House of Commons

Environment, Food and Rural Affairs Committee

Oral evidence: Brexit – Trade in Food, HC 348

Wednesday 1 November 2017

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Written evidence from witnesses:

– British Meat Processors Association (BRT0007)

– National Sheep Association (BRT0021)

– Agriculture Horticulture Development Board (AHDB) (BRT0029)

Watch the meeting

Members present: Neil Parish (Chair); Alan Brown; Paul Flynn; Dr Caroline Johnson; Sandy Martin; Mrs Sheryll Murray; David Simpson[1]; Angela Smith; Julian Sturdy.

Questions 1 - 138

Witnesses: **Nick Allen**, Chief Executive, British Meat Processors Association; **Jilly Greed**, Co-founder, Ladies in Beef; **Christopher Dodds**, Executive Secretary, Livestock Auctioneers' Association Limited; **Jane Basset**, Sheep Farmer, Peak District, gave evidence.

Q1 **Chair:** Good afternoon. I am sorry we kept you waiting a little while. We are delighted to have you all here. We are starting off our inquiry into Brexit and EU effects on trade and tariffs. It is great to have you here. We are doing things sector by sector. Today is beef and lamb. We have a combination of those of you who have real experience at the chalk face and those with the theory on the tariffs. You are very welcome. Starting with Nick, can you introduce yourselves please? Then we will get on to the questions.

Nick Allen: My name is Nick Allen. I am the chief executive of the British Meat Processors Association.

Jane Basset: My name is Jane Basset. I am a sheep farmer in the Peak District.

Jilly Greed: I am Jilly Greed. I am a fourth-generation suckler beef and arable producer near Exeter and I am a co-founder of Ladies in Beef.

[1] David Simpson declared his non-pecuniary interest in relation to the Committee's inquiry.

Christopher Dodds: Good afternoon. I am Chris Dodds. I am a livestock auctioneer but for the last 15 years I have run an organisation that represents all the livestock markets in England and Wales.

Q2 **Chair:** That is very useful. Thank you very much. I will start off with the first question. It is quite a broad one. What are the main opportunities and challenges for your businesses from the UK leaving the EU? I will give you a few statistics. 28% of sheep meat is exported. Nearly all goes to the EU. 16% of beef is exported. 90% goes to the EU. We have big WTO tariffs on beef of 87% and sheep of 51%.

Nick Allen: I heard you mention opportunities as well as challenges. I will try to find some positives, but at the moment one sees an awful lot of challenges. Let us start from my members' points of view. 60% to 65% of our staff is non-British labour. There are huge concerns across the sector about how we deal with that. We have done some research. They have tried to recruit locally, but very often because they are abattoirs they are positioned in rural areas, so it is quite hard to access that. There is huge concern about that.

There one comes to the trade issues. Without a shadow of a doubt, 80% of the exports and a lot of the imports are traded with Europe. There is a huge fear and concern about a hard Brexit, especially if we end up in a WTO situation—about not just the tariffs, but the logistics of meat going backwards and forwards across Europe.

The regulatory side is less of a concern, because they are getting the feeling that we are going to follow the EU pattern and they will welcome and pick that up. They will support anything that keeps that equivalence as much as possible. The transition is probably one of the biggest concerns. This is a massive exercise that the country is taking.

Q3 **Chair:** How do you think a transitional arrangement would work? How do you transition out of the single market? How do you see that working?

Nick Allen: We do not believe you should try to do that until you have some of the infrastructure in place. As has been mentioned to this Committee before, we look at the situation at Dover docks. What is going to happen there? We want to know that HMRC has systems in place. We want to see the infrastructure there. That is before you get into the real nitty-gritty complications of rules of origin. There is a lot to be done. We want to see as much infrastructure in place as possible before we definitely step over.

Q4 **Chair:** When you say infrastructure, do you mean ways of marketing or, if we were not in the customs union, a method of being able to import and export relatively seamlessly? Is that what you are talking about?

Nick Allen: Yes. That is what I mean by infrastructure. We need that to be as seamless as possible. I know it is a widely quoted statistic, but lorries are going through Dover really rapidly.

Q5 **Chair:** Could some of that be done through the markets? How do you see it working?

Christopher Dodds: Absolutely, it could. My biggest concern is that the third countries that export to Europe currently, or the majority of them, have to use the TRACES system. We need to get that in place sooner rather than later, so we can try it, make sure it is working and everything else. There is little doubt that we will have to give some sort of export certification when we export. I totally agree with everything Nick has said.

Q6 **Chair:** How good are we now with the electronic tagging of sheep, recognising them at market and so on? I know there has been a lot of toing and froing on it over the years.

Christopher Dodds**:** It is an awful lot better than it was. We had some fairly major problems to start with: tags that were not designed correctly, farmers and auctioneers who were not reading them correctly and everything else. If you look at some of our big sales—take the Hawes Auction Mart two-day sale this year—for 26,000 to 27,000 mule ewe lambs, we got a 99.3% read rate. It is pretty good now. We find that, when some of the older sheep, the cull ewes, come in, the read rates are not as good, which would suggest some of the earlier tags possibly have not had the longevity we had hoped. It is certainly not as good as scanning a bar code on a tin of baked beans in a supermarket or something else. It is not working and probably never will.

Q7 **Chair:** The tins of baked beans have probably not been through the hedges, eaten all the grass and put their heads where they probably should not have done. That is the slight difference, is it not?

Christopher Dodds**:** The technology is slightly different as well, but yes.

Q8 **Chair:** On the beef side of it, we have the passport system and we have the tag. That should be reasonably simple. What do you think?

Christopher Dodds**:** As an industry, we are asking Government to implement bovine EID as soon as possible. The majority of our customers, either vendors or purchasers, would say exactly the same thing. It would allow better read rates and fewer mistakes. Humans naturally always make mistakes, and you can rely more on an electronic read. It is about time and everything else. Electronics would definitely make life better, without a shadow of a doubt. Linked into that, we need Simon Hall's traceability design project—the LIP project—to happen efficiently, well and as soon as possible.

Jane Basset**:** The benefits, as Chris has just explained, are good for the industry, but they come at a cost to the industry. They have to be balanced up, so that each individual producer gets the benefit and not just the cost. That is an important point I would like to make. Going back to the sheep EID, we have had a big jump cost-wise, up from 15 pence to 81 pence per head. We get the cost, but as an industry we want to get the benefit of it. That is an important point I would like to make.

Q9 **Chair:** I can understand that, but we will also need a system that is recognisable and that we can use.

Jane Basset**:** Yes.

Q10 **Chair:** I have had a lot of people lobbying me over the years not to have an electronic system. It seems now that it is largely being accepted, and we have to watch the cost. I was going to ask you, Jane, about your lambs. Would many of yours go for the export market or are they ewe lambs for breeding?

Jane Basset**:** We farm in an SDA—severely disadvantaged area. A point needs making about severely disadvantaged areas. Only 40% of SDA farms have moorland. That is a point that wants remembering by the Committee. The majority of our lambs are sold as store lambs. To describe it, that would be the start of the food chain. Some of our lambs might eventually go for export, but we start the process off. In that situation, we are price-takers, not price-makers. This is always our concern in the hills, because any costs that are felt further up the chain, whether they be export or supermarket issues, come back to us. For any movement downwards in the market, for whatever reason, we have to carry the can.

Q11 **Chair:** Yes, the primary producer will very often get hit with these costs.

***Jane Basset*:** Exactly. It is a simplistic model, but it is an important one.

Q12 **Chair:** I was teasing the Committee before we started, saying that all these auctioneers make the money and the poor farmer pays for it. That is not entirely true, is it?

***Jane Basset*:** Can I illustrate a point as regards price at the moment? For store lambs, this last month, the AHDB figure is about £49.30 a head. With the pound being down, that is down on last year and down on a five-year average. We are facing an uncertain future. We want some certainty. We want to be able to plan, because farming is a long-term game. We need to be able to plan.

Q13 **Chair:** That is right. At the moment, you are getting a payment on your land in a basic farm payment. There will be stewardships schemes and things, depending on where your land is. If you take those scenarios, if the lambs are making under £50, the economics are not brilliant in the end. We are aware of that. With this particular inquiry, we are trying to look at the effects of trade and prices. When we get the agricultural Bill coming in, we will look at the way we make future payments and how that works. We will deal a little bit about payments, but it is really about how the trade works. That is what we are particularly doing. If I can bring Jilly in now, on the beef side of it, do you export much of your beef? Does it go locally or do you sell it locally? How does it work?

***Jilly Greed*:** We are in a dead weight system, and we are supplying to a large abattoir processor. As far as we are concerned, it is quite anonymous beef. It is not what we really want to know, but it goes into a plant. In my belief, this is quite a big disconnect for us. We have gone through a very big transition in the last 18 months. This anonymous beef is part of it. We are also suckler beef producers. There is no differentiation between dairy beef and suckler beef within the established retail sector and processes. Indeed, the share is about 52% dairy beef and 48% suckler.

Q14 **Chair:** For Committee members who are not farmers, dairy beef means the ones that are cross-bred—some of them could be Friesians as well—that come out of the dairy herd. They will mainly be bull calves and steers. The beef herd, the suckers, are usually beef breeds and bred from beef cows and bulls. Is that right?

***Jilly Greed*:** They are the real deal. That is the difference with consumers. The consumer thinks that, when they are eating and purchasing beef, it is what you see in the fields eating grass. Therein lies the challenge. Beef is beef is beef, as far as the sector goes. This is not new. This has been going on for years and years.

Q15 **Chair:** You are saying we should make much more of the grass-fed. It is about authenticity.

***Jilly Greed*:** Absolutely, and that is what we are doing. More than that, there are big environmental wins for the suckler beef herd. It is under challenge nationally, and we have seen huge pressure on the national breeding herd. In the last 12 years, there has been a 200,000 drop in numbers. As to the profitability of this sector, there has been a change from suckler premium many years ago to entitlements in BPS. There were premiums for suckler beef. We are the second largest breeding herd in Europe, but we are unsupported specifically to the cow. In Scotland, there is support; in France, the largest herd, there is support, as there is in Ireland. There are many challenges.

What we are doing, because this is the right thing, is being led by our son, a fifth-generation 27 year-old, who is really hearing Twitter and YouTube. We have gone to a grass-based, Angus-size system. We are mob grazing, so it is about soil and water. We farm right on the banks of the River Exe. We are in the flood plains. We have about 200 acres of river meadow, so about 250 head of stock. We are moving to lower inputs. On the arable side, we are zero tillage. We think this landscape management, with herbal leys, stewardship and suchlike, is quite a good blueprint for suckler beef production. It is a story to tell, because we are going to aim for 60 pence per kilo on top of what we now average, which is about 370 pence per kilo, working with the butcher in Somerset, who has three London butcher shops. That is the only way we see for us to achieve broadly what we do now with a reduction in entitlement payment. This is innovation.

Q16 **Chair:** In a minute, we are going to talk about geographical indicators and things. You can come in again on that particular one. Thank you very much. That is a really good start.

Q17 **Mrs Murray:** You have mentioned you are looking at changing your business slightly. Could you tell me what changes you think you might need to make, to accommodate your businesses once we leave? Have you started making any other changes? It would be interesting to hear from all of you, because you have different types of businesses and different situations you need to address.

***Jane Basset*:** On an individual basis, without going into too much detail, it very difficult to change. We can change, in as much as we have a son coming into the farm from agricultural college. He has new ideas and wants to embrace new technology where possible. We are always disadvantaged because we are a small farm. We only have 180 acres, but we want to access this technology to invest in our business on whatever scale it is—small scale and moving upwards. That is the way we want to move forward, if we can.

We want to look at what is profitable, look at what is not profitable and have some information as regards to, going forward, where the markets might be going. We do not have that intelligence at the moment. We seem to be working a little blindly with the information going forward. That is what we would be looking to do.

Q18 **Chair:** You want better market information.

***Jane Basset*:** Yes. We do not have that information.

Q19 **Mrs Murray:** Jilly, you mentioned before what you have done, but do you have any other plans to make changes?

***Jilly Greed*:** Yes. Our son is very ambitious. Everything is costed: spreadsheets, technology, drones and mapping to reduce inputs. It is about reducing inputs to the cost of production.

This is not easy. This is not easy at all because with regulation, high animal welfare, red tractor and traceability there is a baseline. The estimate is about £5,500 regulatory cost for the average farm. That is hard-won.

Q20 **Mrs Murray:** Can you see that perhaps change after Brexit?

