

Welsh Affairs Committee

Oral evidence: [Agriculture in Wales post-Brexit](#), HC 1084

Monday 20 March 2017, Gwynedd Council Chamber, Dolgellau, Wales

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Members present: David T C Davies (Chair); Glyn Davies; Liz Saville Roberts; Mr Mark Williams.

Questions 1 - 35

Witnesses

I: Glyn Roberts, President, Farmers Union of Wales, Dr Nick Fenwick, Policy Director, FUW, Stephen James, President, National Farmers Union Cymru, and Dylan Morgan, Director and Head of Policy, NFU Cymru.

Examination of witnesses

Witnesses: Glyn Roberts, Dr Nick Fenwick, Stephen James and Dylan Morgan.

Chair (Translation): Ladies and gentlemen, can I begin by asking Liz Saville Roberts, the local Member of Parliament, to say a few words? You are welcome to film for a few minutes, but you will have to leave once the Committee begins.

Liz Saville Roberts (Translation): Thank you very much to everybody who has come here this morning. I must say that I am very pleased that we are holding the first session of evidence collection towards our report on the impact of Brexit on agriculture in Wales here in the old Meirionnydd District Council Chamber, now the Meirionnydd Area Chamber, in Gwynedd Council. This is a place I know very well, as a former councillor here in Gwynedd.

I am also pleased that we launched the report earlier this morning in the Dolgellau Mart. There are no two ways about it, the history of Meirionnydd and agriculture are intertwined and I very much hope that the future of agriculture will be involved with Meirionnydd as well as with Wales as a whole. I am very pleased to see everybody here and to have the opportunity to listen to our witnesses this morning.

I also thank Gwynedd Council for being able to use the Chamber this morning and everybody who has attended this morning, especially those coming to give evidence.

Q1 **Chair:** Thank you, Liz. I echo those words of welcome.

May I add that there is some sort of a buffet with refreshments that will be available to everybody afterwards, not just the unions, but those members of the public who have turned out? I have to say how refreshing it was to be able to talk to people earlier this morning about the challenges that lie ahead.

Without any further ado, I am afraid that I have to ask the cameras to be switched off, and I will ask Liz to begin.

Q2 **Liz Saville Roberts (Translation):** I would be pleased to begin with a general explanation of the contribution that agriculture in Wales makes in this area. I ask that in the context of Wales as a nation, but also, given where we are today, I ask if you have any information about the regional differences regarding agriculture and particularly what implications the future of agriculture has for Welsh-speaking communities.

Stephen James: Thank you, first of all, for the opportunity to be here this morning. Obviously Brexit poses many challenges to the farming industry, particularly in Meirionnydd, because of the reliance on lamb production, but it obviously offers opportunities as well, so we have to embrace both. The challenges we have to face up to and the opportunities we have to grab with arms outstretched. In a sense, it is an exciting time for us.



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As NFU Cymru, we have had consultations. We consulted all our members last autumn across the whole of Wales. We took meetings in various counties and met our various boards. We have looked at all those opportunities, but the challenges are the marketplace. A lot of Welsh lamb goes to Europe at the moment. Ninety per cent. is exported from Wales, but a vast amount of that goes to Europe, so therefore we will rely on that going forward.

I would guess farmers here do not rely on labour, but the reality is that access to a reliable source of labour is very important to the processing industry. We were in Dunbia about two weeks ago and in the boning hall in Dunbia, 80% of the people are non-British. It is monotonous and boring work. I would not do it, I will be honest with you, but those people will. They come over for three or four years, work really hard and earn the money and then they go back. They do not see it as a job for life and therefore they will do it for a short time. We need access to that labour. That is vital for the whole Welsh economy, not just in Dunbia, but in other sectors.

I am a family farmer and I am a dairy farmer. We do not employ any non-British labour, but we have a staff of four. We wouldn't, but there are some larger farms that rely on it. That is an important factor in the whole thing.

We see the transition, the cliff edge, as the frightener for everyone. At the end of two years, what happens immediately? We have a support system. Now, we know that we are guaranteed subsidy until 2020, but the majority of Welsh farmers rely on that support system we have at the moment. It is not just Welsh farmers, the rural economy relies heavily on it. We have done examples. Last year, because the basic payment system was slow, we had a couple of events to show how many different businesses each individual farm deals with—contractors, suppliers, accountants, you can name them—and in one we had 60 businesses. In the case of another farm, which had just put a milking parlour in, there were 100 different businesses relying on the success of that one farm. All right, obviously other farms as well, but that is just an example.

Dylan Morgan: Just in terms of contribution, 60,000 people are employed on farms in Wales, 222,000 people employed in the Welsh food and drink industry. We are the cornerstone of that industry, which is worth over £6 billion to the economy of Wales. The landscape that we see today is part of a tourism industry worth £2.5 billion. That is there because of the work that farmers do.

We recently commissioned a report looking again at the contribution that agriculture makes to society and in Wales we could see that £868 million was spent by farmers on an annual basis on things like animal feed, vet costs, fertilisers and machinery. For every £1 that Government puts into agriculture there is a benefit back to society of £7.40, so there is a huge



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knock-on effect there in terms of what agriculture delivers to the rural economy in Wales.

Glyn Roberts (Translation): Can I, on behalf of the Farmers Union of Wales, thank you for the opportunity to come and present evidence about the industry? On the question you asked about the value of agriculture to the wider community, in a sense every farmer in Wales has spent £111,000 in the wider community. That is an important point. When we get direct money into the agricultural industry, that is then disseminated to much wider society, so without the agricultural industry, that money would not assist the rural economy. The rural economy works because of that. As Dylan said, food is the biggest industry in Wales, and without agriculture, you do not have that. As an industry, we look at food and also water and carbon.

In your question, you talked about the culture and language. If you take the agriculture industry and those involved with agriculture, on average 29% of people speak Welsh. That is much higher than in any other industry and I think that is a very important point in the context of the future of the language and the culture. As an industry we look after food, culture and the environment and it is very important.

There is so much mention these days of being sustainable. I think we need to look at sustainability in three ways. It has to be economically sustainable, look after the environment and keep the people in the community. I think agriculture does all those three things. I don't know if you want to elaborate on that.

