet system is designed to enable us to do quite bold and difficult things, but to do them carefully. It will be a test of that Cabinet system, but I have great confidence that it will do it. I am confident, yes. We have our guarantee until 2020, but I am confident that, in advance of that, we will be able to give farmers clarity about what will come after that, where we are heading and the timescale to get there.

The Chairman: It is currently argued in bits of the Conservative Party, and other parties have argued, that this is not the best use of the country's financial resources in the longer term and that perhaps we should increase competitiveness by weaning this industry off subsidy, which it has got rather used to.

George Eustice MP: I was very clear during the campaign that, although I felt we should still have a funded agriculture budget, we could spend the money far better. I think you are right that the big question is how best to support agriculture. If you are supporting farmers to farm in a more environmentally sustainable way that improves soil management, water quality and the recovery of habitats, then obviously you are paying them for the delivery of something. If you are supporting them to improve farm animal welfare standards so that we become the best in the world, you are supporting them to deliver a public good that we should recognise and be willing to reward. If you are supporting farmers so that they become more productive and more profitable, that is the right way to support their income; and if you are helping them to mitigate risks,

that again is justified. I think, and I have been very clear about this, that we should move away from the sort of notion of subsidies. In some ways, it is a bit of a misnomer because, if you put subsidy in in the way that we do through an area-based payment, some of it disappears in increased, inflated rents, some of it goes in increased costs in farm inputs and some of it, arguably, depending on which economist you listen to, could go to effectively allowing farmers to continue to produce food at a slight undervalue because the subsidy keeps them afloat. You do not really know where the subsidy comes out. We sort of assume that farmers should be grateful for the subsidy they receive, but once you inject cash in that way into a system you cause lots of distortions. I believe that we should move away from the notion of a subsidy—ie, a prop to hold people up because they are losing money—and, instead, start to look at how we can use that money to incentivise farmers to do things that are a public good.

Lord Curry of Kirkharle: I ought to declare my interests. I have a farm in Northumberland, I receive the Basic Payment Scheme and take part in environmental stewardship schemes, and am also a trustee of Clinton Devon Estates.

Q84 **Viscount Hanworth:** I have noted that the agriculture economists want to expunge the word subsidy and substitute some synonym. Be that as it may. This may seem to be a non sequitur, but I think it is connected. The question is: how do you expect the Amber Box allowances of the World Trade Organization to be divided between ourselves and the remaining 27 of the EU? How do you expect that to happen, and does the issue concern you very much?

The Chairman: That was Lord Cunningham's question. Lord Cunningham, do you want to take it up?

Lord Cunningham of Felling: Good morning. The Secretary of State said in a recent speech that the first principle of reforming or changing agriculture policy will be trade. Four of our five largest markets are members of the European Union and presumably we will have to find a way of making sure that those opportunities are sustained after we leave. I am not anywhere near the people who think we should be trying to stop leaving; the decision has been made and I am trying to make myself comfortable with that. One of the problems of trade will be complex, I think, because whatever we do will have to be compatible with our membership and the rules of the World Trade Organization. At the moment, what is called the aggregate measurement of support in the EU contains our and the EU's contribution. Will it be possible to divide that sum, and will the World Trade Organization accept such a division of it?

George Eustice MP: The answer is that it is early days, so we are working through the detail on this. Our view of that aggregate market support which, as you say, is all in an Amber Box, Blue Box or Green Box—

Lord Cunningham of Felling: We need a black box to sort it out.

George Eustice: Exactly. We suspect that the logical way to deal with that is through a process of technical rectification where you simply say that the UK's share of the EU's amber box and blue box is X based on our allocation of the CAP budget. That would seem to be the simplest, most sensible way to proceed. It is a similar approach to the one we will take on TRQs, for instance, the tariff-rate quotas. Again, it seems a sensible thing to do if we want to make this as simple as possible for everyone. There is a school of thought that says that if we are going to go into a world where we are pursuing policies that are less market-distorting and more about supporting environmental outcomes and animal welfare, how important is it to have that share of the Amber Box? I think the problem is that the more we look at this the answer is that it probably is still quite important to have that share because of, if I might put it this way, some of the shortcomings in the way the WTO rules themselves are drafted. Ironically, the single farm payment, which is ultimately an area-based, distorting subsidy, technically at the moment qualifies as Green Box, whereas the types of policies that would be more modern, more progressive—payments to get animal welfare outcomes, risk management measures, those types of things—we understand, at the moment, would probably be deemed under the WTO rules as amber box. There is this sort of inversion that a modern, progressive policy probably requires, in the short term, some sort of Amber Box. In the longer term, once we are speaking for ourselves again in the WTO, it may be that the WTO needs to revisit some of these rules and think afresh about how it is doing it, but that will not be a quick process.

Lord Cunningham of Felling: No; there are 164 members of the WTO.

George Eustice: Quite. It will be even harder than agreeing things at an EU level.

Lord Cunningham of Felling: Exactly. The question is: do you think it will be easy—I do not think so myself—simple and quick to get the WTO to accept this split and transfer? You are quite right that the Green Box does not seem to be a problem; what is called the Amber Box support is the real problem. As I understand it, at least some of that will be in conflict with the WTO rules.

George Eustice MP: I do not think at the moment that the EU comes anywhere close to using all of its Amber Box, so it is not that it is a box that people want to fight over because the EU at the moment is not using that box. Again, I think the sensible thing on all these issues, and it is similar on tariff-rate quotas and trade, is to treat it as a technical rectification point where we are simply taking an appropriate share based on our allocation of the CAP budget in recent years.