Jilly Greed**:** No, not at all. I do not think it will. If we are exporting to Europe or anywhere else in the world, these are the standards and we should have them. If we are going to a much more environmentally based support system, I hope there is real recognition for suckler beef management and sheep for landscape management. They are big public goods and there are many benefits. We are in 600 acres. We are a family farm. We are not that big, to be honest. George is looking to scale up this zero tillage, share farming, contract farming and encouragement of sucklers with other rented land. He is looking to expand that. He is looking at technology. We have to Brexit-proof ourselves with forms of diversification. There is quite a wide-ranging discussion, which goes from a gin-making distillery in traditional buildings to holiday cottages and all sorts of leisure pursuits. Therein lies the challenge. It is also about how much you can invest in your business. We have been lucky to have some grant funding with Upstream Thinking for a dung store. This is part of the river management of phosphates and nitrates. Those financings for on-farm investment are really important.

Jane Basset**:** Yes, there are diversification opportunities out there for farmers, like Jilly just said. We diversified 10 or so years ago into an on-farm bed and breakfast, but we are not the only businesses in the rural economy going into those things. We have competitors, and rightly so, in that. It is not that farmers have carte blanche to get those businesses up and running. It is very tough out there. It is not the salvation of farming to diversify it all. You have to have a profitable farm at the start of it.

Q21 **Mrs Murray:** Let me be clear on this. You mentioned you diversified 10 years ago, and you said you feel you might need to diversify. You diversified before we had the vote on Brexit.

Jane Basset**:** Yes, because of falling farm incomes. That was the reason.

Q22 **Mrs Murray:** Will you need to diversify further or do you think Brexit will provide opportunities for you to perhaps increase your business?

Jane Basset**:** That is a very interesting question. I am glad you have asked me that question. That is the thing. In a way, diversification, to put it bluntly, is almost maxed out in the Peak District. We are at full stretch. It is an old horse, to be quite honest you. We want something new. We have this opportunity now. We have fantastic young people in this industry, and I have a fantastic young person at home who is well-qualified. We have the opportunity. We have a healthy, safe farming industry, to the highest standards in the world. It is about how we steer this ship, individually and collectively, to get a more vibrant industry going forward. That is what I want for our son, not more and more diversification. We have the opportunity, but at the same time we have to get the export job sorted out and be able to trade freely. Then these young people coming into the industry can take it forward and use the technology that is there. Then we can all work together. That is what I would like to see. I just feel quite passionate about it.

Q23 **Mrs Murray:** Could I quickly hear from you two gentlemen? What changes does your association feel need to be made? It would be interesting to hear the auctioneer's perspective from you as well.

Nick Allen: Looking forward, any business, when confronted with not knowing what is going to happen, which in reality is where the industry is at the moment, starts to plan for the worst. That is all you can do. Our members, if they cannot get the labour, are looking at how we can invest in new technology and whether we can replace men with machines. There is a sense of stagnation. People are sitting on their hands in terms of investment, because we just do not know what is going to happen. We do not know where we will end up trade-wise or what the agricultural policy will look like, to tell us how much livestock we are going to have.

Q24 **Chair:** It is the lack of confidence to invest at the moment that is the problem. How about on the market side?

Christopher Dodds: There are two or three things. You asked a question earlier on about opportunities. Where we are seeing a very, very big market is with the ethnic and halal trade. We have one of the largest ethnic abattoirs in Europe. It is based in Shropshire. If we lose that export market, it will find it exceedingly difficult, because its business is exporting. As auctioneers, this season, we have seen our hill ewe sales drop by 50% to 55% in value. I would attribute quite a lot of that percentage to the lack of confidence in where we are going. The hill ewe is where the genetic pool is for our breeding, generally speaking.

Q25 **Chair:** Are you saying you have seen a 50% drop in price?

Christopher Dodds: The ewes that have done three crops of land in the uplands, and are then sold to do two crops more in the lowlands, are called draft ewes. They are fully correct sheep. They are breeding sheep. The upland men sell them because they need to keep young ewes on their fell to compete with the lower-quality grass, weather and everything else. Those sheep have been coming into our sales this year, and it does not matter whether you are talking about the Welsh sheep, the north of England or the Staffordshire and Derby sheep: ewes that were making £65 to £70 last year are making £35 this year. A lot of that is down to the lack of confidence as to where we are going.

For our industry, there is a genuine appetite throughout for improving what we are doing, doing things better and looking at innovative ideas for how we do that, but we need to know which direction we are going in. There is a massive difference between being told we are going to have a 51% or 52% tariff on our lamb and, therefore, it becoming untenable to export lamb, and having the trade and it remaining roughly similar to where we are now. The opportunities with the lamb industry are completely chalk and cheese.

With the cattle, a large percentage of our big bovine abattoirs are Irish-based already. The big question is where the movement of carcass is going to be between Ireland, Southern Ireland and the UK. Will that affect how they think and conduct their business? We are in quite an unknown area. I genuinely believe that, as soon as we know where we are going, it will have a better direction.

Q26 **Chair:** It is a very good point. It is confidence to invest and know where you are going. Of course at the moment, with all the Brexit arguments, it is quite difficult to know exactly where that is going, but as an industry we need to know that.

***Christopher Dodds*:** There is no one better than the farming community for investing the money that they get. They have always done that.

Q27 **Angela Smith:** If we get market disruption as Britain leaves the European Union, this could cause quite serious fluctuations in the price of products and therefore impact on consumer demand. How adaptive do you think your sectors are, if these changes occur, given the length of time it takes to get your products on the shelf? Is there anything the Government could do to mitigate the risk of this happening?

***Jane Basset*:** Strengthen the domestic agricultural policy.

Q28 **Chair:** What do you mean by "strengthen"?

***Jane Basset*:** At the moment, we have a very volatile market, as we have just talked about. There have been forms of support over the years, but part of that is to manage the volatility. We have to have a stronger domestic agricultural policy.

Chair: Please say it. There is no reason not to. Do you want direct support? You have direct support at the moment, so you would like to maintain that. Is that what you are saying?

Q29 **Angela Smith:** Is it supply chain?

***Jane Basset*:** It is that as well. It is not just one factor. There are other factors as well. It is the supply chain as well, and moving on from that.

***Jilly Greed*:** It is about steering the ship, given that, from conception to killing, it is two years on a beef animal. That is a long time to have your cash and risk tied up. Price volatility is a big one. We have seen a 5% uplift in beef prices in the dead weight system this year—great. That is partly because of the euro and there is not so much Irish beef coming in, but it has gone back again. You have budgeted for an average price. In the beef sector, we have seen incredible rollercoasters, not just in prime beef but in mature beef. That is incredibly hard, because your cattle, whether you are spring calving or autumn calving, are going at a certain time of the year.

There should be better transparency and trust with the abattoir and processing sector. We are price-takers. We have visual imaging grids, with changes in the grids. That does not always happen with a 12-week notification. The abattoirs make charges, a bottom line of X amount, including insurance of £3. I do not have a clue what that is for. There is not trust or transparency. There is not sharing where there are contracts for certain types of cattle, generally Angus side, that are going to a specific retailer. We are now seeing a change in the grid where more fat cover is okay and you do not get the penalty, but if you are down the other end, on the lean side, you can get a stonking penalty, however good the animal is.

Q30 **Chair:** We looked at that a year or so ago.

***Jilly Greed*:** That is 100 or 150 quid off that animal. There is not a two-way sharing of risk, information, data and price positions. It is incredibly hard to do.

***Nick Allen*:** Bear in mind the processer only passes on to the retailer and the retailer is selling to the consumer. It is the whole supply chain. There is not a bunch of people taking more in the middle. You have to consider the whole supply chain, right the way through. Looking forward, we will have more volatility if we have these disruptions to trade. If what we have seen in the past is volatile, we will see more. We have a grave risk here of beef prices ending up like petrol prices, with the consumer wondering where they are coming from because of the ups and downs.

Q31 **Chair:** The point has been made that it is at least two years. The basic is 18 months, and some of it is two years or two and a half years. Once that animal has been bred and fattened, it is very difficult to say that the market has now changed and we do something different.

***Nick Allen*:** Absolutely. The answer, which you are starting to see signs of, is probably more integrated supply chains, where the deal is struck with the farmer from day one. You are starting to see signs of that happening. That is probably the way forward. To some extent, that takes out the adversarial pressure in the supply chain. That requires trust on both sides.

***Jilly Greed*:** That system is very much geared to a dairy beef product.

***Jane Basset*:** I would urge caution.

Q32 **Chair:** The premium beef suckler is probably recognised by Marks & Spencer and others. I imagine a lot of it is commodity beef, which—you are quite right—would be more with the dairy sector.

***Jilly Greed*:** It would. There are opportunities for more development in the domestic market, in food service and hospitality. You are seeing much greater demand this year. There has been an uplift of about 15% for British product. You are seeing consumers really backing British product. There is lots of good news there.

Q33 **Angela Smith:** There are obviously potential solutions to mitigate market disruption, but do we have time to do that, given that Brexit is going to apparently take place in March 2019?

***Jilly Greed*:** No.

***Nick Allen*:** Could you tell us what Brexit is going to look like?

Chair: That is beyond our paygrade. This is where we are drilling down to find the effects. It is quite right of you to give us what you think the effects are on various scenarios. That is exactly what the role of this Committee is. I cannot answer your question directly.

Q34 **Julian Sturdy:** Jilly, I think it was you who talked about suckler beef and the environment benefits it can bring. You were talking very positively about that. I do not know whether you think we market our high environmental and welfare standards, not only in beef but in sheep, right across the livestock sector, well enough to benefit UK produce.

***Jilly Greed*:** There is a success story here, because we are achieving one of the highest beef prices. Do not forget that. We have a strong beef price compared to other parts. Where we, as producers, have lost touch is in part of the communication. That is why Ladies in Beef was set up. We set it up to be a consumer group of passionate women who can tell a strong, positive story about red tractor-assured British beef. It is terribly important that it is red tractor-assured. That was never more apparent than in the horsegate situation.

We have gone on to be strongly vocal, especially this year, about health, nutrition and the benefits of beef within a diet. I work closely with AHDB on this. This is now our third year. We are integrated into its campaign activity, and next year for Great British Beef Week, from 23 April to 30 April, we will be the soft launch for the thin cut steaks campaign. It is quick and easy, nutritious and very targeted to millennials. I am really proud that we are part of it.

Q35 **Chair:** They can be cooked very quickly as well.

***Jilly Greed*:** They are quick, yes, and a good alternative to chicken. We need to do a huge amount more on the nutrition, education and environmental side. Grass-based beef is also part of that.

Q36 **Julian Sturdy:** You talked about traceability and I agree with what you both said on that. We are not going to turn back the clock on traceability and the assured produce schemes we have, which are very good. The question is over food labelling, going forward. The question is whether we can market that in a better way, so that we are promoting British food not only to UK consumers, but export-wise as well? There is a success story there, but can we really drive it? What I am trying to get from you as producers is whether there is an opportunity through Brexit to drive that forward.

***Nick Allen*:** Beef is just a protein. As far as the consumer out there thinks, it is another protein, along with pork, lamb and chicken. As Jilly quite rightly says, it is a good alternative chicken. That is the whole point of the thin cut steaks campaign. There is a price point here. No matter how well you market it, the consumer is not going to pay more for it. We have to be realistic about that. Lamb is the most expensive protein out there. You can squeeze it so far, but we have to be realistic about how much more the consumer is going to pay for something.

***Jilly Greed*:** You are coming back to traceability. I always talk about passports and every animal having its own passport. The audit trail is completely from our farms, from the animal and right the way through. We are inspected. There are welfare standards, right down to whether the dog has been wormed when it should be. You are recording that. Into the abattoir, the processing units are stringently audited by not only red tractor and other bodies, but retailers themselves.

What you can say, because it is a consumer message, is that it is utterly and totally safe. We have world-class and world-beating traceability. You know that it has not come from one part of Brazil or Argentina where the standards are not the same. That is how you can use it, which is slightly negative, but we can see the increase in market share in British product. Co-op, Aldi, Lidl, Marks & Spencer, Waitrose, Morrisons and others are becoming British because we have this traceability and quality assurance.

Q37 **Chair:** One of the benefits of horsegate, if there were any benefits, was that the retailers started to look back. It is how we get the mark-up.