Dr Fenwick (Translation): Dylan has given you some figures and both presidents have emphasised the importance of agriculture in a wider sense. Agriculture is the heart of the network of various businesses. If you talk about tourism or all the industries that feed into farms and the produce that comes from farms, agriculture is the heart of all of that network.

There are different figures—there are a lot of figures—but one problem we have, which has become more obvious since the vote to leave Europe, is that there is a lack of figures in several fields. There are figures that we would want, that we would need in terms of preparing to come out of Europe and they are not available. We have made a great effort to try to get hold of these figures. Some figures are from the farm business survey, and they reflect the wider importance of agriculture. Over £1 billion is being spent by farmers on employing people or on other businesses. For example, I have figures here from 2014-15. About £50 million is being spent on vets and medication, over £100 million is spent on employing people and the list goes on and on. The problem, or the threat, that we have is that the payments that farmers receive place them higher than the limit; they would not be able to continue under that limit, so it puts them higher than a particular threshold. If they are not



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over the threshold, they would not be there to spend all that money in the economy of Wales and look after the environment.

Glyn Roberts (Translation): Can I just elaborate on what was said there? Nick mentioned tourism. I think that is very important because without agriculture, you would not have tourism. If you go back to the foot and mouth period, nobody could go on the land, walkers and so on, and so tourism suffered more possibly than the agriculture industry during that period because nobody could walk the land. I think that was a crucial point regarding the importance of agriculture.

Q3 **Chair (Translation):** Is it true that the concept of agriculture is more important in Wales than in the rest of the UK; that more people are living in the agriculture industry in Wales than anywhere else?

Dr Fenwick (Translation): If I remember correctly, a third of people in Wales live in rural areas. That is the highest percentage, other than Scotland, and of course Scotland is a very different country, but that reflects the number who live in rural places and the figures confirm that. Naturally, in an area where there aren't as many jobs in factories and so on, people will be more reliant on the agriculture industry. That is reflected in figures such as the number of self-employed people, lots of people who are contractors or who work for farmers and do environmental work on farms and so on, so the figures do confirm that. Of course it does vary. If you live close to Wrexham or Merthyr Tydfil, maybe you are less likely to have to rely on the countryside. If you live close to a university town or city, then of course more people work in these large towns, but in a lot of Wales, people are completely reliant on agriculture.

Q4 **Liz Saville Roberts (Translation):** Could you describe those areas that are the most reliant on agriculture?

Dr Fenwick (Translation): We do have statistics and I am sure I have them here, but I would be going through a lengthy document based on the Office for National Statistics information. I would assume that Mid Powys, for example, is more reliant than other areas that are closer to places where tourism or factories are more prevalent.

The important thing to remember in this sense is that you have farmers, you have the 60,000 who work on farms. Those figures come out every year from these statistics, but you have so many people who rely on agriculture to some extent. Some rely on agriculture 100%, but even maybe a local garage in a village would rely on agriculture because if you look at the vehicles that go through the garage, half of them could be Land Rovers or agricultural vehicles, so there is always a percentage that rely on agriculture. Lots of people do not realise how much work and income people get from agriculture.

Q5 **Chair (Translation):** I am just thinking that the Government is going to trigger Article 50 at the end of March. Is there anything further you would



like to say on that?

Stephen James (Translation): The processors depend to some extent on the lambs that go through, so the towns also to some extent depend on the value of food and drink in Wales. Agriculture contributes to the local economy in Wales.

Glyn Davies: The CAP single farm payments are pretty crucial to the viability of an awful lot of farms in Wales. It is not all the farms; not every farm qualifies for CAP. They are historical payments. A lot of people will tell you, as with any industry, when one form of subsidy—maybe a cheap food policy or a subsidy, whatever you want to call it—becomes so fundamental, as it is to the economics of farming, you become completely dependent on it. Are we over-reliant on CAP, and should we be gradually moving through a transition period when the support is not quite as vital to agriculture as it is now?

Glyn Roberts (Translation): On that point, I think we have to have acknowledgment of the agriculture industry, because at the moment we are not ready to do without that acknowledgement or recognition. I showed you two minutes ago the value of the money that is recycled into the local economy. If we have to do without that, we would have to have much more for our produce and I don't think that we are ready to get more for our produce at the moment. As a union, we also emphasise that we have to have a long transition period, up to 10 years, to go from one scheme to another. Certainly we are not ready at the moment.

Dr Fenwick: I would add as well that the current system is the latest incarnation of many different support systems that were brought in specifically to reduce the cost of food, to make food available and cheap for the general public, particularly during war and post-war periods. That has meant that the proportion of our disposable incomes that we spend on food is lower than it has ever been. Food is proportionately as cheap as it has ever been, so it is not surprising that we have a payment system. There is complete market failure because the system is designed to create what you might describe as market failure. You can't have your cake and eat it. If the payments are removed, we need food prices to rise, or for what farmers receive for the food to rise to appropriate levels that reflect the work that goes into producing that food.

Q6 **Glyn Davies:** I think I was acknowledging that when I asked. Clearly, historically it has been a cheap food payment for years. That is the basis of the CAP and it has continued through until now. I know that some farmers who do not have access to it complain bitterly that it puts them at a big disadvantage. But what we have seen—and this is the second part, the follow-on bit—is that Government recently has been moving from the traditional CAP, which is just straightforward support, into a pillar 2 mechanism, which is paying money not so much for the standard farming practice that we are used to, but for environmental or diversification practices. Is that something you see as a gradual process that might relate to a transition?



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Dylan Morgan: That has happened for the last 20 or 30 years. As it is, we have seen a huge movement away from direct support to the Rural Development Programme and obviously we have seen it more in Wales than any other country in Europe, with the move of an extra 15% of the budget from pillar 1 to pillar 2. So there has been a big move away from direct support to productivity measures, to environmental measures, to knowledge transfer skills.