Lord Cunningham of Felling: Have you opened any preliminary discussions with the WTO yet?

George Eustice MP: I have not, but that would be a matter that DExEU would lead on, and I suspect that there probably have been some technical-level discussions.

Mike Rowe: The Secretary of State for International Trade issued a Written Ministerial Statement in December last year, explaining that those negotiations and conversations with the WTO would be progressing, but without prejudice to whatever the final outcome of the EU negotiation will be.

Lord Cunningham of Felling: On this whole question of support—forget about the word subsidy; lots of industries get support—pigs, potatoes and poultry do not get any support at all, yet I read, and it is in the Secretary of State’s speech, to her credit, that our exports of seed potatoes are increasing internationally. What is the argument for saying that some aspects of agriculture get no support at all, and they seem to be doing pretty well, but the rest have to have support?

George Eustice MP: You make a good point. Potatoes, of course, now qualify for the single farm payment, so historically they did not get support but they had some protection through a quota regime. You are right in that if you look as a general rule of thumb at the sectors that have been unsupported, and that is most sectors of horticulture, the soft fruit industry, the tinned fruit industry, the nursery stock industry, and then, of course, pigs and poultry, they tend to be more market-focused, more efficient and more productive. I guess that is maybe an indictment on subsidies per se. You could say as well that other sectors are more likely to have an impact on the environment because they use more land.

Lord Cunningham of Felling: Pigs have a pretty big impact on the environment.

George Eustice MP: They can have, yes.

Lord Cunningham of Felling: If they are free-range.

George Eustice MP: It is why, and I know that some might say that this is a play on words, moving away from a notion of subsidies—which is putting money in in a slightly unfocused way, as the single farm payment does, which in many ways is a slightly upside-down benefit system because the more land you have the more money you get—and going instead to a more targeted type of support to support productivity and preparation for the future when there might not be as much of a sort of single farm payment, and to make sure that you are rewarding farmers for what they do for the environment, is, I think, a legitimate aim of public policy.

Lord Cunningham of Felling: So do I.

Mike Rowe: I think that the five principles the Secretary of State set out recently are not exclusive to those who receive the Basic Payment Scheme now. We want the whole industry to be competitive, productive and seeking new market opportunities. When it comes to R&D, innovation and knowledge transfer, different sectors of the industry will have different needs and we need to make sure that we have tailored policies to support them all, regardless of what they got under the CAP.

The Chairman: We like optimism in the Committee, Minister. One of the things that, I guess, is true about trade negotiations is that it is always the detail that stops the deals, whether you look at the Doha Round, TTIP or any of these other things. On your optimism about the Amber Box, I do not think there is any precedent for splitting out amber boxes in the past. There are countries, such as China, that do not have one at all. For anybody who wants to be difficult or has another agenda, surely this will be rather more difficult perhaps than we expect?

George Eustice MP: As with all of these things, we will not really know until we get into the negotiation. Once we have triggered Article 50 and these sorts of discussions start in earnest, then we will know, but there will obviously be, in any negotiation, things that people want from us—continued access to our market—and there will be a quid pro quo for that. It is a complex, large negotiation and the simple answer is that we will not know until we get into it. We do not know whether people will want to press this point and have an argument about it. If they do, then they may be sacrificing their ability to ask something else of us that they want from us. That is the nature of a negotiation.

The Chairman: Indeed. Do you predict any particular agendas that other WTO members have to ease our path into this?

George Eustice MP: Not at the moment, because I think it is generally widespread that most countries have certain supports for their agriculture and environment. I do not really see this as a big issue. At the moment, the likelihood is that nothing we are proposing will cause much trouble with the WTO rules, and the issue is that the EU share of that Amber Box is far larger than they ever use anyway because the Pillar 1 payments are classed as Green Box at the moment. I suspect it will not be a problem and we can deal with it through technical rectification, but we will not know until we get into the discussions.

The Chairman: Lord Curry, did you want to come back on that?

Lord Curry of Kirkharle: On the sequencing of these negotiations, some of your colleagues, if what we hear in the rumour mill is correct, are very enthusiastic about the opportunities of a hard Brexit and opening up our markets to international competition, which could have a dramatic impact on commodity prices in Britain, and the debate around what level of support is required will depend on to what extent we expose our industry to the wider global forces. Is that part of your thinking in terms of how you balance these two issues of whatever support might be appropriate and the exposure to international trade?

George Eustice MP: Not really. If I am honest, for me the greatest opportunity that we have in leaving the EU is to design a better, more coherent domestic policy to support farmers to become more profitable, to support environmental outcomes and to promote things such as animal welfare. That is the real prize, the real gain, if you like. In the context of trade, there are trading opportunities, and that is why, as the Secretary of State said, that is one of the five pillars: we will be looking at

opportunities for trade. There are economists out there who will say that we could just stop farming and buy all our food cheap at world prices and this sort of thing. If you look at the evidence it is much more complicated than that, as always with these things, and it depends on the sector.