Q38 **Sandy Martin:** On this particular point, which is an ongoing discussion, what you are saying, Jilly, is about people going for a quality product if they know it is of quality. If you want to block your ears—Nick needs to block his ears as well—this is a question for Jane and Christopher. We have a situation in this country where we are a major producer of sheep meat, in a way that the rest of Europe is not. At the moment, a vast majority of the sheep meat that is exported to Europe comes from this country. If that goes, if it is blocked, we will have to look for other export markets.

We had a meeting with the US Secretary of Agriculture a few weeks ago and there is a huge untapped demand. There is very little sheep meat on the market in the United States. They do not buy it and do not realise that it is healthy. It is not promoted as an alternative. I am quite sure there are people in California at the moment saying, "I do not want to eat any more red meat". They eat an enormous amount of beef in the United States, but if they want to move away from beef at the moment they only have pork or chicken to move to. If we could market British lamb in the United States, that would be a massive opportunity. Do you think that we would be able to create a perception of a quality product that we could market in the United States, or is that market going to be entirely taken up by New Zealand and Australia?

***Jane Basset*:** There is a market there. It is going to take time to develop. You can quite clearly see that. It is not going to happen overnight. A lot of people are positively looking to the future. This is the exciting part. It is the interim that we have to deal with. At the same time, as an industry, we have to learn new skills. The skills and knowledge are out there. We can sell Buxton water at goodness knows what price per litre. We have this quality product that protects the landscape in the way it is produced. We have a story to tell and we are not telling this story well enough. As an industry, we have to learn to tell that story, open up and develop new markets in time.

Q39 **Chair:** Sandy is absolutely right, but it is the feasibility of getting that market open, getting in there and what sort of timescale it would be.

***Nick Allen*:** You have Phil Hadley coming in for the next session. In my previous incarnation, we were looking at America. The opportunities in America, as I understood it, were for quality cuts. We are back to this carcass balance. The key for us to balance up this carcass and add value is to find markets where we can sell low-value cuts and add a premium on to them.

Q40 **Chair:** That is going east, I imagine.

***Nick Allen*:** That is right: going east. Phil might correct me, but I doubt the market is anything other than a quality, top-end market. There is a massive opportunity there. I totally agree.

***Christopher Dodds*:** We need to look at whether we are in an emergency position of having 50% too much lamb on the market or whether we are managing to get a deal that allows us to export. Of course, for all of us, for a multitude of reasons, the worst scenario is that we trade under the World Trade Organisation with 51% tariffs. Let us not hide from it. Our lamb will not have a marketplace in Europe if it has a 50-odd per cent tariff on it. There is an alternative. I feel quite strongly about this. I do not think it is a perfect world. We need to kill and process lamb, and make the most of it, in this country, but the alternative—and there is a big demand—is for live export of UK lamb.

Q41 **Chair:** That is a controversial one, but it is a point.

***Christopher Dodds*:** It is controversial with some people. I do not think they understand totally what industry is talking about. There was a big survey done by a university—

Q42 **Chair:** It is also how it is exported and in what type of lorries. There is an awful lot to look at. I do not know if I want to open that huge argument today, but I get what you are saying. In the past, it has not been done terribly well.

Christopher Dodds**:** I do not doubt that, but it is up to our industry and our enforcement agencies to make sure that, if it happens, it is done properly. I do not want it to happen so it takes away the business from our processing, but, if we get to that horrible day when we have 50% too much lamb, all that will happen is, going back to 2001 and foot and mouth, these sheep farmers will be expected to take £20 for a finished lamb.

Q43 **Paul Flynn:** The price is to increase the suffering of animals that are being exported.

Chair: Paul, you can ask the question, but I would rather you came through the Chairman. Everybody else is.

Christopher Dodds**:** In what respect, sir?

Q44 **Paul Flynn:** The conditions for animals are terrible. A woman MP from your party made a speech about it yesterday. There is public resentment because animals are exported on the hoof rather than on the hook. It is deeply felt.

Christopher Dodds**:** I would love to have that conversation with you outside of today, because I do not think that is something we are necessarily here to discuss.

Chair: You can put it on the record as an issue. Paul, there would be an awful lot of debate before we went down that route. I respect you being able to put it down on record, but we will leave it there because I am conscious of time and we are going to spend a lot of time on this.

Q45 **Dr Johnson:** We will come back to the live transport of animals. Mr Alan, you spoke earlier about the realistic price of production. Do you think it is the consumer who needs to be realistic about the price of production? You say they will not pay more for animals that are kept in better quality conditions and produced to a higher standard, but that is overwhelmingly what the public want. If you ask them whether they want the animals to be raised in nice conditions, the sheep to be running around on the hills and the chickens to be running around in the fields, that is what people want to see. Do the public need to have explained to them that there is a cost to producing that and, if that is what people want, they need to understand that it will cost more? It is not fair to the producer and farmer, because when the price falls it is the farmer who gets hit. That hit is not shared through the whole of the production chain in the way that, if there is a hit, it should be.

Nick Allen**:** All of us involved in the food industry would love it if the average family in this country spent a greater portion of their weekly income on food. It has slipped right down over the years. In all our lifetimes, it has gone right down. It is probably running at about 11% or 12%.

Q46 **Dr Johnson:** It is the farmers who are suffering from that, is it not? We do not see the supermarkets and producers suffering in quite the way some of the farmers are.

Jilly Greed**:** It is about the retail share in most cases. That is where the fluctuation and volatility happens.

Q47 **Chair:** In a way, it is automatically the primary producer that gets hit, because they get the base price if you cannot push that up. Whatever the supermarket or retailer buys it at, they will mark it up and make a percentage on it. It is always the producer that gets hit. I think you are asking how we can share some of that pain. How can we get consumers who can afford it to pay more for a quality product?

***Jane Basset*:** In the market, there are possibly three or four ways. You have the high end of the market, Waitrose and what have you, where the consumer will pay. Then you have the middle ground, and right down at the bottom are the food banks. The mass is in the middle. There is a huge increase in interest in food with the "back British" campaign and the campaigns Jilly has been involved with. The message is getting across. There is a lot of support for British product, which is good. How we convert that back to benefit further down the supply chain is the difficulty. That is always the difficulty.

***Jilly Greed*:** Contracts could help. On communication, we have lots of things going for us now. With our campaigns, interestingly, we are using digital: vlogging, blogging and social media. That is helping to get messages through where retailers are prepared to be involved. On Great British Beef Week, the only retailer that got involved this year was Aldi. Aldi is doing really well in terms of basket spend because it has 100% British beef and lamb. Consumers are going in there, doing their shop and buying beef and lamb.

Q48 **Chair:** Aldi and Lidl are taking less of a percentage in the supermarket. They keep the price down, but they are paying a decent price to the farmer. It is interesting what can be done.

***Jane Basset*:** They are paying the proper rate, as is the Co-op.

***Jilly Greed*:** They are engaging, communicating and being involved.

***Jane Basset*:** They are promoting the industry and products in store. Consumers recognise that and support it. It is a two-way thing. It is a win-win situation, as with the Co-op. It has a good story to tell. It is promoting this, in all the ways that it does. That is a good thing for the industry.

Q49 **David Simpson:** I refer the Committee to my Member's interest in the agri-food sector. I also have met Nick, who represents some of the Northern Ireland processors. I am making sure I do not have any favouritism to him.

Chair: Do not show him any favouritism.

Q50 **David Simpson:** No, absolutely not. In relation to the conversation we have had so far, it has been very, very interesting to hear some of the points that have been brought out. The concern of the industry and farming families is how the Government ensure that the lamb and beef sector flourishes after Brexit. I have listened to a number of the comments on live exports. Jilly, you touched on contracts. We have seen a change in the industry, as Nick will know, in that the poultry and dairy sectors are now looking at long-term contracts. The dairy sector in Northern Ireland is looking at contracts of somewhere between three and five years, which is a massive thing. It is a big commitment to the farmer as well, by the way, but it is a big commitment.

Do you think, from the farming point of view, and maybe Nick can come in on this, that it would give some kind of guarantee to the primary producer if contracts were agreed? As the Chairman referred to, a year ago we had three factories in here giving evidence: the organisation from Northern Ireland, Dunbia; APB, a Northern Ireland factory; and 2 Sisters, I think. They all agreed that they were not afraid to look at long-term contracts for their primary producers. Would that give you some kind of foundation? I know there are other issues. I know there are marketing issues, but would it be a start, to help the primary producer, if you had a price that was realistic and might be there for six or 12 months?

***Jane Basset*:** How would that transfer into the live-weight options?

Q51 **David Simpson:** I have not a clue. Obviously you will not be able to tell us that.

***Jane Basset*:** No. You could see it working in dead weight. I am not an expert in this field. My general comment would be, with caution, that I appreciate the idea and where you are coming from, but we would have to learn the lessons from the milk industry.

***Jilly Greed*:** I can speak from having been in a contract some years back. You have a base price and a pain-and-gain margin. Therein lies the word "pain", and sometimes in not meeting the spec. There can be changed in specs that were supposed to be introduced. Three months is not very long in terms of notification, certainly not in the beef sector. There are also penalties and suchlike. It is in the small print that lots of the penalties come in. I agree with you that it gives a base, but I really, really feel it needs farmer input. It is always retailer, processor—top-down—and not sufficiently that way.

Q52 **David Simpson:** The point you made earlier was on openness, trustworthiness, transparency and all that. Again, I do not think the factories that were here before were running away from that. There is a concern within the industry that, if the industry does not look after its primary producer, we will not have any young farmers coming in the future. We will not have the supplies. We will be depending on imports and whatever we have to do to get food for our people. Maybe Nick could elaborate on that, but I think there is an openness. Maybe I am wrong on that, but we have to get the market set and get the government policy right on how we move on from that. There has to be a willingness from the industry to work from the primary producer's point of view.

Q53 **Chair:** I want to bring Christopher in, because we have an interesting debate about going to dead weight or selling your animal live at a mart. There is an issue here. Some farmers like to sell them live because they have the opportunity of taking them home again. If they are dead, there is not much you are going to do about that.

***Nick Allen*:** Yes, I am seeing members increasingly look at that side of things. It is the way forward. We need the people at the end of the chain on board as well. It does not work if it stops with the processors.

Q54 **Chair:** How would you make them behave themselves?

***Nick Allen*:** You are the people with political clout.

Chair: They do not always behave themselves.

Q55 **Sandy Martin:** We need to educate the consumer. Then the consumer will pressurise the retailer.

***Nick Allen*:** Many of my members only get six weeks' notice of a change of arrangement with them. This all gets passed down. It needs the whole supply chain to buy into that. I believe it is the way forward, or a way forward, that will help the industry into the new world.

Q56 **David Simpson:** In relation to a financial package moving forward for the farming community, how do you see that operating and how would you like to see it operating? I know there are currently payments and they are guaranteed up until 2022. Thereafter, it will be a matter of negotiation. I do not know in what way it will work after that, but up to that we are okay so far. How would you like to see that operating? Would you like to see long-term subsidies or to see subsidies change, in the direction the Secretary of State has mentioned, towards environment and productivity? How do you see that operating, as primary producers?

***Jane Basset*:** We accept that there will be change for the industry as a whole. There is definitely a case for support for upland hill farmers. I would say that, with my upland hill hat on, because every pound that comes on farm produces about £7.40 going back into the rural economy. That is an important point. Many farmers support direct support, in particular going to active farmers. That is a very important point. We are the ones calving the cows, lambing the sheep and harvesting the fields, et cetera. We take the risk. It is a better use of public funds, in that sense, if it is more targeted that way. Going forward, we are looking, as we touched on earlier, to embrace technology and change working practices. We have this opportunity to look at that. We will do, as an industry.

Q57 **David Simpson:** Are primary producers willing to look at all that, in partnership with government policy, to incorporate everybody into that decision-making?

***Jane Basset*:** They are. We have some wonderful industry bodies. With respect, that knowledge is very key to move the industry forward, so they must take on the advice of these bodies. They know the industry and how we can move it forward in these challenging times we have ahead.

Q58 **Chair:** Christopher, I want to bring you in, because surely there needs to be competition in the market. Markets literally give that. You might have a deal with a processor, but, if you do not want to deal with a processor, you can sell your animals live. What is the percentage now that goes through the mart? Defend yourself on where you think it should be.

***Christopher Dodds*:** Our industry has just celebrated 200 years this year, which tells me and should tell everyone else that, in 200 years, our industry has not produced or found a better mechanism than open, transparent competition. I have been in the auctioneering business for 38 years and I have seen numerous forward contracts. I do not know one of them that has worked successfully on a big volume. I am not talking about specifics.