The key element of CAP was to secure food to consumers across Europe at a reasonable value and I think it has done a very good job. It has evolved as well to make sure that we are producing food to the highest animal health and welfare standards, environmental standards and food safety standards. As Nick has mentioned, the marketplace does not deliver the returns that it needs to deliver for us to produce food to that standard and to get a fair return, so the CAP is extremely important in doing that. However, CAP has evolved significantly over the last 50 years that it has been there, but in particular in the last 20 years, and we have the challenge of seeing how that moves forward in future. But it is vital that we have a strong agricultural policy that underpins food production, supports our environmental work, helps us become productive and delivers additional jobs, growth, and investment to Wales.

Dr Fenwick: It absolutely needs to be developed, as the CAP has been developed over the years, with WTO rules in mind, because those rules are not going anywhere in a rush. They were agreed in the early 1990s and they are still there. They will underpin the trade negotiations that we suddenly find ourselves now having to enter and contravening those rules has severe repercussions. The movement to agri-environment payments is not without its threats, because the WTO rules are very clear on how those payments should not result in farmers making money. They do, because of the law of averages—some people enter them and some people do not—but we need not to walk into a big trap by thinking we can “pay farmers for delivering environmental goods” because the WTO prevents that from happening and specifies that farmers should only be compensated.

The law of averages means some farmers do benefit and others do not go into the scheme because they would be worse off, but those payments for whatever the scheme is are based on income forgone calculations that have to be approved by the European Union. So we need to be very, very careful in every single decision we make and proposal we discuss, that we have the WTO in the back of our minds, making us aware that we do not want to jeopardise trade negotiations.

Glyn Davies: That is helpful.

Stephen James: You said that some farmers do not get the benefit of support payments—obviously poultry farmers, because they do not have the acreage, for example—but we have the opportunity now, Glyn, to design a policy going forward, because there will be young people who voted to leave because they did not have access to that money. I think



that is the challenge for us. Taxation and all that sort of thing, there are masses of opportunities. Support can come in lots of different shapes and forms, but the reality is that we are where we are at the moment.

We are back to the cliff edge. We need that transition to get from one place to another place and that is where we have to be clever, because if we lose too many farmers in that process, just like any industry, if you lose those skills, it is very difficult to get those skills back. Particularly in a world where the population is growing, there are great demands on food and obviously on water. One of the great things we have in Wales, and today is the best example of it, is plenty of rainfall. There are lots of parts of the world now that are drying and getting dryer. We have to be there ready for those opportunities. The worst thing would be that at the end of two years we do not have a plan to make sure that farming, for all the reasons that we have already talked about, survives beyond 2020.

Q7 Mr Mark Williams: We have touched on what I want to talk about. The benefit of an inquiry like this is not just to look at what has gone on and where we are now, but to contribute to what should happen next. One of the caricatures in some of the debates that I took part in at the time of the referendum, looking at CAP, was obviously—or mostly—we all represent rural constituents, so we understand the issue of payments and the level of payments, the failures of the CAP as we know it now, which maybe led some people to vote in the way that they did.

My question is—you touched on this just now in one of the answers—the extent to which CAP stifled innovation. I want to read a quote from somebody to see whether you relate to that and whether you want to enlarge on any of the concerns that were raised. It is by Councillor Jamie Adams of the Welsh Local Government Association, who told one of the Assembly Committees, “CAP funding and the way it has been applied has probably stifled innovation in the agricultural sector. I am a farmer and I see it around me, frankly, whereby the historical nature of CAP payments either underpins poorly performing businesses or, secondly, simply puts additional income into those who retired from active farming”. One of the great benefits of doing this job is sometimes you read out quotes you don’t necessarily agree with, so please don’t attribute that to me, attribute it to Jamie Adams, but don’t you think there was a thread there? We have had discussions before, all of us, with farmers in our constituencies and the way we see CAP hasn’t worked. One way or another, we need to get it right in future.

Glyn Roberts (Translation): If I may, I feel it is a requirement now that we look forward. The way I would like to look forward is that we look at the principles of the plans and schemes that we have and, I would like to say today, respect the WTO legislation within that. In the context of your question, I also think the Common Agricultural Policy is not perfect—as a union, we accept that—but what we need to do now is work to make it more agriculture friendly, if you like, with less bureaucracy.



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There is an opportunity now for us to work on that to make it much better, rather than go away from it all, because there is also a possibility that if we do away with everything and have a completely new plan, the farmers for some years will have no money either. You can't change in two minutes. The fundamental principles are there, but we need to prepare and improve the schemes and plans that we have.

Dylan Morgan: I think, exactly as Glyn has said, we have to respect the importance of the current CAP to Welsh agriculture and the fact that the vast majority of farm incomes are reliant on that support. I think there are opportunities that perhaps we have missed in the past in terms of looking at greater productivity measures. Particularly under the RDP, both unions have put forward new plans to look at new productivity measures and the support to farmers to help them invest on farm, help put in new technology, through looking at the Small Grant Schemes, the Sustainable Production Grant, what are called "strategic initiatives", where we combine knowledge transfer with investment on farm.

As well as bringing some clarity about where the fault lies—whether it is EU regulations or their interpretation in the UK—one thing with leaving the European Union, is that the buck will stop with our Governments at home. It is for them to make sure that we put in place the measures, because there were opportunities to do that—and other Wales IDP—and I think so far we have missed a number of those opportunities, so going forward we need to make sure that we put those in place under a new domestic agriculture policy.

Q8 **Mr Mark Williams:** I think there is an acknowledgement in both those answers that there have been some issues under the CAP scheme.

Stephen James: It has never been perfect, to be clear on that.

Q9 **Mr Mark Williams:** Just very quickly, it is early days. The Prime Minister has not enacted Article 50 yet. There is a protracted debate about where these powers will lie and how policy will be determined and all sorts of issues about how decisions are made. Do you feel, from the discussion we have had now, that the vehicles will be in place for you, as farming unions, to put your views forward and feed into that replacement, whatever it is, to CAP? In the discussions you have had so far, are Governments at whatever level in receptive mode to the challenges ahead that you have alluded to?