We have, in the UK, probably the cheapest bread in the world, and the reason for that is that we have incredibly productive wheat producers and the level of starch in the wheat that we grow in the UK lends itself very well to bread manufacturing. Crucially, we have three very large players in Warburton's, Allied Bakeries and Hovis, which are all incredibly competitive and fight one another very aggressively for market share. The biggest threat to bread prices in the UK would be to destabilise the wheat supply chain on which this industry depends where we would face higher bread prices. Likewise on milk; we have very low competitive milk prices for similar reasons. If you look at vegetables and produce, the prices in the UK are probably lower because we have our own production in the UK. If we relied on flying everything in, the costs would go up.

There are some sectors, probably beef, possibly lamb, although less strong in lamb, where beef produced in Brazil, Uruguay and the US is cheaper than in the EU and, in particular, in the UK, but that comes at a price of using hormones in beef and all sorts of approaches that probably would cause consumer reaction here, and the quality of that product is far inferior to what we have. It is a complex picture. There are some sectors where world prices are indeed cheaper, but, equally, there are many where they are not cheaper.

There are countries, in the Gulf for instance, that do not really have their own production at all or their own farming and they buy all their food at world prices, and as a general rule the amount of choice is lower and the prices are higher. That tends to be the outcome from countries that rely solely on world markets for their food supply.

Mike Rowe: As one additional point on the sequencing, I think it is reasonable to expect that the future trade environment will take some time to become clearer. We are keen to make sure that we can anticipate what that might be and have a flexibility policy tool so that we are able to respond as we go. I think that once we have left the European Union we will no longer be bound by the fixed cycle of policy being shaped and then set in stone pretty much for seven years, so there is an opportunity there to be able to adjust policies in-flight as that environment becomes clearer. We are pretty clear that we cannot afford to wait until everything is clear, given the need to prepare the sector, et cetera.

The Chairman: Viscount Hanworth, please make it a short question and then we need to move on.

Viscount Hanworth: Our bread production was heavily dependent upon hard wheat from the USA, and you are saying that we are now dependent largely on our own homegrown wheat. Is this an instance of adaptability, or have I misunderstood the nature of bread production?

George Eustice MP: If you talk to somebody such as George Weston from Associated British Foods, which runs Allied Bakeries, he will point to the fact that although yields in cereals have famously not really gone up much in the last 20 or 30 years, the quality of wheat production in the UK—partly because of the unique elements of our climate and partly because of genetic and technical improvement, the level of starch that you get in UK-grown wheat—is perfect for bread production and better than elsewhere in the world.

Viscount Hanworth: So something has changed, clearly.

George Eustice MP: I think that most UK bread producers now have contracts predominantly with UK wheat producers.

Viscount Hanworth: This is an interesting instance of our adaptability, if indeed it is so.

Q85 **Baroness Sheehan:** My questions will be around trade and regulations with the EU. The majority of UK agri-food exports and imports are to and from the EU, as we have heard. In her speech to the NFU, the Secretary of State repeated that we want tariff-free and frictionless cross-border trade with Europe while withdrawing from the single market and the customs union, which, as we have heard, will require quite a lot of new negotiations and trade relationships with the EU. We have heard a little about some of the factors that will need renegotiation, but I would like to know what your priorities are for agri-food trade with the EU after Brexit. To what extent, and how, do you expect to split current trade-rate quotas between the EU and the UK and to replicate the EU's external tariffs for agri-food products after withdrawal? As an addendum to that, will you carry out a risk assessment of the impact of a future agreement with the EU on UK farmers, and could you address supply chains across the EU as well in that?

George Eustice MP: On your first point, it is clearly difficult to look at this issue in the context of agriculture in isolation because this is bound up in a much bigger decision, which is what type of free trade agreement we have with the European Union when we leave. As the Prime Minister said, she wants to have a bold, ambitious and comprehensive customs agreement with the EU, which means that we are not in the single market, and she made it clear that we want to be able to do trade deals elsewhere in the world, so that requires being outside the common external tariff. Short of that, she wants to avoid cliff edges and wants to ensure that we allow the freest possible trade with the European Union, because it is still an important trading partner. That is our starting point. As the UK, we are a country that generally believes in open markets and generally supports free trade, and we will be trying to make that happen. That will be the PM's offer to the EU, if you like, that we ensure that we have that free and open trading relationship going forward.

Returning to the context of agriculture, it makes sense for other European countries to want to do the same. If you look across Europe, you see farming unions from Denmark, the Netherlands, Spain and

France all telling their Governments that it is essential that they still have access to the UK market. The UK market is the second most valuable market for the Netherlands, for instance. They are starting to wake up to the fact that this is a two-way process and that they also need access. Indeed, we have a trade deficit in food and drink alone with the EU of around £18 billion a year, so this is an area where it is in their interests really to do a free trade agreement. It is too early to say exactly what that will look like and it will probably be the single most important element of the negotiations that will commence when we trigger Article 50. It is something that I am sure David Davis MP, Liam Fox MP and the Prime Minister will be putting a lot of attention and thought to.

On your second point around impact assessments, about a year ago the NFU commissioned a study to look at the impact of going to WTO rules, if you like, as a sort of academic exercise. Bearing in mind that, as I said, it is difficult to look at this in isolation, what it showed is that a straight reversion to WTO rules would probably, in most sectors of agriculture, lead to a firming in farmgate prices because competition from Europe would go down. The only exception is the sheep sector, which is heavily dependent on access to the French market in particular. From our point of view—although it is not what we want, and obviously we are going into this asking for that bold and comprehensive free trade agreement—most sectors of agriculture do not have a great deal to fear from that if that were the outcome.