Q59 **Chair:** It works in the poultry sector and the pig sector, does it not?

***Christopher Dodds*:** I mean within the red meat sector, Mr Chairman. The fact of life is that supply and demand have to be balanced. If they are balanced correctly, there is no fairer and better way of giving a true price to a farmer than putting something in a competitive forum and making these people bid. I will support Nick on this one: it is not his members that we should all be fighting with; it is the ones that they supply, who turn around and say, "We want a forward contract, but by the way, Mr Abattoir, we are going to put you on six weeks". They get lined up nicely to have a forward contract and then they suddenly change their mind, and Nick's members have to sort the problem out. I would defend our corner in the respect that it is a competitive forum. We earn our money by making as much as we can out of the product for the farmer.

Q60 **Chair:** All contracts work well when there is a good market. It is like in the milk price. If you see a rising price then everybody honours their contracts, everybody wants more and will give a bit more. When you get the opposite effect with the prices falling, that is when the contracts do not seem to kick in as well. Is there any solution to that?

***Christopher Dodds*:** It is us all, on this side of the table as much as on yours, trying to make sure that we can balance supply and demand. That is making sure that what comes out of our deals with Europe facilitates us being able to do that. We are all waiting to see what deals are and are not struck before we can genuinely say the blueprint is over there and we need to study that. There will always be, and it is fantastic that there are, niche markets for certain brands, breeds, sizes and everything else. The reality is that our industry produces a very wide-ranging article, no more so than the sheep industry, where you have the upland and lowland sheep. Their ability to convert, their confirmation and everything else are miles apart because of the land and terrain.

Take the herdwick from the Cumbrian fells that eats everything any other sheep will not eat, and then you have the very best Texel lambs on the lowlands. They are two completely different marketplaces. Whatever we do, we cannot lose focus as an industry that there needs to be a marketplace for all these products, not just for the perfect ones in the middle. I believe that is where we have a massive part to play in putting a product in the ring. The man who wants that product can bid against the other man for it and, if he does not like the next one, he does not need to buy it. The next person can buy it.

Q61 **Alan Brown:** Something you touched on almost in your opening remarks, Nick, is rules of origin. The UK Government at the moment say they want to leave the customs union, so there is potential for rules of origin. What will that mean for the UK meat producers and processors, in terms of trying to get UK products exported to the EU in the future?

***Nick Allen*:** I am not an expert on rules of origin. It is an incredibly complex subject. I do not know whether any of you have looked at it, but this is one of the most complicated things. It is going to be yet another thing that needs to be dealt with and is wrapped up in the infrastructure I was talking about. We need a system in place. It is something else we will have to think about that we had not because we were part of Europe and did not necessarily have to deal with it. I flagged it in our report. It is yet another potential cost, another potential bureaucracy, that we will have to deal with. It is incredibly complicated.

It is not going to impact on the beef and lamb sector quite as much as it will the pork sector. The real complications come when you bring something into a country, make it in another product and then export it. Then you have to start deciding what percentage of that product has come from one particular country. It is a pretty complicated area. It is going to add cost and complication, I am afraid.

***Jilly Greed*:** It is really important to have clear, transparent labelling about where products are reared in this sector with beef and lamb. I want to go on about PGI, particularly the West Country PGI. That was so hard won for beef and lamb. It is growing in terms of recognition.

There is not a great budget for marketing or promotion behind it but it is growing. It has huge potential. That has to be protected so it is something we are able to work with as a product. You see how the scotch beef industry has worked so hard on its branding. You talked about the US, Sandy, did you not? It is about branding, image, the union jack flag and all the rest of it, but that protected geographic indicator is terribly important.

Q62 **Chair:** Theoretically, we should be able to have tighter standards if we want, when we leave the EU. We could have more regional labels. It is our choice how we market them across not only the country but internationally. We have to recognise international rules, but we could have even more regional food if we want it. You would make a plea for that.

***Jilly Greed*:** Totally, yes.

***Jane Basset*:** We could use that as another selling point.

***Jilly Greed*:** Consumers and the trade recognise that. You are seeing the use of West Country beef on menus and in the hospitality sector. It is another product outlet. It links with the countryside, landscape and tourism.

***Jane Basset*:** It is buying into a brand. As soon as you buy into a brand, you add the value.

Q63 **Alan Brown:** Infrastructure was mentioned there. Christopher, you mentioned infrastructure earlier on, saying that we need to see this in place sometime soon. What kind of timescales are we talking about? What would be the cost to the industry and how much government support would you expect to be put in place for that?

***Nick Allen*:** The infrastructure I am talking about is entirely the Government's responsibility, presumably, if it is HMRC that controls the exports and imports. The ball is in its court to put these systems in place. I made the comment in a meeting the other day: if you are this close to leaving Europe and have to have these things in place, in industry you would be stress-testing this already to see whether it worked or not. We do not even know the systems we are going to be putting in place or, if they are in place, the industry does not know about them. That is my point. We are a long way off the pace, which is why a couple of weeks ago I put an article in the *Telegraph* saying that we need five years, not two.

***Christopher Dodds*:** We have the UK export certification partnership, which is government and industry-based, with industry doing a lot of work. One of the gentlemen who sit on my UK livestock Brexit group, Marcus Bates, is very, very clear in his mind that we need to be stress-testing and doing everything else with a TRACES system.

Q64 **Chair:** We want the industry to lead quite a lot on this, do we not? Do you see that?

***Christopher Dodds*:** Absolutely. The industry wants to do as much as it can, but more often than not the end decisions have to be made by Government. Government have to do the final rubber-stamping and leading on it. The industry is there, wanting to do it; it is just that we have not been able to do that.

***Nick Allen*:** Chairman, you make a really important point there. I am seeing industry really keen to get involved in things. There is a sense that, at times, industry gets pushed away, whether it is the agriculture policy or the deals. Jane touched on that earlier. These are the people who are doing it and probably know how it works. I have one member who emailed this morning with quite a specific point about lists of derived products from animals, which needs to be deal with. It is only someone in industry who knows about that. We are all willing to work with Government and officials to make this happen.

Q65 **Alan Brown:** PGI and labelling are really important. We are talking about consumer education, quality product and keeping a high-end market. If there is a hard Brexit or we go to WTO and the export market falls, some people like you with high-end quality should still be able to feed into the hospitality sector. However, if the export market in general falls, does that not still damage the wider industry? Where we talk about consumer education, is there not a risk? If WTO tariffs are applied to exports, and that harms exports, you have a government decision to make about applying tariffs to imports. At the end of the day, are the Government willing for the price of supermarket shopping for the average family to go up as part of the consumer education that this is the right price? Do politicians need to be educated, particularly Government?

***Jilly Greed*:** That is my biggest fear: that there will be an open house in terms of imports coming in freely and you will decimate the suckler beef and lamb industry. That will have a big knock-on over a period of time to the landscape. Even small amounts of product coming in can have a really disruptive effect, because they can bring the domestic price down. We have opportunities within our domestic market. I would like to see an upping of the game. We are importing somewhere like 35%. If there was better collaboration between the producer, processor and retail, instead of the months when there is a need for product, which is generally the summer months, you could change breeding cycles. You are rewarded with premiums then. It is about dialogue and communication. If we go to that, there is no chance on earth that my farm or Jane's farm can compete with South American beef, which is half the cost of production with none of the regulations on soil, water and other environmental considerations that are so important. There is no way.

***Jane Basset*:** We are exporting our high standards of welfare and we are importing a far inferior product.

***Jilly Greed*:** Somebody will make a margin and it will not be us.

Chair: We take that message loud and clear. We must start to wrap up, because there is another panel.

Q66 **Sandy Martin:** I wanted to hit this point about PGI one more time. If we are going to sell British product in this country and, even more so, if we are going to export British product to the rest of the world, we absolutely have to do it on the basis of quality. We are not going to do it on the basis of quantity or, indeed, on the basis of price, given the history before we ever joined the European Union. You can make any cheese out of anything, old tyres in North Korea, and call it cheddar. It means absolutely nothing to anybody. You mentioned the red tractor scheme, Jilly. I have to say, given the horsemeat scandal and issues we have had with chicken, the gloss of the red tractor scheme is beginning to wear very thin indeed. I wonder whether the four of you believe that the top end of the industry is capable of, on its own, creating a real quality scheme that will appeal to customers and have that quality. Do you believe that the Government need to step in and create a raft of quality schemes, which take over from the European system that we have had?

***Jane Basset*:** As regards PGIs and what you have just said, yes, there is a market for them, but we have to look at adding value to the whole of the industry, not just the PGIs. For example, in the Peak District alone, 130,000 lambs are produced annually. Not everybody in the Peak District is a visitor who walks out with one of those under their arm that we have sold to them. You have to put this in scale. We have a story. We can promote the PGIs as well as the mainstream. We have to have a standard. The standard that we have at the moment, as regards quality, does not need too much alteration. It does not need to go any higher. We want to maintain and regulate that ourselves, to keep that standard. That is where we want to go with that.

***Jilly Greed*:** The red tractor is not broken. I know what you said: it needs tightening up, but LEAF, which is about sustainable agriculture and environment, is being developed. Waitrose has quite a few Leaf products. Already, there are quality assurance marks. There is a quality standard mark within AHDB as well. What you do not want to do is completely and utterly confuse the consumer. Sainsbury's does not carry red tractor because it carries the red flag, but red tractor across British product is terribly important.

Q67 **Chair:** We agree with you, Jilly, but we are also saying there needs to be some reform. There needs to be a look at the red tractor to reengage with it. It is good and recognised by the public, but more can be done with it. As we move into this brave new world, that is something we can look at, but I think we all agree it is a good marketing tool. I just think we can probably make it better. That is something we will perhaps look at another day, but that is the issue.

Q68 **Paul Flynn:** Mr Allen, the crisis of the labour shortage that you anticipate is caused by what? Is it the falling value of the pound, the back-breaking nature of the work or the low wages paid?

***Nick Allen*:** No, the wages have been increased, because your first reaction is, "We are not getting people, so pay them more". No, it is a total lack of supply of labour. Let us be honest: a meat plant is not somewhere you can take anyone and put them. They are physically demanding, cold and uncomfortable places. It is not everyone's cup of tea to work in a meat plant, so you have to search far and wide for labour. We have just not been able to find them in this country.

Q69 **Paul Flynn:** What is the solution? You are in a position to tell us. You have argued for a five-year wait for Brexit. You have asked us what it is going to be like. I suggest it is going to be hell on earth from the evidence we have had today and elsewhere. What is the solution?

***Nick Allen*:** It is for the Government to put in place a way for us to bring these people in. I accept it has to be more controlled. We have to have some sort of visa system, which we can live with, so that it is controlled, to satisfy the public and the demands. It is not just our industry. If you talk to the food service sector or anything like that, they need these staff. We do not have enough. We are down in this country, across the average, at less than 5% unemployment. That is pretty close, as an economist would say, to full employment.

Q70 **Paul Flynn:** A large element in the vote was that money was going to be given to the health service, rather than 40% given to agriculture, and there was a very strong anti-immigrant section in this. How are the Government going to get a policy that satisfies this?

Chair: Paul, I am not entirely sure this relates directly to our inquiry. Answer it by all means, but I do not think it is of direct relation.

***Nick Allen*:** All I can say is that our members have some meat plants that need some workers in them. We are not able to find them in this country, so we need some system where we can access them from abroad. That is all we ask.

Q71 **Paul Flynn:** How?

***Nick Allen*:** You put a visa system in place.

Q72 **Chair:** It is not just a seasonal workers-type permit, is it? It is more about skilled and semi-skilled workers. That is the challenge, is it not?

***Nick Allen*:** It takes two or three years to get them up and running and useful. That is roughly how long they tend to stay.

Q73 **Julian Sturdy:** We talked a lot about the premium products, the premium cuts and how they might be marketed, whether it is through regional marketing et cetera, which is very good and the Committee has taken on board some information. It cannot all be about the premium cuts. There has to be a marketplace for the rest of the animal. I wondered, coming out of the European Union, whether there is an opportunity, and this is something we should be pushing for, regarding better food labelling over processed products, which use the cheaper-end cuts basically. Is there anything we can do on that? Might that help in the marketplace?

***Christopher Dodds*:** We are already seeing the benefit of the likes of Aldi and Lidl coming in and selling British product.

Julian Sturdy: Those are premium cuts, are they not?