Stephen James: You talked about a policy going forward, because at the moment the policy is delivered from Brussels, but it is delivered in Wales by the Welsh Government. Obviously the policy is brought back to the UK. We have had the conversation, we accept that agriculture is devolved and therefore it will be controlled by Cardiff going forward. We have had that discussion, as you say, at all levels about that process. There is an agreement, I think. Andrea Leadsom was in Cardiff three weeks or a month ago and we have talked extensively to Carwyn Jones and to Lesley Griffiths on the subject that it should be an agreed policy, including



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obviously Northern Ireland and Scotland, because we do not want too many distortions.

There are distortions at the moment between European countries. The worst thing we can have is a system that has massive distortions. There is not a recognised boundary between Wales and England along Offa's Dyke today. Farmers have land both sides and farm quite comfortably doing that. If you have too drastic a distortion, that affects us. But we realise that the Welsh Government delivers agricultural policy at the moment and therefore it has to be agreed. It cannot be an imposed policy by the UK Government, it should be an agreed policy. That is what we have discussed on many occasions at all levels.

Q10 Liz Saville Roberts (Translation): What is the mechanism you can see developing in order to reach an agreement?

Glyn Roberts (Translation): After the referendum I think we, as a union, made it quite clear. I had the opportunity to speak in two conferences a fortnight ago saying what we were looking at. What we are looking for as a union is a British framework. It is important to have that framework in order not to have unfair competition between the four nations. If we have that framework, the competition will not be as unfair. It is important that we ensure recognition for agriculture within that, but it is also essential that we respect devolution.

Dr Fenwick (Translation): In terms of the mechanism, I think maybe I speak personally here. I think the Welsh Government, the paper that it has published on this, which includes an element on that mechanism, is quite close to where we should be. The most important thing is that we need time. Unfortunately, we do not have much time. We must remember that when we are trying to agree an agricultural framework policy, or have done so in the past, we take years and years to do it. It does not include countries across Europe, but it is a huge amount of work to do in a very short time. If we are seriously thinking that a new system will be in place in 2019, my feeling is that that would be very risky, given the errors that have been made in the past and the problems that have arisen recently in Scotland and England with very late payments, and back in 2005-06 with the new system that came in in England and the problems that that caused. Time and playing for time are crucial. I think that maybe includes taking time to create a mechanism that is fair for everybody and takes the politics out of things. We have seen over the last week the problems that can be caused when people start to play political football with a topic that is so crucial. I refer to Scotland, of course.

Dylan Morgan: In terms of the framework, I think it is very important that we have a framework on policy and a framework on budget as well. In terms of a budgetary framework, now we have an agreed framework for agriculture throughout the devolved Administrations and it is extremely important that we use that framework going forward, because the Barnett formula will not work for Welsh agriculture.



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Q11 **Glyn Davies:** Can I butt in here? I just wanted to say I am a livestock farmer as well as being a politician.

Stephen James: You have two jobs then.

Glyn Davies: It is only two, not six. Clearly I am a recipient of subsidies for my farm business. Although there is a general declaration, I think because I am asking questions about the CAP I should make the specific declaration about that.

Q12 **Chair:** I suppose the million dollar question is what we have been discussing this morning, which I am going to ask you now, but that I think we will probably have to carry on thinking about. If you were starting again with a blank sheet of paper, as the Government will be shortly, what kind of payment scheme would you put in place?

Dr Fenwick: I would start by saying, as I said earlier, that it is not a blank sheet of paper. It is a blank sheet of paper unless we want to contradict or contravene WTO rules and therefore endanger our ability to trade internationally. That includes negotiations regarding non-agricultural products, because if you contravene one area of WTO, the likelihood is it will be used as a lever against you when you are negotiating other areas. That is the first thing to remember: it is not a blank sheet of paper, it is a sheet of paper that has to respect WTO rules unless it is to bring major risks with it.

It is notable that the current system, the CAP system, is very diverse, far more diverse than we understand because there are all sorts of options in it. For a Greek farmer it looks very, very different from what it does to a Scottish or a Welsh farmer, and there are big differences just within the UK. It is a far from perfect system, but it is drawn up with WTO in mind. We need to start there. We will have to have a transition if we are not to fall off a cliff edge. We have to have a transition and it is about developing into something better, which may look very, very different and should look very, very different. But to not take that into account would be to throw the baby out with the bathwater.

Dylan Morgan: I agree with what Nick said about the transition. I think this does give us an opportunity to look again at a pillar system. I am not sure if pillar 1 and pillar 2 works as such and whether we need that post-Brexit, but we do very much need to look at a range of measures. I think there has been some confusion as well, particularly when we brought greening into the last round of CAP, about what the direct payments are meant to deliver. It is important that we separate things out and look at direct payments to underpin food production and our food and drink industry, but then focus on agri-environment measures that give every farmer the opportunity, if they want to, to carry out additional environmental work on farm.

We have already talked about some of the things we could do under the RDP now, linking better investment measures with knowledge transfer, because a lot of our younger farmers have been looking at what can we



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do to help them in terms of productivity and investment on farm. As was mentioned earlier, perhaps we need to look outside the system and look at capital allowances and the tax system to see how we can support the next generation to come into agriculture.

Stephen James: I am aware of certain TV companies here today, but "Coast & Country" had a live programme last Friday on a sheep farm showing lambing live. I didn't think one lambled live, but they had it on. There was a young farmer, the son of the farmer, using eID. eID has been brought in as European legislation, but he was using it as a management tool. Dylan mentioned the Small Grant Scheme. We have been pushing very hard for the Small Grant Scheme because we feel that does help efficiencies. Little things like measuring weight gains and things like that on farm improves efficiency and it delivers for climate change, it delivers for more profitability and it delivers a better product. We need to encourage those. There are some good ideas out there.

The danger of course is that the Great Repeal Act brings all the regulations from Europe to the UK and Wales, so we will have all the environmental limitations. One of the issues I had is with the Environmental Impact Assessment, whereby I am not allowed to reseed certain fields. They are not producing efficiently. We rented some land about five or six years ago and I decided to reseed a few without asking for the EIA and I had my knuckles rapped for it. But we did manage to reseed that field and the productivity on that field is three times what it was before. It is those sort of things that will help us become more efficient, deliver for climate change and do all these other things as well.