Baroness Sheehan: As a quick follow-up, you have talked a little about the impact of supply chains, and I am not sure that you have really covered that, but have you looked at the impact of bureaucracy, paperwork and border controls?

George Eustice MP: This is something that the Department for Exiting the EU is looking at closely and we are contributing to it. You will appreciate that these challenges are not unique to agriculture or food generally in this.

The Chairman: We are going to move on to supply chains—I think Lord Trees will do that in a moment. Perhaps, Minister, I can come back on the split. We have had evidence previously on the split of current tariff-rate quotas between the EU on New Zealand lamb and those sorts of things. Is that resolvable? How will that work out? It is quite important, obviously, to certain sectors in this country.

George Eustice MP: Similar to the aggregate market support issue, we suspect that the right way to approach this is simply to look at technical rectification and to say during a reference period that the UK's use of the tariff-rate quota on lamb was X and, therefore, that is how we should split it going forward. There will be some issues around that. There may be some countries that say that we have lost the option to be able to choose a market because part of it is now separated out. That is a consequence, largely, of the fact that we are leaving the EU and, therefore, it is not a single market anymore. Ultimately, I think those countries will still want a tariff-rate quota to the UK, and it is difficult to

think of a better way to do it than to look at the historical track record during a reference period and to allocate it in that way.

Lord Cunningham of Felling: This is a correction of my error, and I want to save the Minister and Mr Rowe from going back to their offices and searching for what I said was a statement by the Secretary of State. I was wrong; it is a statement from the Agriculture and Horticulture Development Board about the export of potatoes, so that will save you a little bit of work when you get back. I apologise.

Viscount Ullswater: Before I ask my question, I should declare an interest as being a trustee of an estate in Cumbria which receives payments from the CAP. My question is quite a simple one. The Prime Minister has majored on the fact that she would want to have free trade with Australia and New Zealand. How is that going to work when our relationship with the EU prevents that at the moment and it looks as if it will continue to prevent it in the future?

George Eustice MP: This will be, as I said, the future trade agreement that we have with both the EU and then the trade deals that we do with countries in the rest of the world. It is a complex area and something that the Department for International Trade leads on, obviously, but there are ways around this. The Prime Minister said, first and foremost, that she does not want a cliff edge, that she wants a bold, comprehensive and ambitious free trade agreement and customs agreement with the EU. In terms of chronology, that negotiation comes first because we cannot commence any formal negotiations with the US, New Zealand or anybody else until we have left; there can be technical-level exploratory discussions, but no negotiation. Therefore, after we trigger Article 50, the first thing coming down the tracks is the negotiation on a future free trade agreement with the EU. After we have left the EU, the Prime Minister has made it clear that she wants the ability to do trade deals with third countries. That probably means being outside the common external tariff. There are ways of dealing with these issues where you can have country of origin rules; if you were to do a trade deal with another country, there would be country of origin rules that mean that you cannot use that same product to circumvent whatever external tariffs the EU has. There is a means of doing this; it is what every other country in the world does with the trade agreements they have, and we would adopt a similar approach using those country of origin rules where it was necessary.

Q86 **Lord Trees:** My question is about future trade with the EU, particularly the maintenance of equivalent standards and non-tariff barriers. How confident are you that, going through Brexit, through the Great Repeal Bill and the evolution of legislation post Brexit, we can maintain those equivalents and they will not become an impediment to trade with the EU? Picking up on the supply chain question, there will be a bespoke customs union with regard to the free trade agreement, if we get one, so to what extent have you looked at the impact, potentially, on farmers and the agri-food supply chain of the sorts of checks that would be

necessarily associated with that sort of new customs union?

George Eustice MP: On your first point, obviously the Great Repeal Bill will bring all of that technical legislation, so rules on labelling, food standards, standards in slaughterhouses and maximum residue limits will come across into our domestic legislation in the first instance. This is why, I think, people are sometimes wrong to say, "Look how long it has taken to do any kind of trade deal with the US or Japan. These things take 10 years; we will never do a trade deal with the EU". If you look at the discussions with countries such as Japan and the US, as Lord Teverson knows, the reason why they get bogged down is in arguments around technical standards, the differences in animal health and that kind of thing. We do not have that as a starting point with the EU. Our starting point is that there is a remarkable degree of equivalence. Indeed, on day one they are identical because we have been in the single market for over 40 years. Some of those non-trade tariff barriers that slow down other trade deals are less of a factor when it comes to the EU and it is why I think that, if the will is there, we could put together a free trade agreement quite quickly.

The answer going forward is what the model should look like. We are looking at the approach that Canada, the US, Australia and New Zealand take. They have a process that they call the quad where, at a technical level, their scientists, be it on pesticides, on issues around food safety or animal welfare, reach a common consensus on what the evidence shows and each country individually legislates in its own legislature in accordance with that evidence. The advantage of that is that you are able to contribute still to a common understanding of the evidence and the science, but you are not hampered by the politics of the EU. This is all for negotiation, but you would, potentially, be able to have a model where our technical experts—for example, we have some of the best people in pesticides and veterinary matters in Europe—can still contribute to a technical-level discussion to help inform the science on a Europe-wide basis, but we would then legislate in accordance with whatever the outcome was in our own legislation. There are models similar to what the US, Canada, Australia and New Zealand have, the quad model, where you can retain co-operation at a technical level to ensure that you are all coming from the same starting point while being able to legislate directly.