***Jilly Greed*:** No.

***Jane Basset*:** No.

***Christopher Dodds*:** They are selling them at a lower price, so everyone knows it is British because they have made a big thing about it. That is the first step in trying to create a better-labelled, cheaper product. In the beef industry, an awful lot of our beef is minced.

Julian Sturdy: Yes, exactly.

Q74 **Chair:** It is half your beef, is it not?

***Nick Allen*:** Yes, 50% gets minced. Picking up on your point, you are starting to see value being added there, because there is a trend towards quality, upmarket burgers, which can still be related back to your regional produce.

Q75 **Julian Sturdy:** I am talking about going that step further. It might be in your shepherds pies and cottage pies, at that sort of level. Is that where we move to?

***Jane Basset*:** The labelling has to be clear across all ranges and types of cut, so the consumer knows what they are buying into, it is clear and promoted. At the same time, we have to innovate as an industry. We have to have the tools to innovate and develop new dishes and new cuts. That is where we can get the middle-ground market and get more value back into the producers.

***Jilly Greed*:** I agree with what you are saying, because it is also about that carcass balance, taking the cuts that are less costly and turning them into a nutritious meal. Labelling the origin of that British beef, lamb, pork or chicken product is critical. That is where all the confusion and dodginess that can come about from time to time is.

Q76 **Chair:** You are talking about the processed product as well as the primary product.

***Jilly Greed*:** Yes. You must do that.

Q77 **Julian Sturdy:** We have been told we cannot do that at the moment.

Chair: We can change that, Julian.

Julian Sturdy: That is my point, Chair. I am trying to feed into the inquiry whether that is possible.

***Christopher Dodds*:** Horsegate did us all an awful lot of damage, but it did even more damage because it told the public how much product travels round Europe or the world, regardless of whether there is horse in it or anything else.

Chair: Some of it went through five, six or seven countries. We had all the evidence here.

***Christopher Dodds*:** The labelling of lesser-valued product to show that it is British is as important as anything else.

Q78 **Dr Johnson:** I completely agree with Julian. When you go into a supermarket and the origin, in terms of where it was, where it was slaughtered and where it was processed, is clearly labelled, it is very satisfactory. It would be quite useful if some of our major restaurant chains also identified where they got the products we are eating from.

My question is about the change in the law that we could potentially make to animal welfare when we have left the EU. The Prime Minister today at PMQs reinforced her commitment to high welfare standards and not to allow them to slip after Brexit. One of the opportunities we have is to ban the export of live animals for slaughter. Paul highlighted earlier the concerns that some people have about that. What impact do you think that would have? Do you think it is a good thing? What impact do you think that might have on your business? We cannot ban it, because the EU will not let us, so it is an opportunity.

Chair: I would rather, Caroline, deal with the question on higher welfare standards. I do not want to get back into the argument about export versus non-export. Surely it is about whether we have higher standards and whether we can maintain higher standards here. Will exports coming into the country have to meet those higher standards? I am sorry to overrule you on that question, but we are running out of time and we are not going to get anywhere.

***Jilly Greed*:** Caroline, I will quickly answer that. We have an inspection tomorrow on our farm, on the beef and arable side. I can truly, honestly say that I do not want any more standards put on top because we are at gold-plating level. That truly puts cost in. I can stand here, hand on heart, and say there is no routine antibiotic use because we have suckler cows and suchlike, as with sheep. We do not want any more, because it is putting more cost in. I can stand hand on heart and say we are certified, assured and inspected.

***Jane Basset*:** I can echo that, because we have an inspection due next week. You would not believe the levels we have to go to. Again, we have minimal antibiotic use. In how we care for our sheep and lambs, everything is rigorously inspected and backed up by the paperwork. We are quite confident on that side of things that the welfare is high.

***Christopher Dodds*:** An awful lot of it is enforcement and monitoring of what is happening. Whether we as an industry like it or not, there is a very, very, very small percentage that are not doing things as we would all want them to. It seems to be that very, very, very small percentage that a very small minority of people wish to bring to the top of the pack every time we talk about it. I had an instance seven or eight years ago where a bit of footage from 15 years earlier in a premise that had been closed for 10 years was being used by someone as an example. The welfare standards that we work under generally are very good.

***Jane Basset*:** It is in our interest.

***Nick Allen*:** I have been involved quite a bit in opening up export markets. If we are looking at where we have an advantage in the export markets, I would agree with what everyone has said: our welfare standards are really good. When you go around the world, it is not welfare they want to talk about; it is hygiene. In China and America, the discussions will be about our hygiene, not welfare standards. That is what we have to make sure is correct.

Q79 **Dr Johnson:** I was not questioning our high standards. We are essentially talking about our trading relationship for these beef and lamb products as we leave the EU. If we were, as is suggested, to ban the sale of live exports as a result of leaving the EU, what effect would that have on the trade of these products?

***Nick Allen*:** There is very little going on.

***Christopher Dodds*:** As we stand today, there is very little exported live for slaughter. My earlier point was about the worst scenario where we just do not have a trade for the product we have to sell. There is one market in particular where two Belgian abattoirs buy sheep quite often, not every week but most weeks. If they left the market in a suitably fit and EU-export-approved lorry, they would be in the Belgian abattoir in two and a half hours. Welfare analysis has been done to prove that time on a ferry is the best form of travel, compared with time on the road. Those animals are driving four hours within England to be killed in an abattoir to go to Belgium as carcasses. For little bits like that, I believe we need to have a sensible discussion as to whether it is right or wrong to stop live exports for slaughter.

Q80 **Dr Johnson:** The question was its effect on trade. You think that will be minimal.

***Christopher Dodds*:** The quantity is very small today, but we do not know what the demand and everything else will be post Brexit negotiations. That why it is important to have those discussions, rather than being blasé and asking, "Should we stop it?"

Chair: We have settled that one. I have to finish this panel by 4.30. You have been generous with your time, but I am conscious we have another panel coming. The other questions we have for you perhaps you can let us have in writing.

Q81 **Angela Smith:** The statements we have just heard are really interesting, because the Secretary of State and the Prime Minister keep making statements about high welfare standards, and the evidence we have heard begs questions about the deliverability of many of those very bland promises. If we fall back on WTO rules as a result of Brexit, the welfare issue becomes really acute because our trading relationship will not allow, under WTO rules, the pitching of standards against food safety. Only food safety counts under the WTO trading system.

If we get a trade deal, I am pretty sure that standards will be part of that. We are already part of a trade deal called the European Union, which has high welfare standards, so god knows why we are leaving it, but the point about WTO rules is that they will not allow for consideration of welfare standards. Can I ask for your assessment of what the impact could be on your industries and trading if we have to fall back on those rules, particularly in relation to welfare standards?

Chair: That is probably a question for Nick and Christopher. Jane and Jilly, I am very happy for you to come in. Can we restrict product coming in afterwards that has not met those standards as well? That is the other issue.

***Nick Allen*:** From these people's perspectives, if they have to compete against product that is produced under lower welfare standards, that is not fair at all. That has to be a concern. It is a reason to make sure that we maintain the highest standards in the world but, as someone said earlier, do not keep just ramping them up. It will be a problem for them, yes.

Q82 **Angela Smith:** Under the WTO, we would not be ramping them up? We could, but the point is about WTO. Is there any sense in which your industry, Nick, has measured the potential impact of WTO? I know it is not accurate.

***Nick Allen*:** No, not in terms of animal welfare. Yes, we have measurements and a fairly good idea, if WTO happens, of what will happen to us and the impact on the marketplace. I come back to the point that I made. In the export market, it is about hygiene. We have access to China at the moment because of veterinary standards, not because of a trade deal.

Q83 **Angela Smith:** That is my point. The point I am trying to make, if I can get to it, is, if you have measured the impact of WTO rules on the industry, and in that context the welfare standards are maintained at a very high level in this country, how will that start to look?

***Nick Allen*:** That means that they are less competitive.

***Jilly Greed*:** We would not be able to compete with product that is produced to much lower welfare standards and comes in as imported. It would bring down the price, completely unfairly, through no fault of our own.

Chair: You will be maintaining your standards and being asked to do it.

***Jane Basset*:** We cannot just undo what we have done overnight and we cannot throw away the systems we have in place. In fact, some of the systems we would not want to throw away. Yesterday, for example, we were going through all our flock, looking after the sheep's feet, doing work to the sheep to keep them fit, healthy and with good welfare. All of a sudden, because we are under WTO rules, I as a sheep farmer would not want to not do that just because of a trade deal that has taken place. At a detriment to our industry, I would get out of sheep, to be quite honest with you, rather than do that.

***Jilly Greed*:** Retailers could exploit it and buy product at a much cheaper rate and price accordingly. We have had this in the past with Argentinian beef and our own domestic product being exactly the same. You cannot then present that to a consumer if this product is inferior in the standards to which it has been raised. I get your point. I completely understand, but it is inequity.

Q84 **Chair:** I do not think we are disagreeing with you at all. It is very much getting the evidence down on record.

***Christopher Dodds*:** We need to be very careful. If we get a bad deal and our price crashes, the welfare issue becomes a massive problem.

Q85 **Chair:** What are you going to do with it?

***Christopher Dodds*:** In any world, you cannot expect people to invest in something when they know it is losing a fortune. If we suddenly have to take £25 for our lamb for two years because we have produced far too much, my fear would be that, with the care and attention that the farmers give their animals all the time, they suddenly say, "I cannot afford to pay that man to work here", so there are fewer staff and, as a result of that, they have less time to do what they want to do.

***Jilly Greed*:** Shall I tell you what would happen, Chris? There would be landscapes without livestock. This chap knows everything about that. That is what it will be. We will lose our herd.

***Christopher Dodds*:** There will be an abandonment of the countryside.

Q86 **Angela Smith:** I just want to say for Jane's benefit, as a Peak District MP, I only eat lamb from my butcher that is produced locally. I want to make that clear, just to make you happy. As a very stark question, is WTO compatible, in the end, with a competitive industry for domestic producers and in terms of welfare standards?

***Jilly Greed*:** No.

***Jane Basset*:** 100%, no.

***Nick Allen*:** No.

Q87 **Chair:** We have a completely unanimous panel there. Can I thank you very much for a great evidence session? I am sorry we kept you so long. There are a few other questions left on our list. If you would like to look through them and give us some answers in writing, you are most welcome. That was a very good start, with very good evidence. Thank you very much for coming.

Witnesses: **Phil Stocker**, Chief Executive, National Sheep Association; **Michael Haverty**, Senior Agricultural Economist, The Andersons Centre; **Chris Mallon**, Chief Executive, National Beef Association; **Dr Phil Hadley**, Agriculture and Horticulture Development Board, gave evidence.

Q88 **Chair:** Thank you very much. Welcome. I am sorry to have kept you all waiting, but as you can tell we got really stuck into our previous panel, with some very good evidence. I am sure we will get some very good evidence from you. Starting with you, Phil, can you introduce yourselves?

***Phil Stocker*:** My name is Phil Stocker. I am the chief executive of the National Sheep Association. We are a UK-wide organisation. It runs as a membership association for sheep farmers.

***Michael Haverty*:** I am Michael Haverty, senior agricultural economist with the Andersons Centre, a farm business consultancy based in Leicestershire. I have been involved in projects assessing the impact of WTO trading on the beef and sheep meat industry in Northern Ireland.

***Dr Hadley*:** I am Phil Hadley with the Agriculture and Horticulture Development Board, AHDB. As international director, I am responsible for our export and international work. I am very involved in market access discussion for third countries.

***Chris Mallon*:** I am Chris Mallon with the National Beef Association. We are a membership organisation made up of beef farmers throughout the UK.

Q89 **Angela Smith:** How do you think Brexit will affect future export opportunities for lamb and beef products? There are two parts to this. There are the other 27 European Union states, of course, and then there are the non-EU, currently third-country states. It is a big question.

***Michael Haverty*:** It very much depends on what type of agreement you end up with but, if we work along a worst-case scenario, reverting to WTO trading conditions, the study that we did on Northern Ireland for the beef and sheep meat sector would suggest that exports to the EU would drop by about 90% under a WTO situation. A study commissioned by the European Parliament more recently, looking at the UK, suggested a decrease in exports in the region of 98%, so a substantial decrease. That is the impact of tariffs, which was spoken about in the earlier session. Yes, exports to non-EU countries can potentially rise, but that is from a very small base. As the previous panel mentioned, there are challenges with regards to getting approvals, mutual recognition and building international markets. That is a key challenge for the industry as a whole.