Q13 **Glyn Davies:** Can I ask a question, following up what Dylan said? The thing about the union response to pillar 1 and pillar 2 is that they have seen it as a limitation on the amount of money that can be taken from general farming into more specific environmentally-related farming. If pillar 1 and pillar 2 disappeared and they were combined as a scheme, that limitation would disappear. You hear advisers to Government and you hear the views a lot that we should make the whole system much more environmentally friendly and transfer the lot. I have looked at pillar 2 as being a bit of a limitation on that. You say they should just disappear?

Dylan Morgan: I think a more integrated system with the best elements of both pillar 1 and pillar 2 moved into one new scheme. The level of budget you have in different elements probably will depend very much on what sort of trade deal we have. If we have a bad trade deal, if we have a cliff-edge Brexit, we are going to need a huge amount of support into direct payments to make sure that we can continue with agriculture and continue to have a food and drink industry in Wales.

But again, if you talk about over time, with a good trade deal and a fair and functioning market, which is clearly fairer for the high standards that farmers in Wales produce to, there may be opportunities then to look at measures that support productivity and agri-environment measures. It is



having that suite of measures, but I think the question you are asking, Glyn, is what percentage of income would go into each of those measures. That is very much dependent, I would say, on what deal we have going forward.

Q14 Glyn Davies: It is entirely possible that the public concern, worldwide concern about climate change, becomes a hugely dominant issue. There could easily be pressures on Defra, on another part of Government, to start to see payment to the rural industries as being designed to support a climate change policy, which may well be woodland planting, it may be whatever else. Thinking as a farmer, I see some dangers in that. Do you see those kinds of dangers in that?

Dr Fenwick: There are lots of dangers, depending on who you listen to.

Glyn Davies: I am listening to you.

Dr Fenwick: I hope what I say is not too vigorous, but there are those who will use this position or the situation now to try to forward their own agendas. Those include people who want to reforest our entire Uplands, very extreme people. The important thing is that we recognise the economic value and the huge value in terms of climate change and all those other huge services that we do. We all have to improve what we are doing, whether we are members of the general public or farmers. We all need to do that and we need to have systems that enable us to do that and facilitate that. So we have an opportunity to design, whether it is a two-pillar or a 10-pillar system, whatever it might be. But we need to make sure that it is proportionate and that it does not cause economic damage, which is a real threat, and that it does not result in a situation such as the one we find ourselves in now.

As Stephen has mentioned, there are some interesting opportunities with eID and some of the strategic initiatives that the unions have worked on, or the concept of a single strategic initiative, which is about driving the industry forward, delivering data on climate change, efficiency, all these things that we should be doing, but are stifled by the EU regulations. The advantages of eID are completely undermined by a penalty regime that penalises people for using a system that is compulsory. We have opportunities and we need to make the most of them.

We should not forget as well that pillar 2 is not just a single pillar—you may as well call it 30 or 40 pillars. It is incredibly complex and that money can be moved around between different elements of areas of spending.

Glyn Roberts (Translation): If I could come in on that point, I feel very strongly, as global warming is maybe one of the biggest challenges that we have, but I am also aware that industry has the answer, the industry will not be the threat to all of it. I think there is an opportunity now to use the agricultural industry as an architect for all of it. You talk about



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planting trees and so on and that is a part of the solution possibly. Everybody has some land that they could give up.

But mitigating climate change equals efficiency and I think the answer lies in that efficiency. Excellent work is being done in Hybu, for example, on growing grass with a high sugar content. Using those types of grass means that the animals can grow more quickly, and using the features within the animals, we can produce lamb or beef earlier and there will be less of an impact then. I think we have the answer.

Q15 Liz Saville Roberts (Translation): We have discussed funding, but I want to talk more about the macro funding. We have been talking about national frameworks regarding funding policies. I must say, as a Plaid Cymru Member of Parliament, that I am being torn between my head and my heart with this, but you did say the Barnett formula may not work. I think there are dangers in arguing that various sectors of the economy receive public funding in a way that is strict, how they measure their role within the economy. The First Minister has argued that by saying there are more animals than people in Wales so the Barnett formula is not suitable, but you need very strong arguments to prove this, so I would like to have some idea of the arguments from you.

Dr Fenwick (Translation): The first argument to be made is about the nature of Wales. Eighty per cent. of the land is less favourable, we are much more reliant on animals and the standard of the land is lower. There is a long list of reasons and each of those extends to the economic impact that agriculture has. Naturally the strongest argument is the fact that I think that rural Wales would collapse if we went into the Barnett formula. That is the truth; the impact is far-reaching.

Dylan Morgan: We would also say that most political parties in Wales are not happy with the Barnett formula. It does not work for Wales in general, so in that we are here representing agriculture today, we have to make sure that we have a fair budgetary agreement going forward. But I think it does go again back to the need to have this UK framework of a budget and policy because we are talking about a food and drink industry that is very much UK-orientated as well in terms of movement of products and resources throughout the UK. So we need to make sure that we are competitive throughout the UK.

Glyn Roberts (Translation): In this context, thinking of the agricultural budget—from Europe, that is—we in Wales get around 9% of that. If that became part of the Barnett, it would be down to about 4.5%, so that is not fair at all. I feel it is important for us now to get this British framework, but for me that is not very much different from what we currently have. What we currently have is a European framework where 28 countries discuss. What we want now is this British framework with four nations discussing together and everybody having the opportunity to tailor the policy as a framework to begin with, and then that the four nations devolved can manage and administer the plan as they see best.



We will have to have some flexibility within that framework, as currently exists, because in a way that gives assurance that there will not be a huge difference in the framework. But if one country wants something more than another country and sees the most important aspects, it can work towards that. But unless we get that British framework, what prevents one country from getting maybe much more money in agriculture than another country? The market is unjust then, isn't it?