The final point I would make is that obviously systems such as Codex, which is a UN system, are increasingly setting residue limits and technical specification on food safety matters. The UK will regain its seat on Codex and will be arguing for the kind of technical measures we want, not just within Europe but globally, so we will gain influence in that global Codex forum even though we will have lost a seat at the political table, as it were, in the EU.

Lord Trees: Could I come back on a couple of small points, please, George? On the transfer under the Great Repeal Bill, there is this conditional phrase applied to it: "in so far as it is practicably possible". It is a hugely complex area, the standards in agriculture, and you do not see any practical impediments, which was the first point, because that is,

potentially, a let-out, but it is useful to give some examples. Could I ask you specifically about, say, in the future, feeding GM soya to animals? Could that ultimately be a problem in exporting that meat to an EU of 27 that had banned GM for feed?

George Eustice MP: I suppose, in theory, yes, if the EU went that route, but the last time this was mooted, even the option of giving countries the ability to do this, they very quickly got cold feet because, of course, the vast majority of animal feeds are imported and the vast majority of them are GM, so there is this inconsistency, if you like, in the EU saying, "We are not going to allow the cultivation or use of these crops, but we will buy most of our feed that is GM feed". They recognised, when they looked at the economic modelling, that a departure from that would cause major problems for their industry, and they probably would not have an industry anyway, so I think it is a hypothetical question. In theory, yes, but I would also say that there is trade and we do lots of trade in all sorts of products around the world—rice from India, products from the US—and there are some quite established techniques for agreeing maximum residue limits, and we have surveillance to monitor those things. It is not a new issue, in that it is an issue that the EU faces with every other country in the world that it deals with.

Q87 **Viscount Hanworth:** Agriculture in the EU is covered by several regulatory agencies that are dispersed among the nations, including the European Environment Agency, the European Food Safety Agency and the Consumers, Health, Agriculture and Food Executive Agency, as well as others. On leaving the EU, we might decide to continue to apply to these agencies and to submit to their judgments and, in that case, we would undoubtedly have to make some financial subventions to them. Have you estimated what the cost might be? There is an alternative, which is that if we are not to continue with these agencies, while wishing to retain access to the European Union markets, we shall have to establish equivalent agencies. Have you made any assessment of the cost of doing that?

George Eustice MP: We have not concluded that assessment, but it is an area that we are looking at. I must stress that the Government have not made a decision about what their approach is going to be yet in this negotiation, but there are options that range from agreeing a sort of transitional period where we are still largely linked into those particular EU agencies and working with them. There is an option similar to the quad model that I described, where our technical experts might still sit around a table to discuss technical matters with those other agencies. When it comes to enforcement, the other option is that, as you say, we establish our own agencies to do this work. Although the latter would require some beefing up of some of the agencies we have now, it is certainly not beyond the wit of man to do; it would not be the most difficult thing we have to do in this area. We have the Veterinary Medicines Directorate already in this country and the Chemicals Regulation Directorate. We have all of the infrastructure and the expertise, so we would simply be changing the scope of their role slightly.

We also have the Food Standards Agency. Things will change in that, rather than sending our technical experts to play a part in these EU agencies, we will be doing it ourselves, but do we have that technical expertise? Yes. Do they currently do all the enforcement work and all the work that is currently done by the European agencies? No, they contribute to the development of those policies and that thinking, and that would be the change, that we would be slightly changing their remit.

Viscount Hanworth: So is it fair to say that you would be quite sanguine about the possibility of doing it ourselves without undue cost?

George Eustice MP: There would be a cost because they would be taking on functions that are currently done by the European Food Safety Authority, for instance, but I am not sure it is the biggest challenge that we face, as we have all these people already and we have the expertise.

Viscount Hanworth: But you have not yet nailed down what that cost would be.

George Eustice MP: We have not nailed down what the cost would be and, indeed, one option might be that there would be a transitional period where we would still participate with those European agencies. We have not made a decision on that yet and it will be a matter for the negotiation about whether we need that transitional period and, if so, for how long and under what terms.

The Chairman: Given the fact that we are moving out of the customs union, presumably that requires a fair bit of extra work in terms of our own borders. On a point that Lord Rooker brought up previously, the cost of putting inspectors out into the rest of the world to check the quality of products coming into the UK, which is currently done by the Commission, must be a fairly major resource demand, must it not?

George Eustice MP: Of course, we have already the APHA, so we have a dedicated team in Carlisle who deal with all the export certification work. The bit that would be additional is doing something that the FVO, the EU's veterinary office, currently deals with—the inward inspections of plants in China or whatever country you are seeking to import from. That would be new, additional work and we would need additional people to be able to do that work, but the expertise to draw on to do that work is already there and we have a dedicated team doing that sort of export work as it is.

Q88 **Viscount Ullswater:** Can we turn our attention to labour? Witnesses have been emphatic that access to EU labour is crucial at all levels of production. Seasonal labour is a key part of the UK horticulture sector because it is a sector that relies on around 90% of its total seasonal labour requirement coming from the EU—that is from the British Growers Association. A quarter of staff in food manufacturing are non-UK nationals, according to the FDF, and we have also heard that permanent skilled labour, such as vets in abattoirs and other workers in abattoirs, are coming from all over the world. How do you plan to cope with the

high demand for skilled and unskilled seasonal and permanent labour on farms and in the food supply chain?