Q90 **Angela Smith:** Can I come back very quickly before the other panellists answer, because I have a burning question? It took seven years to achieve a trading arrangement that allowed Britain to sell pork to China. I know Taiwan wants us to sell pork to it as well. It is all very difficult. Is this typical and what challenges would there be? You talked about the small base with third countries and the complex negotiating arrangements that have to be undertaken. Is it typical for it to take seven years? Could it be done more quickly?

***Phil Stocker*:** First of all, as far as the sheep industry is concerned, it is worth pointing out how important that European market is to us. We export somewhere in the region of 35% to 40% of our product, depending on the year. 96% of that would go into the European market. That market is absolutely crucial. People generally agree that there could well be a brighter future some years down the road, in 10 years' time or so, when we have established these new export markets further afield. That transition period is the one that is most risky.

That is the point where we need to really keep focused, so that we do not fall off a cliff edge in terms of coming out of the EU with a bad deal and it being another 10 years before these trade agreements are established. From everything that we hear, those trade arrangements are about relationship building in those countries first, which can take a long, long time. On a recent trip that we made to China with the AHDB, it was quite clear that New Zealanders had been investing for 15 years or more in relationship building in the Chinese market before it really came to fruition. Of course, you have to go through the export certification as well. It is a long period and, from what I hear, periods of eight to 10 years are not unrealistic.

***Dr Hadley*:** It takes a very long time. Those types of timeframes are quite common to get the agreements, to start the dialogue, to complete the necessary hurdles and the inward inspection visits, to satisfy the competent authorities in those overseas countries that you have met all their standards and your product does not endanger public or animal health in their own country. They are very, very long and complex negotiations. That is just on the hygiene aspects. That does not take into account the trade discussions that would happen at the same time or subsequently. Even when you achieve the export health certificate, there still might be ongoing discussions around the trading relationships for the types of products.

To go back to your first question on Europe and third countries, there are challenges and opportunities. On challenges, Phil has just commented on the reliance of the UK sheep meat sector into the EU. That has very serious implications for ongoing trade. It also flags up lots of questions around becoming a third-country exporter to the EU and the requirements for veterinary health certificates, equivalence, agreements within member states, provision of veterinary certification and people to sign those veterinary certificates, provisions at ports for border inspection posts and the way goods are moved. We might have greater opportunities to negotiate on an individual platform rather than on an EU basis for other third countries, but that does not mitigate the fact that these typically take five-plus years. There are challenges and opportunities on both sides.

***Chris Mallon*:** I agree that it is going to be a long time. Look at other nations and the amount of time they have invested into doing the handshaking, building up the relationship, being part of their own area trade organisations, such as the south Asian trade bodies. Look at New Zealand, which is doing that. For the beef world, export is important to us. A lot of it is to do with offal et cetera, sometimes to non-EU countries but also to the EU. Our biggest trading partner for beef is the Irish Republic. There is a very complicated trade. We have a lot of beef coming back from there as well.

Q91 **Chair:** Are you talking about the fifth quarter?

***Chris Mallon*:** The fifth quarter is a very important part for export, because it is not as much in the British taste as it is outside of Britain. That would go to the EU and some third countries, for example in west Africa and the Middle East. There has been work on that. It is not high value, but it matters to the carcass balance. That is very important for beef in terms of export.

Imports matter a lot to our beef consumption, to make up for the lack of self-sufficiency. That is a main concern to farmers when they are thinking about that. That is something that is on their mind all the time. Forgive the pun here, but we feel that we could be a sacrificial lamb in trade negotiations. What is our real importance? We have a lot of discussion regarding the importance of food, but as a food producer you often do not feel you are that important, because your percentage in the voting populace is not that dynamic.

Angela Smith: This is not at all a reflection on AHDB, which does a very good job, but I have had the question put to me by other industry business leaders: why have Germany and Ireland been so good at building trading relationships with third countries over the years that we have had the single market? They have. The Germans have managed to do it, but the UK seems to be very poor overall at building trading relationships with third countries. I wonder whether the panel agrees with that statement.

Q92 **Chair:** Do you think in some ways we have concentrated too much on a domestic market, because we have quite a big domestic market? Those countries like the Netherlands and Denmark, which have to export a lot more, get on with it. Have we taken our eye off the ball?

***Phil Stocker*:** Can I very briefly defend the AHDB?

Angela Smith: I am not attacking it at all.

***Phil Stocker*:** The work it has done over the last decade and more in terms of international marketing has been very, very good. Where we have fallen down is at a governmental and ambassadorial level, in terms of relationship building at the highest possible level.

***Dr Hadley*:** Particularly in a country like China, we see a network of agricultural councillors and ministerial visits to support the work of the embassy in country. That has a big impact on those big deals and the seen importance of an agricultural exchange of products between the two countries. It is a very important point Phil raises there. Equally, alongside the technical resource investment, we need the senior, high-level political investment to get through those big barriers.

Q93 **Angela Smith:** That begs my final question. Given that we have a very poor record at that ambassadorial and ministerial level, what makes us believe that we would be any better at doing it once we have left the European Union? Is there a willingness and a capacity to raise our game?

***Phil Stocker*:** That is a very good question. From what I see in here, the will is there. There is an acceptance that we have to turn things around and do this effectively. That recognition is there. Whether the skills, expertise and ability to do it are really there is another question.

Q94 **Chair:** The question is also whether we will get Ministers to go to China. The Chinese love status. They like people of good, high status to be there doing those deals. It is about trying to get our Ministers there. Successive Governments have had the same policy of not sending Ministers enough. Without putting words into your mouths, do you feel Government should do more in getting out there and being proactive? Are we doing enough?

Q95 **Angela Smith:** Are they able to do it? Do we have the capacity?

***Chris Mallon*:** Of course, they will always want more, and we will always want them to be there. You are right: how you are perceived on the world stage depends on what level you send to meet us. If you send someone who is pretty minor, it will be judged that you do not think that trade deal is as important as you think it is. For example, Ireland has had a trade deal with the States to send a lot of beef. The quantity of beef that they have sent is very little. It exists, but the quantity that is being traded is not as much. Trade deals exist and many other countries out there have had success in doing them, but when it is outside the EU the actual volumes they have sent do not add up to much.

AHDB has, for example, been very successful. In the beef sector, if we look at what I said earlier about offal et cetera, it has opened up markets that were not there before and been very successful in doing it. It is a very British approach that, when we have done something, we do not crow about it, while some others have made deals that achieved very little volume, but they have crowed about the deal rather than the trade that took place.

Q96 **Angela Smith:** It is about getting the deal now that is relevant to us, is it not?

***Chris Mallon*:** It is.

***Michael Haverty*:** I would agree with the sentiments that have been raised. Coming at this from an Irish angle, it is about prominence you see. The Prime Minister, for instance, is involved in some of the deals and discussions with countries to get beef products, for instance, into new markets. There is a point here with regards to a long-term strategy for the industry as a whole. That needs buy-in from all stakeholders. Some participated in the previous panel earlier on. It also needs buy-in from Government, as much as anything else, especially now. If it is going to be a global Britain, a commitment needs to follow from that with regards to the strategy that is set and the implementation over a long period of time. We are not talking about a parliamentary cycle here. We are talking 10 years-plus.

Chair: A deal with China would have to be built up over the years. It likes to see continuity. I think you are saying to us that Government need to put their money where their mouth is. They have to put the people and bodies out there to sell the product. It is not only you guys who have to do it. It is us as well.

Angela Smith: They have to raise their game massively.

Q97 **Chair:** To what extent would the EU imposing tariffs on lamb and beef affect UK exports to the EU? I think it probably has a fairly obvious answer. What do you gentlemen think about that?

***Phil Stocker*:** Any level of tariff is going to add costs and ultimately depress our farm prices. For us to pay through tariffs to have access to those markets will affect our ability to supply them and put a downward pressure on our farm-gate prices here in the UK. It is all negative.

Q98 **Chair:** The WTO tariffs are 87% on beef and 51% on lamb. I do not think they are necessarily quite so high into the EU, are they? If they are, they would almost stop our exports dead, would they not?

***Michael Haverty*:** They would. You need to consider the range of different products. Some of the lower-value carcasses, for instance, would have a lower tariff. Some of the higher-value cuts will have higher tariffs associated with them. We need to consider that end of things, and especially those higher-value exports that will go into the European market. It is not just one level of tariff. It is a specific tariff with a percentage component. That changes over time depending on the price in the market. It certainly would lock the UK out of the EU markets if those tariffs are imposed.

***Dr Hadley*:** I would echo that. Any level of tariff will be very damaging. With our reliance on the EU for the bulk of our sheep meat export, that could be devastating, particularly for the sheep meat sector. In addition to that, if we end up in a tariff situation and we then need to install equivalent veterinary practices, health certification and border inspection posts, all those things incrementally add cost to the system. Those alone make some of the trade questionable. If you included a tariff on that, it would be beyond question in terms of its viability and realistic level.

***Phil Stocker*:** As Michael said, the less processed the product, the lower the tariff potentially. If you take that to the extreme, while I do not want to mention the words "live exports", there is a comment being made that live animals could be tariff-free. If that was the case—

Q99 **Chair:** It could drive that situation, which we probably would not want to see happen.

***Phil Stocker*:** It could.

Q100 **Angela Smith:** There is also the carousel effect, as it has been called, where you have meat product passing over the borders of member states multiple times as part of the process that puts the final products on the shelf. Would that not mean the implementation of multiple tariffs?

***Dr Hadley*:** Yes, potentially, particularly for processed products where you have multiple member state ingredients assembled in a country and then distributed to member states as a finished product.

Chair: Angela, you just would not be able to do it. You would not be able to send it in and out across tariff borders. It just would not happen.

Q101 **Angela Smith:** That would be particularly relevant to Ireland.

***Michael Haverty*:** That would be correct, yes. For beef and sheep meat, the same product can cross the border three or four times. If you look at milk, that can be six times across the border.

Chair: We are going to come on to the Irish situation.

Q102 **Julian Sturdy:** Turning it the other way round, how might the imposition of tariffs on EU imports into the UK affect the prospects of the UK lamb and beef sector and prices to the consumer?

***Phil Stocker*:** Again, this is one of those areas where trade deals can have different effects on different sectors. As far as our sector, the sheep industry, is concerned, it is pretty much one-way traffic. We do not import lamb or sheep meat from the European Union. For our sector, it would be one-way trade and it would have a negative impact.

Q103 **Julian Sturdy:** Would it be the same for beef?

***Chris Mallon*:** We import. We are not fully self-sufficient. That is mainly EU beef, a great proportion of that being Irish. If you have tariffs—we are talking about 100% tariffs—you will see prices for the consumer rising. That would be an obvious solution. For our own sector here, perhaps we would see, I hope, a rise in production to meet some of the increased demand and increased price, but that would depend on the right environment for the entrepreneurial spirit of investment in beef cattle.

***Michael Haverty*:** It would also depend on what policy the UK implements. If the UK goes down the road of a cheap food policy, with tariff-free lamb coming in from New Zealand and MERCOSUR beef, that is going to render the UK domestic sector uncompetitive.

Q104 **Chair:** We need to spell this out in words of one syllable. This scenario of allowing in the cheapest meat from around the world, coupled with no tariffs, will finish us off.

Chris Mallon: If you want to close down the beef sector, including processing, et cetera, you allow as much cheap beef in as possible. It will not be sustainable, because somebody else will eventually want the demand of it. The problem is, by the time you have got rid of your farmers here, you will have nobody to do it for you, so it is not a long-term approach. It is a very good short-term approach for a cheap food policy.

Sustainability and food security are as important, and, if you want to have them, you have to ensure that you do not flood the market with beef and lamb that has lower standards, which means a lower production cost, which we cannot compete with at all. We do not want to. No farmer has approached me and said, "I want to reduce my standards, Chris". None of them has. They want to maintain it and they want to be leading, but they do not want to be competing with people who have advantages that they can never have, such as growth promoters. They do not want to be competing with that, in their marketplace, thinking, "I cannot physically compete with that. I just cannot, because the animal I produce cannot naturally do that".

Q105 **Julian Sturdy:** What about seasonal tariffs? Is there any scope for that? That has been touted. Is that an option?

Phil Stocker: In our sector, we have seen a trend shift over the last 10 years, where our production and consumption and that of New Zealand largely balanced out. I think we have seen a spreading of both our production—

Q106 **Chair:** But that is a gentlemen's agreement, is it not? I do not think it is a trade rule, is it?