Q16 Mr Mark Williams: Mr Chairman, my question follows on from that and I think we can knock off my later question and we can cover that as well. I was going to ask, from the script, do you think the current political climate will heed policy-making? But what I wanted to pursue was for you to paint a picture for us as to what the policy-making—and critically your input into that—is at the current time. We are going to produce a report, the Government will respond and hopefully that will feed into the process. I am sure you are being very effective, as usual, in putting your view across, but perhaps a bit about how, on the other side, people are listening to what you are saying and the structures by which you can put those views across.

It leads to what we have just heard. In building the framework that you aspire to, and I think we all aspire to in the future, are you confident that the respective quarters of the UK, all four bits of the UK, could work coherently within that UK framework? It may be a bit more topical than we otherwise would have thought. But the first bit is the mechanisms you have to put your views in representing the farming community to Government, at whichever level.

Stephen James: We do work, as UK unions, very closely together. We meet quite frequently on it and we have an office out in Brussels at the moment that is joint between the four NFUs, so in that sense we work with them. I accept that maybe last week's intervention, let's say, by the lady from Scotland might put a different slant on the whole thing now, but that is politics. Uncertainty is the problem. I think Dylan touched on it earlier. Whatever policy that goes forward is dependent on what we get out of Europe, isn't it, market access and all those sort of things? That is the challenge for us at the moment.

It is difficult to create a policy until you know what you have. The market is absolutely vital, as an example, but for other parts of it as well. Until we know how that works, that level of uncertainty is the issue going forward. It is a challenge in that sense. Most certainly from a union point of view we do work with the other unions. We are separate unions here, but we can see we are very much on the same page on what we want going forward.

Q17 Mr Mark Williams: I think that is clear in terms of you working together and putting that view forward. Are you being listened to at this point in time? I appreciate that you say things are going to move forward. Are you being listened to and are you confident that the structures will be in place, in devising the policies that we have talked about, that your voice



as unions—and critically, from this Committee’s point of view, your voice as Welsh farmers—will be heard robustly and sufficiently in any structures that might emerge, for precisely the reasons that you have just said: our reliance in this part of the world on agriculture in a slightly different way from England?

Stephen James: We have met a number of people at a variety of levels, David Jones particularly because he heads up the agricultural part of the Department for Exiting the EU. We have met Hilary Benn and his Select Committee. We are being told that agriculture’s voice is being heard a bit more than some of the others, apparently. We, as unions, have been congratulated on doing that. In that sense, there is no doubt that we are being heard. Today we have said that market access and access to a reliable source of labour is absolutely vital for us as Welsh farming and I do not think any of us would disagree on that. That is true of Northern Irish, Scots and English farmers as well. That is a pretty critical point. That is being heard, but whether they deliver on it is the challenge.

You asked, Mark, whether we have the confidence. At the moment, no is the answer to that one, because this is a big challenge and we need a degree of certainty because we are investing as an industry or we want to invest—not just us, but the processing sector, and they are very concerned. We meet them as well. I said we had had a meeting with Dunbia. We meet regularly with them and they are absolutely concerned, particularly about access to labour, for the reasons I gave before, and of course the market for lamb. If you are a slaughtering facility and you are not sure how much lamb you will have going forward and where you are going to sell that, it does not encourage you to spend money at the moment, particularly with driving efficiencies like becoming less reliant on labour, using technology or using modern systems in slaughterhouses.

Glyn Roberts (Translation): I think that the fundamental question is about the constitution and the way forward. I think the constitution now is extremely important. We have to have definite criteria for the constitution. I would like to see the four nations, as I said earlier, come around the table and tailor a policy for a British framework and that those four nations have as much right as each other. That is what is important. I am not here to make any sort of political points, but I think that the political climate that we are going through at the moment is possibly of advantage to us, that more equal voices will be heard around the table. If 28 European countries can reach a decision on a policy, surely four countries can do it. That is the way I see it.

Q18 **Mr Mark Williams:** Just a one-word answer—and I think you have answered it—you are confident that the four nations of the United Kingdom can work coherently on this?

Glyn Roberts (Translation): In that context, I think in the political climate that we are in, it makes things easier. Also I feel that sometimes you have to compromise, because it will be a compromise at the end of the day. Let us be quite clear: what we have at the moment is two



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opposite ends, where some Ministers have removed devolved rights from Wales to Defra. That is one end of it. The other end, in Scotland, although Scotland and Sturgeon want to go to a referendum, it does not matter to us, what is important here is that she has even mentioned in the annual meeting of NFU Scotland the possibilities and the importance of having some sort of British framework. For me, that says it all.

Q19 Glyn Davies: Can I ask you specifically, it is very little linked, this business of repatriation of agricultural policy from Europe to Britain, to the region. What is your view if, for example—a specific example—the Scottish Parliament voted in favour of doubling—

Dr Fenwick: They would not be allowed to. That is the point about frameworks.

Q20 Glyn Davies: Just let me finish my question, because that is exactly what I want you to tell me. That seems so horrific, because we would destroy the entire industry in much the same way as splitting up into TB areas had the potential to destroy the industry in certain parts. I just don't think that can happen. We are going to have to stop that happening. What do you propose we do to stop that danger, because that is a real danger and it is a real possibility?

Dr Fenwick: Yes, and that is one of the concerns. I am not talking about Scotland per se. These are the concerns that led the FUW back in the late summer or early autumn to vote to support a United Kingdom agricultural policy—or a framework, rather—that was agreed. Leaving the politics outside the door, we agreed in an adult way between the different devolved areas in order to stop that unfair competition and effectively replicate what we currently have now, which places strict rules or strict boundaries in place in terms of the proportion of a budget that can be used, for example, for a hedges payment scheme or any purpose.

It gives flexibility, but within set boundaries, so that you cannot use more than a certain percentage for doing something that might distort the market. That is precisely why we have to have such a framework: to stop, for the sake of argument, a system whereby—let's say that it is a non-Barnett agriculture/environment formula—Scotland could use all that money for just its suckler cow farmers and Wales or England could do something completely different and spend it all on replanting the Uplands with woodland. That is something we would wholeheartedly oppose and would be environmentally catastrophic. Nevertheless, the market distortion that that would introduce would be huge and that is why we have to have that UK framework.