George Eustice MP: I should stress that this is a matter that, for obvious reasons, the Home Office will be leading on, but we are contributing evidence, concerns and feedback from both the food and farming industries into that process. The point I would stress is that because we want to re-establish controlled immigration, which is one of the things the Prime Minister is very clear on and it is a clear message of the referendum debate as well, it does not mean that we are pulling up the drawbridge and stopping all immigration; it simply means that it will be controlled. It is open to us, as the UK in the future, looking at our labour needs, to decide what our needs are. It is quite possible, if we decide that there is a need in agriculture or, indeed, even in food processing, to grant the right type of work permit that would enable the numbers of people we need to be able to come here and work for the duration that we need them to.

There is a bit of a difference between agriculture and horticulture particularly. I worked in the strawberry industry for 10 years, so I am familiar with the problem of trying to get labour to do these tasks and the reliance that you have sometimes on labour from EU countries, but that has always been the case; agriculture has always been reliant on migrant labour for seasonal work.

If you look at food processing, it is a relatively recent development to have such high dependence on migrant labour. Until the main east European accessions of Poland and others about 12 to 14 years ago, we largely had domestic people doing the jobs in abattoirs and food processing units. That has been a significant change in a little more than a decade. We would need to look again at that sort of issue and think, "Are we sure that they are doing all that they can to try to recruit some of the staff they need from the local population?" It differs in different food sectors. For instance, on the one hand, I suppose for obvious reasons, slaughterhouses and fish processing tend to be the most dependent on migrant labour. If you were to go to a biscuit factory or a chocolate factory, you would find that the dependence on migrant labour is very low and they would mainly have people from the local population.

The Chairman: One thing to say is that it has come up strongly during our inquiry, and this is an observation, that what we think of as being unskilled—you would know this, having been in the industry—is very skilled, whether it is cutting vegetables or whatever. We think of it as unskilled but it is quite a skilled occupation, so there are other challenges.

George Eustice MP: That is why it is important, as we consider our migration needs, that it is not about the perception that we want all the skilled and that is all. We should not lose sight of the fact that in many areas it is where you have what people would deem unskilled labour that you have the gap, so it is not about saying that we are going to have these skilled people and we do not want the unskilled.

The Chairman: Exactly.

George Eustice MP: It is about making sure that we have a coherent analysis of where the gaps are and where there is a labour need, and provide for that need where it is there.

The Chairman: We are happy if you are delivering that message to your fellows in government that it is not easy to reproduce those in terms of productivity or machinery; it will be people-based for some time. Baroness Sheehan, did you want to come in briefly?

Baroness Sheehan: Some 85,000 EU workers will be needed in agriculture production this year alone. We have heard evidence that there are serious concerns that the EU worker supply is dropping off and people in the industry will not be able to fill the shortfall with domestic workers and are talking to government about some interim measures. Can you expand on that a bit?

George Eustice MP: Some in industry have made representations for a further pilot of a SAWS, which is the old seasonal agricultural workers scheme. The Government's view, when it suspended that scheme, was that it would review matters again around about now and that the Migration Advisory Committee was going to take a look at that and review the case for it. It is a Home Office lead, but the discussion is on when the committee will conclude that review and then reach a view about whether or not there is a case for doing anything further by way of a SAWS. That is very much a discussion that is taking place between the Home Office and industry and is, I think, a fair summation of what is being asked.

Baroness Sheehan: Would that need legislation?

George Eustice MP: That is a very good point. I am not sure whether the primary legislation powers to do the SAWS were ever repealed, so we might need to write to clarify that with the Committee, having discussed it with the Home Office. My understanding is that the powers are still there and are not being exercised at the moment, but we can clarify that.

The Chairman: If you could clarify that afterwards, thank you, Minister.

Lord Rooker: There may be a reason why you have not been able to answer. I think that I was responsible at the Home Office, but that was before I went to Defra. The pressure on the Home Office, and it was in 2001 and 2002 when I was at the Home Office, with SAWS was because of the forthcoming accession and there was going to be a real problem. The type of labour under SAWS was completely and utterly different from what the labour has been with the accession countries—absolutely different. Over 100 countries were supplying labour under SAWS and, by and large, the recruitment was done by universities in the other countries, and it was genuinely seasonal and there was never a problem with people not going back; it was not an issue of immigration. I do not remember the legislation being repealed, so it may still be on the statute

book, but it was abandoned as a scheme because it did not get government support because of the immigration process.

The Chairman: I think we will have to take that as evidence, Lord Rooker. We will move on—if you can resist replying to that, Minister—to devolution.

Q89 **Lord Selkirk of Douglas:** We are all aware that the four nations making up the United Kingdom face different challenges in agriculture, with a greater proportion of Scottish and Welsh farmers operating in less favourable areas and the Northern Irish farmers facing, potentially, a hard border with Ireland, which could have a knock-on effect on the food supply chains on the island. The questions I want to ask can be summed up in three words: repatriation; conflict; and a hard border in Northern Ireland. If I can start with repatriation, which powers do you see as being devolved and what will be repatriated to the United Kingdom Government? Will we see a United Kingdom agriculture policy evolving after Brexit? With regard to conflict, how will potential conflict between devolved agriculture policies be resolved and any trade deals with the EU managed? In the past, the Judicial Committee of the Privy Council was wheeled in when there were difficulties, but that may be completely out of date today.

George Eustice MP: Again, I need to be very honest with the Committee and quite frank in that the final shape of this has not been decided yet and there will clearly be a lot of discussions to be had with the devolved Administrations about how we do it. In the meantime, what we have said is very clear: we are not going to take away from the devolved Administrations any of the decision-making powers they currently have within the context of the EU system.