Phil Stocker: No, it is not, but what we are seeing now is a New Zealand product coming on to our market during our peak season, so it does raise a question about whether tariffs on imported products could start to help that situation and could prevent that happening.

Chris Mallon: We are going to be importing beef. Even if, say, we have a plan that we are going to expand our beef production through use of dairy beef and through use of beef from the suckler herds, that will take time, so, if we keep our beef consumption where it is, we will be importing. Standards of what we import are incredibly important. The production system is incredibly important. That is what you need, if you want to have sustainable agriculture in the future—not in the short term but in the future.

If we are going to invest in it, we have to feel secure that we are investing in something that is secure property. A bank will not give you a loan to buy a house that is subsiding or on sand; it is the same with us. What we want to do is invest in our farms knowing that we have trade rules that protect us from inferior product competing with us on our own marketplace, which companies like AHDB have helped to produce over the years. They have produced an amazing marketplace here. We have supermarkets that are turning British, not because it is the cheapest but because it has a standard that people believe in. I want to maintain that standard. If you dilute that by saying, "This is not as good but it is nearly there", you take away from it, and it will damage all that we have done to build up. In the British beef industry, it has taken years and years to build ourselves back up to the position we are in, where we are thought of as a quality product, and that can be knocked so easily, because people think, "Is this British, or is it the other?"

Q107 **Julian Sturdy:** Are the imports coming into the UK mostly through processed, as in poorer quality cuts, or are we seeing a big import of prime cuts? I know we see Irish beef, et cetera, in the supermarkets, but I am just trying to narrow down whether it is through the processed stuff that might be labelled "produced in the EU", rather than country of origin.

Chris Mallon: AHDB might have the figures on that.

Dr Hadley: Most of the beef that comes in from the Republic of Ireland is as fresh beef on the retail shelves. The other market that is a big supplier to the UK is through the Dutch route, and that is the processed or semi-processed type of products. We then have a variety of other markets, so small amounts of third-country imports into the EU, some of which arrive in the UK, but they are much smaller volumes. They tend to be into food service and the restaurant trade; they are not generally seen at retail level.

Q108 **Chair:** A lot of the imports come in through the service sector.

Dr Hadley: At retail level, it is UK and Republic of Ireland, generally. Retailers have individual policies on that. Food service is where we see beef from the US and Australia, for example.

Q109 **Julian Sturdy:** We are getting some US beef coming in.

Dr Hadley: Yes, in relatively modest volumes. The US has a high-quality beef quota for the EU.

Q110 **Chair:** That has no hormones in it, has it?

Dr Hadley: That is right; it is hormone-free, high quality. That will be in your London American steakhouse-type places.

Chair: A pet hate of mine is that, if you go to an Angus Steakhouse, it always talks about Angus beef; it does not talk about where that Angus has come from. As I am in Parliament, I can probably say this: I rather think it is from South America, but that is something I cannot prove. Again, that is marketing. If you talk about Angus, everybody thinks Angus beef is from Scotland or produced in the UK. It is fascinating, is it not? That is perhaps something that we can sort out.

Q111 **Alan Brown:** Covering what has already been said, this is a bit of a hypothetical fantasy question, but in terms of the tariff situation and self-sufficiency the Transport Secretary has said, if there are tariffs added to EU imports—this will be more for beef—and the EU imports become too expensive for consumers here, in terms of self-sufficiency, we can take the opportunity and increase home production. I know you touched, Chris, on it feeling like a short-term situation, so what is the real opportunity for increasing that production? How much lead-in time do farmers need, in terms of knowing what the deal is going to be and then planning and implementing such a solution? What would happen in the short term, in between?

Chris Mallon: I am sure there is a willingness to increase production, because, like with any business, you wish to expand. The willingness is there. The environment needs to be there. You need capital to invest, because we are going to need housing, et cetera, just with the nature of our climate. We need stability in the market to access the capital to do that. We need to be assured that what we are competing with is of a similar standard, so we are not suddenly hit by price falls.

It comes down to what policy the UK is going to have on farm support. Is it going to help with capital? Are we going to be doing a lot in research and development? Are we going to be funding agri-environment? When that comes together, you will get people who are, by their nature, entrepreneurial and will increase their production. The easiest way to increase production in beef is using the dairy side, so moving beef sires on to dairy. We can slowly increase that. It is in different types. There are quicker-finishing systems, such as a bull beef system, where steers will be longer. From putting the bull to the cow, you are talking nine months before you get a calf; depending on the system, you are going to be talking two years, or maybe 12 months, before you actually have something on the ground. It is a minimum of three years, but that is before you get one more on.

It is a very slow, incremental growth, and during that term you need to keep stability in the market. It is a very difficult thing to do. It is not just going to happen overnight. We have had good beef prices recently, but we have not seen great increases in cattle production numbers. We have seen it in the last year, but we have not seen great jumps. Therefore, it is a lot more complicated in price. There is a lot of uncertainty at the moment about where we are going to be.

We know there is a need and a demand for that, but what capacity we have to produce it depends on all that environment together of capital, farm support, Government, the trade and our relationship with processors. Do the processors have the facilities to increase? What has their investment been? Have they felt comfortable enough to invest recently? If you are a processor and you do not know what the situation is going to be, are you going to spend £10 million on new kit for a place? I do not think you will until you know. Every day that there is not a decision made on what the situation is going to be post Brexit is a day that investment does not happen.

Chair: It is coming over loud and clear from all our witnesses today that you want some clear guidance as to where you are going to go before you are going to invest. The point is made well.

Q112 **Alan Brown:** Clearly you need to know what the tariff position is, but you also need to know what the government support is. What kind of look-ahead do you need? At the same time, how long a period do you need to know that government support is going to last? Right now you have this guarantee until 2020, but what do you need beyond that before you can get investment surety?

Phil Stocker: We need long-term signals, both in terms of trade in markets and the future of farm support. If we go back to the question that you asked about self-sufficiency, the UK sheep industry was in 2016 about 92% self-sufficient. Not many years ago we were net exporters. If you look at the volume that we export and the volume that we import, there is not a great deal of difference. In theory, on paper, on an annual basis you could say that we could be self-sufficient in sheep meat, but there is no doubt that those export markets play a big role in driving forward our prices and making farm businesses more viable than they would be.

Q113 **Chair:** Also we do not eat all the sheep meat, do we? We would be exporting some of the lesser cuts.

Phil Stocker: Again, that is a really crucial thing, because by gaining £8 or £10 per carcass in terms of exporting fifth-quarter products we take away the cost of disposing of those products if they are not consumed here. It might be £8 of value but it might save an additional £8 of cost.

Q114 **Chair:** It could be £16 to £20 difference on the value of a carcass. That is quite substantial.

Phil Stocker: More than that, probably. You hear estimates of up to £30.

Q115 **Chair:** I am going to ask you a question to do with the Irish border, again. We know that a lot of food agriculture and product in Ireland goes across the border, so how would you like trade to be organised across the land border between Northern Ireland and the Republic of Ireland, to make trade as frictionless as possible? That is an easy one for you all to sort out.

Michael Haverty: A lot depends on the eventual future UK-EU relationship. If the UK is outside the single market and customs union, which appears to be the direction at the moment, I do not think many people think the concept that you can achieve a frictionless border is realistic. For instance, the WTO ex-director-general, Pascal Lamy, mentioned that he thought that that was a fairy tale. He does not see the prospect of that. It is about minimising the friction and how you go about doing that. That is the challenge that we face at this point in time.

There are substantial animal movements; there are 390,000 live lambs going from Northern Ireland into the Irish Republic, and about 400,000 pigs going in the opposite direction. You also have about 800 million litres of milk going from Northern Ireland into the Irish Republic. There are some substantial volumes there. If you look at the traffic that takes place, there are 30,000 people per day commuting across the border. If you look at the number of journeys taken over a year, it is about 26 million journeys. Admittedly about 82% of those are cars, but the rest are heavy goods vehicles, so there is again substantial volume there.

How do you tackle that while achieving no infrastructure on the border? It is a very tall order, really, and there is definitely no quick and easy solution to get around it. Every potential way of doing it has challenges. If you put the border along the land border, almost 500 kilometres, between Northern Ireland and the Irish Republic, that is going to alienate some communities in Northern Ireland. Similarly, if you put the border at the frontier of the Irish Sea, that is also going to alienate communities within Northern Ireland. Particularly when you look at it from a Northern Irish perspective, with beef 70% of its market is into GB, so you can rightly see why there are concerns around that.

A potential way of doing it—and there are challenges with this—is perhaps the concept of a border zone; that may be worth considering. For instance, the United States has a 100-mile border zone right around its frontier—its coastal frontiers and borders with Canada and Mexico. Admittedly, that is mainly used for migration purposes, but the principle here is the important thing to think about.

Q116 **Chair:** We would not need to have quite such a big border area. If you take the size of the border area between Mexico or Canada and America, it would be massive, would it not, probably bigger than the whole of Ireland?

Michael Haverty: That is probably the principle behind it: that if you designated the whole of Northern Ireland as a border zone for customs purposes, so you did not have to do border inspections right on the border, it could potentially give you the scope, if you are going from Dundalk into Newry or further on up into Dungannon—

Q117 **Chair:** But Northern Ireland is still part of the United Kingdom, so in two years' time it will not be part of the EU. If you are moving stuff into Northern Ireland from the Republic, surely you are moving something from the European Union into a non-European country, so how do you see that working?

Michael Haverty: That is where the negotiations are going to have to take place. We have heard Michel Barnier wanting to find a flexible and imaginative solution for Ireland. It will involve areas like the official controls regulation, the one agreed in April of this year, which will come in in 2019. That requires border inspections for animal products to take place at the border inspection post at the border-crossing point. There could be some form of derogation for that for Northern Ireland, where it could potentially take place at an abattoir further inside Northern Ireland. You might have to separate the volume coming in from the Irish Republic, for instance, until it is certified by a veterinarian, before it goes for onwards processing. That might be a way to look at it, but it does require derogations.

Also key to achieving this, if you are going to have any chance, is to harmonise the standards, and keep them harmonised, between the UK and the EU, and between the Republic of Ireland and Northern Ireland. There will be many challenges with that as well. It is not a straightforward concept. There will be concerns with Chinese inspections coming into Northern Ireland. Will they accept this, for instance? That is going to be a challenge. If there is a load of Brazilian beef going into Belfast, going in the opposite direction and ending up in the Irish Republic and onwards into the EU, how is that going to be addressed? They are concepts that at least need consideration in this debate.

Q118 **Chair:** You raise a really good point. The key is that, as we leave the European Union, our systems of production, our systems of bio-sanitary and all our slaughterhouse systems will be exactly the same. Theoretically, that is the best time to get the deal, is it not? It is just about whether we can actually do that deal, because we also hear and know, not only from the meat point of view and the farming point of view of Northern Ireland and the Republic, but in terms of the peace process and everything, that a hard border in Ireland is just not what we want in any shape or form. Everything we can do to drive that is interesting. Your argument, to try to put it simplistically, is that, if there was a derogation, you could move product from the Republic into Northern Ireland and process it, but the moment it left Northern Ireland and left the island of Ireland into Britain, it would then come outside of the European Union. Is that how you see it?

Michael Haverty: The way I would see it is that there would be some flexibility on the border, moving it from the EU 27 into Northern Ireland; the official controls would take place at that point in time. Is it going to be accepted for the processing in that plant in Northern Ireland, before you move it either elsewhere in Northern Ireland or across the water into GB? I would see the point being decided at that meat plant. Is it allowed to go in for processing? If it is, then it can move virtually freely into the rest of the UK, including GB. That is where I would see the point of control.

Q119 **Chair:** Of course, if it moves back to the Republic, it immediately moves back into the single market and the regulations of the rest of the EU. If it moves into the UK, it then moves outside of the EU. That is the challenge, is it not?

Michael Haverty: It is.

Chair: That is where it is interesting, but I find your ideas very interesting.

Angela Smith: So do I. It sounds like a grey area, almost. The idea of the whole of Northern Ireland as a zone—

Phil Stocker: I was just going to say, as a very simple point, that this surely is another good example of why we need tariff-free trade between ourselves and the EU, because if there was a tariff on that product I do not know how you would cope with that.