But it is essential that we do not have an island mentality when we are developing the framework, bearing in mind that the EU, or what will remain of the EU, is currently starting to draw up its own Common Agricultural Policy for future years. It is no good us looking inwardly. We also need to bear in mind that in one way or another we will be competing with those farmers as well. If we spend all our time thinking



about just ourselves and the market in England primarily, while the French and the Irish and the rest of the EU 27, as it will be, go off on a completely different tangent, we could be opening ourselves up to huge distortions.

- Q21 Glyn Davies:** Can I clarify what you are telling us? I asked the question specifically to know what you are telling us. Clearly we need a set of rules that prevent that distorting activity, which could so easily happen. Are those sets of rules intended to be drawn up by, if you like, the national Parliaments—the four national Parliaments—or would it be part of a UK Government framework?

Dr Fenwick: It should be drawn up, as others have said, sitting alongside others in an adult way, just as happens across the EU. The EU has currently, only in recent weeks, asked for a call for evidence on the next CAP. That will then be developed and discussed without that sort of political nonsense. It will be discussed and it will become their new CAP. We need to have a parallel process. I am sure we would. The big problem we have is we only have two years to do it, potentially, unless we do something very sensible, which is to play for time.

- Q22 Liz Saville Roberts (Translation):** As Glyn stole my question, what is interesting for me is that obviously we are discussing that powers are going to be transferred from Europe and they are going to go somewhere. They may be split. What are the principles that you feel, both unions now, regarding what works in a British national framework and what I assume you would wish to have a strong voice on and a national understanding from Wales? What are the principles for how these things are distributed and for working together in the future?

Stephen James: There is a blueprint from Brussels at the moment, isn't there? They have a Council of Ministers there, they have a Commission and that is the way they draw things up now. It is not decided by one group, it is decided by the three groups. Maybe it is a mixture of that. I guess, back to the clean sheet of paper, we can design something that works. I guess it will only work if it is agreed by all four countries. It is difficult for us to say this is how it should be, because if we say we want it as we have it at the moment in Europe, I am sure there will be a lot of people out there who do not want to do anything that is a European example. So let us be creative and let us be ambitious about it.

- Q23 Chair:** I am sorry about this, but I think we are running slightly out of time and yet we still have a few more questions to go. We are going through things, but maybe I can appeal to everyone, questioners and answerers, to try to be precise.

Can I just ask you this, and it may be something that you want to reply to over a period of time? Interestingly, in the conversation we have had this morning, people have talked about the heavy-handed nature of some of the regulations. You mentioned that earlier as well. Are there any EU regulations that stand out as being particularly heavy-handed? If it is a



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very long answer, could you supply us with a list of the regulations and what they do? *[Interruption.]* I am sorry, we cannot go to the audience because we are not allowed, but we are having a buffet outside afterwards.

Dylan Morgan: There is a very simple one at the moment and that is nitrate zones. It seems absolutely ridiculous that we are going through a massive consultation process on something that I think we all agree is a flawed regulation set up by Europe. Why can't we look at taking a different approach to that now? Going through this process, as we are leaving Europe—it is one of the most hated EU regulations. But as a general principle, I think we need to work together to use regulation as a last resort, look at voluntary approaches, look at everybody working together to achieve our objectives. It seems at the moment that we look to regulation first, second and last.

Q24 **Chair:** As somebody who sits on this side, if you like, may I say I hear this all the time? You mentioned vulnerable nitrate zones, other people have mentioned hedge-cutting and seeding regulations. It would be good to have the specific regulations or a list of them, because then we can really be responsible.

Liz Saville Roberts: Then our politicians have to be responsible for it rather than you.

Dr Fenwick: There is a broader principle here though, which is most of those regulations are underpinned by well-meaning intentions. A lot of it comes down to the way in which they are worded; it may be sometimes the way in which they are translated. The fact is they are then linked to completely disproportionate penalties, completely disproportionate restrictions and on top of that there is an underlying problem, which is that some of them are drafted to cover things that happen both in the Arctic Circle and in subtropical regions because that is where Europe starts and stops. So there are huge, huge opportunities there, without totally undermining principles, but just to make sure things are proportionate and that you can reseed, for example—the example that Stephen gave—which makes us more efficient. At the moment those regulations are stopping efficiency.

Glyn Roberts (Translation): Can I just come in there? For me, what is most important is the verified outcomes. That is what I would like to see.

Chair (Translation): I look forward to getting a full list from you.

Q25 **Glyn Davies:** We were planning to ask you about lamb and beef, I think, but you tell us what particular sectors of agriculture in Wales will be most affected by leaving the European Union.

Glyn Roberts (Translation): I think in the lamb sector that is going to have the biggest impact. The simple reason is that 30% of our lamb goes to Europe and unless we get that trade and can sell to Europe, how will we be able to do that? There are also things that make things more complex. With small lambs, there is no market at home to meet the



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needs for that. We have to have places such as Europe to sell these things. As we export or import more beef than lamb, then there may be opportunities there to sell and produce more beef to be exported.

Q26 **Glyn Davies:** What about beef?

Dylan Morgan: I think the most important thing with beef is standards, adhering to our standards. I think we would have big concerns if we had a free trade agreement with South America and we let in beef from South America, for example. The standards to which they produce are nowhere near the standards to which we produce here in Wales. I think there are very good reasons why, in terms of the EU negotiations, they have looked at sensitive status for products like beef. Our members would be aghast if they thought that we had to compete on free trade with products produced not to the same standards as England.

Dr Fenwick: I think there is an additional issue, which is a threat to all our industries, even those regarding foodstuffs that we are importing huge amounts of and there is a huge trade imbalance. That is the fact that there could be a very sudden severing of links within very complex supply chains. The lamb industry is a good example and quite an extreme one, where you have seasonal peaks in production that the higher up you go are more difficult to control because you do not want animals lambing in very extreme weather, for example. That means that you have peaks of exports and peaks of imports of a single commodity. Then when you take parts of that animal, parts of them are very palatable, let's say, or very attractive to us as a country or in the UK, but other parts we do not really eat, so we rely on making the value of that animal up by exporting certain parts. That includes skins and offal and so on, which have different markets and different values in other overseas places. Some of that is taking place within single companies.