The big question we have, once there is no longer the EU framework under which we all operate, is what kind of framework do we need to make a policy work within the UK and to avoid, indeed, distortions within the UK market? At one end of the spectrum, you could say, and some people say this, there should be some Barnett-type formula, a payment made to the devolved nations and some sort of state aid rules, as a backstop. On the other hand, it may be that you need some sort of architecture or structure for a UK policy with as much scope as you can have for individual Administrations to pursue policies that work for them. Where we might end up on that spectrum is very much, I am afraid, a matter for discussion, but I think there is an emerging consensus, certainly in industry across all parts of the UK, that there probably needs to be some kind of UK framework; industry would like their own Administrations to be able to pursue their own policy, but they also generally, I think, support the idea of a UK framework. NFU Scotland has proposed an idea that you could have various modules, covering environment, productivity and animal health, and that they could maybe switch the emphasis of their share of the crop between those modules within certain parameters, so you would give them a lot of flexibility to pursue policies that they wanted within an overall architecture. That is one idea, and this is clearly an area where we would have to have

discussions with the devolved Administrations. That is, I am afraid, a long way of saying that we have not resolved this issue and we recognise that it is a big decision to take.

Mike Rowe: It is perhaps worth noting that, under the current EU framework, all parts of the UK have quite a lot of discretion as to how they set their scheme rules, eligibility rules, payment rates and the implementation of the current greening requirements, so there is not an homogenous application of the current CAP in the UK as it is at the moment. When the Prime Minister was talking about decisions not being repatriated, that degree of flexibility, as a bare minimum, would be maintained. What we would look to do quickly is to see how we can take out some of the bureaucracy and complexity that we have to comply with and perhaps make it a little bit easier to implement those policies.

Q90 **Lord Selkirk of Douglas:** Can we hope that, when outcomes are evident with much more clarity, your department will let us know? If I may ask about Northern Ireland and the hard border, what steps are being taken to make certain that a hard border would not undermine the livelihood of Northern Irish farmers or the viability of agri-food supply chains in Northern Ireland and the Republic of Ireland?

George Eustice MP: This is very much an area that the Department for Exiting the EU and obviously the Northern Ireland Office are leading on. I know that they are, for instance, looking at what happens within NAFTA, which technically is not a customs union, and how it has developed lots of ways to enable quite complex supply chains across national borders to operate. There are other examples elsewhere in the world that I know they are looking to learn lessons from. I have heard some say that there could be some digital solutions to some of these things, that modern technology means that you can track goods without necessarily always having to have a hard border. We recognise that it is a really important area, particularly for Northern Ireland, because of the sheer volume of trade across that land border. It is something that I know the Department for Exiting the EU and the Northern Ireland Office are looking at closely. Our role in that, because again this is an issue that affects all sectors and all industries, is simply to ensure, as I can assure you we are doing, that those other government departments that are leading on this thinking are conscious of the importance that it has to the food and farming sector in Northern Ireland.

The Chairman: While there is no Government in Northern Ireland, do you deal primarily with the Northern Ireland Office in terms of progressing this, because clearly there is an issue there, or would Defra take a view?

George Eustice MP: We always work closely with all the devolved Administrations, and Defra probably more than most departments because of the devolution element and the EU element, and we worked very closely with Michelle McIlveen, who was in that position. Obviously, the situation in Northern Ireland is very much something that the

Northern Ireland Office will be trying to resolve and I know that after the elections there will be some negotiations and discussions.

The Chairman: That is the simplest answer, is it not?

George Eustice MP: I am afraid it is slightly beyond my pay grade to try to resolve Northern Ireland politics.

The Chairman: Yes, I think it is beyond all of us. Baroness Wilcox is moving closer to home.

Baroness Wilcox: This is a question about resources.

Lord Rooker: I would like to ask a supplementary, but I gather we have moved to the next question.

The Chairman: I do apologise, Lord Rooker, but a question rather than evidence would be good.

Lord Rooker: I can give the evidence on Northern Ireland, but I will not. I want a different track on the repatriation of powers and probably if Lord Krebs were here he would do the same. I declare an interest as the former chairman of the Food Standards Agency. This is on the repatriation of official controls. The FSA is a government department, set up before devolution but taking account of devolution, so the powers and the controls of what happens in the slaughterhouses are basically centralised; they are European and they will come back. What is the plan? Is it to put them back with the FSA, as the UK government department, with Scotland having got its own FSA in the meantime? What is the risk, therefore, of the very effective lobbyists in the meat industry, the small and large abattoirs, getting different kinds of official controls in the four nations, and risk-based, I would say, because they have to pay part of the cost? What account has been taken of that? This is an area unlike the rest of the food industry, where you have a government department dealing with this and in control of it, in a way, under its own legislation, but it is a devolved issue. How will you repatriate the official controls?

George Eustice MP: Mike may want to come in, because it is a technical question. Largely, even now, there is discretion to individual devolved Administrations in the way they implement certain aspects, particularly on the implementation side of that EU law, but initially, through the Great Repeal Bill, all of that law will come back. Those bits that are relevant to the discretion exercised by the devolved Administrations will be done through that element of the Great Repeal Bill and those elements that relate to the UK as a whole will be sitting in that part of the Bill. You have put your finger on a complex area, but the intention behind the Great Repeal Bill is to preserve, as far as we can, the status quo so that on day one after leaving it is the same as the day before we left.