I do not mean that regarding lamb, but with some of these commodities they will have factories either side of European borders and they are moving a single commodity over and making the maximum amount of value out of that commodity. That is particularly the case where there is the only land border with the other 27 member states, which is in Ireland, where there are vehicles moving back and forwards across that border all the time. That maximises the value of these commodities.

It is absolutely essential that that is borne in mind, because you set up these complex supply links, supply chains, and it brings with it huge dangers that would undermine the value of animals, such as lambs, possibly even if you maintain access to other markets for prime cuts et cetera.

Stephen James: It is quite interesting to visit one of these modern slaughterhouses now, because the lamb goes in different directions. I mentioned Dunbia earlier. Some of the racks of lamb, the best cuts of the lamb, go to Switzerland and they pay the WTO tariff, but because it is a highly-valued product and it goes through the hotels and whatever, they



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can justify it. But the reality is that the cheaper cuts will not justify those tariffs. That is the other thing we can present you with, the WTO tariff scales, which are quite shocking, some of them, even up to 87%.

- Q27 **Liz Saville Roberts (Translation):** Yes, that would be interesting, I think, to see the big picture of the reality of selling meat. Some just would not be worth going through the WTO.

Stephen James: One example is apparently Baileys Irish Cream, which crosses the border five times before it becomes a finished product, so it is complicated supply chains that we are talking about. Lots of things do that and it happens naturally. What we want is for that to continue unfettered.

- Q28 **Chair:** To take your point, presumably the Irish are also desperate for that to happen.

Stephen James: I think you will find that Irish farmers, beef farmers particularly, are more concerned maybe than British beef farmers at the moment, because they see their beef being replaced by South American beef. I think that is a big factor in that.

Dr Fenwick: Just to give you a very quick example of some tariffs you are looking at, sheep meat is 12.8% of the product value plus between €900 and €3,118, depending on the cut. For the high-end cuts, take shoulders, for example, you are looking at paying €3,118 per tonne, so let's say about £2,800 a tonne. That is on top of 12.8% of value. It would basically be pointless.

- Q29 **Chair:** What would that do to the price? Would it double it, triple it?

Dr Fenwick: It doubles it, effectively, and you would have to see the pound moving down to £1.50 per euro.

- Q30 **Liz Saville Roberts:** That is the top value of the cuts?

Dr Fenwick: Yes, that is the best cuts. It is critical. Unless the pound was completely devalued—

Chair: It would be really helpful to have that as an example, and to have the different cuts as well maybe. I would find that hugely useful.

- Q31 **Liz Saville Roberts (Translation):** Also, how does that work with the lamb carcass at the moment? Just a quick question also, what do you anticipate to be the impact of the imports from New Zealand?

Glyn Roberts (Translation): Personally I am more worried about countries such as Australia than New Zealand. If you take New Zealand, they have their quotas, if you like, at the moment, and they do not meet all of that quota. But if you look at Australia, it is more dangerous for the reason that the weather can change so much in Australia. They get dry periods where they have to sell everything for whatever price in order to cope, and I see more danger from there than from New Zealand.



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Dr Fenwick (Translation): There is another thing with New Zealand. We also need to consider what exactly will happen with the quota, which is currently a European quota. If, as part of the agreement regarding the way we come out of Europe, other countries insist that we take that quota from New Zealand, countries that themselves produce lamb—because that quota originally came from Britain when we joined the European Union. They took our quota, from what I understand. It was before my time. So there is a danger that they will insist that we take that back and that will maybe double the amount of meat that could come in. It would be very difficult for New Zealand farmers and Welsh farmers, to be honest.

Stephen James (Translation): Half the quota comes to Britain and half goes to Europe.

Glyn Roberts (Translation): I think there is another point within all of this. I feel that we have possibilities within Brexit, working more with procurement, public procurement, and procurement for everything. When procurement was part of Europe, it was cost effective and everybody within Europe had to submit tenders. But we now have an excellent opportunity to look at the possibilities of changing those criteria. That is carbon and food moving from one country to another and buying local is part of that. I think we have to look at that as part of the big context.

Stephen James: One of the things that New Zealanders can do is export chilled lamb carcasses that have a 90-day shelf life. We are nowhere near that in the UK, because of the slaughtering methods that they use.

Q32 **Chair:** Are they slaughtering in a different way?

Stephen James: They wash the sheep. I have not been to one.

Dr Fenwick: They have different standards from us, which are equivalent but not the same. We have restrictions placed upon what we are allowed to do, which make it more difficult to achieve that shelf life.

Q33 **Chair:** So if we switched to New Zealand methods, would that not be a good thing?

Dr Fenwick: There are political pressures that would be opposed to those methods.

Glyn Roberts (Translation): I think on that point also Hybu Cig Cymru, Beef Promotion Wales, has done so much work to extend the shelf life and that work is ongoing. The reason why New Zealand has been prominent is that they have relied much more on exporting their produce to other countries. If they want to still continue to produce, then they have to look at those possibilities. It will be much cheaper for them to bring the lambs in by boat than flying them in.

Dr Fenwick (Translation): There is another important point there. We have discussed the possibility of some sort of agreement with New



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Zealand. What is the advantage for Britain of that type of agreement? There is no advantage. There are 4 million or 5 million people living there, the other side of the world. The truth is—

Q34 **Chair (Translation):** I cannot answer for the Government, but it obviously wants the European Union to realise that it can have trade agreements with other countries. I am not quite sure that it is serious, but I am certain that it wants to sound out, to be ready to have negotiations.

Dr Fenwick (Translation): But the danger is that there would be political pressure to be able to say, "This is a piece of paper from Mr Whoever" and that pressure would mean nothing seriously for Britain other than a piece of paper to show that it is possible. Naturally New Zealand would be more than happy to sign something like that because they know that we are no threat to them. I don't think that Ministers go forward with agreements in that sense unless they can get some advantage.

Chair (Translation): We could continue with this discussion outside, of course. I thank everybody, especially the members of the unions who have come here to give evidence today. Thank you very much and to the Council also.