Mike Rowe: It is one of the many issues on which we are in discussion with the devolved Administrations. In fact, colleagues of mine from the department are in Cardiff today with colleagues from all the devolved

Administrations to tease out these issues and look at what the options might be.

Lord Rooker: While the animals are still alive, it is your department's responsibility, not the FSA's. At the lairage, it is your legal responsibility, not the FSA's. It does it, but there is a contract between the two, so you have a separate issue where your department is specifically involved with the vets. While the animals are alive, it is your department's responsibility and it only comes under the FSA's official controls once they are slaughtered.

George Eustice MP: That is correct. The animal welfare elements of policy are set by Defra and, indeed, matters around enforcement—if we have an enforcement problem in an abattoir—that is something that Defra leads on. The FSA would bring the prosecution, but the policy in that area is for Defra.

Lord Selkirk of Douglas: If any disputes arise or any conflict between different devolved agricultural policies, what would be the mechanism for resolving those disputes, or has that not been worked out yet?

George Eustice MP: If I am honest, that has not been worked out yet and it is a moot point. We need to work out, first, where the right place for powers to rest is so that you retain the integrity of a UK market. I think the right place to start is where the right place for certain powers that come back from Brussels should rightly lie, where best they sit. After that, it may be that we need some sort of convention established around how, on the UK-wide decisions, we consult and work with the devolved Administrations. To be fair, we have quite a good track record of doing that in Defra because, when it comes to deciding negotiating positions, for instance, at the EU, we have a forum where we consult the devolved Administrations first. When I go to the December Fisheries Council, I take a delegation from all the devolved Administrations with me and they take part in the trilogue that we have with the presidency and the Commission. We have quite a good track record of working as a team with the devolved Administrations, but you are right that in a context where these powers have come back, if there were a dispute, there would need to be some sort of mechanism for resolving those matters or, at the very least, clarity about where final authority lies.

Q91 **Baroness Wilcox:** You have said: "The current workstreams within Defra's EU Exit Programme are: EU Negotiations; Trade; Devolution; Repeal Bill, Future Agriculture and Land Use, Fisheries; Environment, and Animal and Plant Health. As the EU Exit Programme progresses, the workstreams may change as they are dynamic and under regular review. The workstreams in our EU Exit Programme are carrying out detailed analysis of the implications and opportunities presented by EU Exit". I have read that to you because it relates to the last question and I would like you to know where it came from, so that is where. Here is the question: how will Defra cope with the added work pressure of simultaneously repatriating agriculture policy, developing new policies for agriculture, fisheries and the environment, reviewing regulations and

negotiating new suitable agri-food trading relationships with the EU and the wider world? Are you confident that you have the resources to do all this?

The Chairman: You are both looking remarkably relaxed in front of the Committee.

George Eustice MP: The overarching point I would make is that this decision to leave the EU is the biggest decision this country has taken for probably half a century; it is a big decision. We need to make sure that we have the resources necessary to do it. There are discussions across government and the Cabinet Office looking at where we may need additional people and where we can pull people from. That kind of work to ensure that, within the Civil Service, we match headcount to workload, as it were, is an ongoing process and there is nothing I can say on that at the moment. The only other thing I would say is that we are doing a lot of work to pull policy expertise back from the agencies. Rather than having a siloed policy development process taking place in Defra, we have some amazing expertise in people, such as Cefas on fisheries science and the MMO on quota management; Natural England also has some great expertise in agriculture that has been accumulated over decades. We want to get some of that expertise into the policy development process, so we are seconding people from those agencies back into that policy development process as we develop things going forward.

Baroness Wilcox: We read of the difficulties and the worries that people have, but watching and seeing what it is possible to do with making sure that we get our food means that we can, I think, change the way we have been thinking and be a lot braver with small farms, which are not farms really anymore and should be doing bed and breakfast, and with the technology from the science area not being funded fast enough and big enough. We could change the words from "farm" and "farming" so that our young will want to go to university and will want to work on these brand-new ways of giving us enough food to eat. Can you comment on that?

George Eustice MP: I meet regularly some of the young farmers and, indeed, individual entrepreneurs in their 30s who are in the farming industry. It is generally true to say that younger farmers are the most sceptical about the current CAP and the most frustrated by it. They feel that it holds them back and that it prevents them from taking on additional land and additional holdings. In many cases, they do not get the single farm payment, which stays with a retired landlord somewhere.

As I said, for me, the golden opportunity with Brexit is the chance to do policy better. I think that a very prescriptive, centralised, pan-European policy is never going to work well. Currently, what we have tries to codify and regulate every landscape feature and everything a farmer might want to do with their land to such an extraordinary, extreme degree, down to four decimal places, that I do not think it will ever work properly. We have a chance to step back and say, "How do we really deliver for our

environment and for our farming industry?" It may be that as part of that we will look at ways of supporting new entrants and, indeed, possibly look at ways of helping support people, who probably ought to have retired by now, to retire. These are all options that we have, things that we can do, once we have the tools to do it.

The Chairman: Minister, Mike Rowe, thank you very much. You mentioned the MMO and I should declare that I am a board member of the Marine Management Organisation, for clarity. Can I thank you very much indeed for your evidence, both of you? As the last session of this inquiry, it has been very comprehensive and the answers have been very detailed, so thank you both very much indeed. I bring this inquiry and this public session to an end.