Dr Hadley: If I can just make a couple of operational observations, we already experience, with third-country equivalence agreements, questions about transfer of animals across borders, particularly in relation to Northern Ireland and the Republic of Ireland. A lot of those countries do not allow animals from the Republic of Ireland to be processed in Northern Ireland to then be sold under the UK agreement, because it is cross-border trade. That would cause me concern, going forward, about those animals—those beef cattle in particular—that have all these fifth-quarter bits that go to third countries. If you did that as a trade, it might disable your ability to ship those products into the global market.

On your point, Chairman, about equivalence and it being the best time to get those deals, on all third-country agreements, while you are given the deal you are often given the deal for three or four years, and there is an ongoing requirement to have that reassessed on a regular basis, typically three to four years. You may secure that deal in the first instance, but as we move away from equivalence with the EU—presumably we will track them but follow our own standards—that may become increasingly difficult in the medium to longer term.

Chair: There could be a three-to-four-year cooling-off period, so to speak.

Q120 **Angela Smith:** The point about Northern Ireland as a zone is fascinating, and we have just heard some of the further detail. It may be the only solution, but it would beg significant questions, would it not, about the status of immigration from the Republic, and about potential other really important security arrangements in relation to the north?

Michael Haverty: None of the routes that can be taken in relation to the border is going to be straightforward. We need to consider all of them. That is one; there are a few others there as well. In relation to how it is all managed, we talk about IT systems; it is going to need a very advanced IT system to basically monitor anything commercial that moves coming into Ireland, north or south. It potentially needs the Republic of Ireland to be designated within a border zone in the EU 27, so you can permit cross-border trade to take place between both. Perhaps that is one area.

In relation to the freedom of movement, as I understand it, in the common travel area at the moment, if there is someone coming in from outside the common travel area between the UK and Ireland—into Dublin Airport, for instance—the authorities in the UK are made aware of that based on the common travel area arrangements at the moment. I would see something along those lines continuing, though I am not an expert in the whole migration area. There is a way to manage it based on the existing systems that are there at the moment.

Q121 **Angela Smith:** I know you are not an expert, but, if Northern Ireland was a zone, would it be incumbent on the UK to enable Republic of Ireland agricultural workers to come over the border, to work in, say, the processing industry?

Michael Haverty: Republic of Ireland workers would, as I see it, at the moment fall under the common travel area agreement, so freedom of movement of people will be upheld, I believe, so that is more straightforward. It is in relation to the goods that the issue and the challenge are.

Q122 **Dr Johnson:** My question is about this idea of Northern Ireland as a zone. I understand the reasons for wishing to ensure that there is no hard border between Ireland and Northern Ireland, but if you were to create Northern Ireland as a zone you would effectively create a difference between Northern Ireland and the rest of the UK. Could that potentially not cause as much difficulty as a hard border between Ireland and Northern Ireland?

Michael Haverty: I mentioned the US earlier on because the principle of the border zone is there. New York, LA, Seattle and Boston all fall within that border zone. My question would be whether they are any less American than Kansas. That would be the perspective I would give on it.

Q123 **Dr Johnson:** There is a lot of political history.

Michael Haverty: I accept that, but we have to look at flexible solutions here to solve the conundrum. That is just a perspective I would put in relation to that. I do not see people from Northern Ireland who identify themselves as being British being any less British by virtue of living in a border zone as opposed to not living in a border zone.

Q124 **Dr Johnson:** It is the opposite pole to putting a hard border between the two, is it not?

Chris Mallon: It is a good point, because if you look at product, as Phil was saying earlier, if you get confusion about where product is coming from, it can affect its value. When most of Northern Ireland's trade—over 70%—is with the United Kingdom, it has to make sure that any agreement that comes up does not fudge or cause confusion to that product that is coming in here, or allow someone to say, "That is no longer a UK product". That would be my concern. If we start getting into a grey area, we have to be very sure that the product itself—nothing to do with the people, but those cattle, that beef—is still able to come in here without a tariff.

Q125 **Chair:** It is also coming in under a different currency as well, you see, which is interesting, is it not? Beef from the Republic will be in euros and beef in Northern Ireland will be in pounds. That is another slight added complication.

Chris Mallon: What you are saying is a very good point. I would be very worried about confusion over the origin of that and how it would be perceived on shelves, et cetera, or within the farming community here as a product coming in. Would it be seen as a foreign product?

Q126 **Sandy Martin:** Changing the subject completely, my question is about health certificates and export health certificates. Have you already experienced practical difficulties with gaining export health certificates, and do you think that that will get worse, post Brexit? Are there enough veterinary surgeons to do the extra checks that will be needed, and the extra facilities at ports that will be needed to do that?

Dr Hadley: To take those in train, we are already experiencing questions from third-country markets about how the UK, post Brexit, proposes to maintain the current EU standards, which were the standards that were agreed with these importing countries that we have historic agreements with. There are already concerns being raised, or at least inquiries being made, about how we are going to assure that the standards will be maintained post Brexit.

This product moving into third countries travels with an export health certificate, signed by a veterinary surgeon, which says that all the EU requirements have been met, and any additional third-country requirements will also have been met before the certificate can be signed. That requires a vet to sign to certify that they have witnessed and can attest to the fact that that product does.

The requirement for certification suggests that the uplift in certificates required could be a 300% or 350% increase, and we currently have a paper-based system, which must be fit and ready for day one, should we be in a position where we are writing export health certificates for our current EU export market. If you think about that huge increase in volume, the burden on Carlisle, the office that issues these certificates, is quite high. We have exporters that trade just with the EU that have no experience of export health certificates, so there is a real training burden for those people to get up to speed with handling that paperwork. They are not used to it at the moment, because, of course, travel is quite free right now. We would have a distinct shortage of qualified veterinary surgeons to sign these certificates, so there is a gap there.

We need to be thinking in the medium to longer term about transitioning towards an electronic health certificate type arrangement, which would mitigate some of these physical challenges. It would not necessarily change the volume, but it would make the system far slicker than it is now. Therefore, I would raise a number of considerations around the current situation with export health certificates moving to a third-country relationship with the EU.

In terms of border inspection posts, there are no border inspection posts that are geared up to take product from the EU, because the vast majority of it goes on roll-on/roll-off ferries, and travels through the ports incredibly quickly, with very limited human intervention. There are inspection points at some of these facilities, but they are only geared up for the inspection level as it stands right now. If, all of a sudden, every container of UK product going to the continent was to require a border inspection operation, we are simply not ready for that; nor is anywhere else in the EU, for that matter.

Chris Mallon: Just on the vet side, our processing side for meat inspection depends very much on foreign vets, a lot of whom are EU vets. Without them, we would be in a serious position in terms of all the certification. In general veterinary practice, large animal vets are hard enough to come by, and if people want to come and be vets it is a shame if we turn them away. It is very important to remember that there are not that many of them about. The processing side is very much reliant on EU vets.

Q127 **Paul Flynn:** Does this idea you have of taking the friction out of the border between the north and the Republic mean that you move the friction to Holyhead and to Fishguard or the middle of the Irish Sea? There must be some border somewhere. The border will then be between Wales and Ireland, where there is a great deal of traffic going on now.

Michael Haverty: Potentially there will be bottlenecks there. Could you designate parts of GB as being in a border zone in a similar fashion? I do not know. Perhaps you could. If the UK has control over these things in the future, it might be worth considering. I take on board the points that have been raised earlier on in relation to the integrity of the border as well, and that is a really important point that we need to make sure is addressed here.

I have one other side comment linked to the veterinary question as well, perhaps. It emphasises the key point of harmonisation of standards, and assuring those standards are as aligned as possible. If you take meat, for instance, in the physical checks, the EU official control regulation has a default of 20% physical checks. In New Zealand, because the standards are so closely aligned with those in the EU, there is a 1% physical check. That decreases the burden substantially. When it comes to sampling, again, a smaller percentage of that gets sampled, so this is how you make addressing the problem a bit more attainable. We need to consider elements such as that as well. If we can keep a harmonisation of standards, maybe there are other ways that we can manage those physical checks at or near the border points, to keep the volume and the pressure down as much as possible.

Q128 **Paul Flynn:** Only 4% of Welsh lamb is consumed in Wales. 40% of it is now sold outside of the United Kingdom, almost all of it to EU countries. Does Brexit not spell catastrophe in Wales?

Phil Stocker: It raises some real challenges for Wales, as it does for England with that reliance on the EU market. If we end up having to pay tariffs or pay for access to the EU market, it is going to be devastating. That is probably more the case in Wales, because agriculture and food, and sheep farming within that, is much more important to the Welsh economy than it is to the English economy.

Q129 **Paul Flynn:** It also has the advantage, at the moment, of the protected geographical indications, which give it another advantage in the market that it will be losing. As the Welsh lamb industry is very much promoted by small farmers, you have been rightly gloomy on the prospects, but is it not going to mean a new, hefty subsidy to Welsh farmers? Already £1.5 million was paid by the Welsh Government to the Welsh lamb industry, before anything had happened. Is it not inevitable that either the Welsh lamb industry will collapse or it is going to have a massive new subsidy?

Phil Stocker: There are large areas of Wales where you could make the case for there being more public money going to those farmers to reward them for all the public goods that they are delivering. I think something like 80% of the land within Wales is LFA, and that LFA land is providing all sorts of special public benefits in terms of water storage.

Q130 **Paul Flynn:** There are already two schemes in Wales for providing benefits for environmental improvement.

Phil Stocker: Absolutely. Given the money and support that you would need to increase to compensate for the absence of effective trade and viability within the business, I just do not see that working.

Q131 **Chair:** The problem is that we have a public that want to see less direct subsidy go to farmers. We have a problem where we do not know, if we come out of the EU, whether we can maintain those export markets. I accept what you say, Paul: the farmers in Wales do not want to be squeezed on the support side. They probably need more if they do not have the trade. We are trying to drill down on how we maintain that trade.

Phil Stocker: Coming back to the discussion going on with the earlier panel, it is really important for those farmers to think that their sheep and livestock enterprise is valuable and of value, because that is when they start to invest, that is when they are prepared to invest, and that is when they look after the health and welfare of their farming business. That viability needs to come both from the farming output from the farm and also, hopefully, in the future, more reward for the public benefits that come from the farmers.

Q132 **Paul Flynn:** If the Welsh lamb industry is exposed to full competition with New Zealand lamb, what would be the consequences?

Phil Stocker: It would be devastating if it was just opened up to competition from a cheaper product from New Zealand or from Australia. Wherever that lamb comes from, if it is cheaper and potentially produced to lower standards, it would devastate the industry in Wales.

Q133 **Paul Flynn:** Is it not significant that the New Zealand lamb has not had a penny in subsidy since 1985? It has become more efficient and more competitive, and the lesson is that United Kingdom product, which has been very heavily subsidised, cannot compete with it. Is there not a lesson to be learned there, and an opportunity to be gained?

Chair: It has a slightly different climate, Paul. I know Wales is lovely.

Phil Stocker: There are lessons to be learned, and lots of those lessons are being learned. If you look at the top 25% or so of our sheep farmers in the UK, they are just as efficient as the

New Zealand farmers. I would say, having been in New Zealand, our sheep farmers are under all sorts of other expectations that New Zealand farmers are not. Our environmental and welfare requirements are higher, and they all come at a cost.

Chris Mallon: When they removed that subsidy in New Zealand, there was also a massive devaluation of currency that made its product so competitive on the world market that it could sell it without any problem. If we want to devalue our currency by 50%—

Paul Flynn: We already have devalued it.

Chris Mallon: It is not by 50%, only about 10%. Devalue it by 50% and then let us compete. Do you want that? No. New Zealand is different. It is not fair to compare. The structure is one thing, but if you analyse the structure in New Zealand its big worry is the debt bomb. A lot of these farms are sitting on a massive debt bomb. They have been using their asset to finance investment that has not been paid back by increased productivity but has actually been lived off. They are concerned about that happening to them. I do not want that either, for us. I do not want us having to be concerned that we have a massive debt bomb that we will have to pay off at some point.

Q134 **Paul Flynn:** I am interested that the message coming from you is one of gloom. We have heard people talk about postponing Brexit for five years. Are we heading for a cliff edge, in your view? You have heard the stories of the collapse of markets everywhere, and no obvious new markets. Is it not a depressing picture? Would you all anticipate that we are going to slither into a sinkhole?

Chair: I like your optimism, Paul.

Chris Mallon: It is up to our Department for International Trade, our negotiators and the people who give the evidence you are taking to come up with a solution that does not create a cliff edge now. I would be very disappointed, as someone who votes in this country, if the people I supposedly vote for decide to let my industry drop off a cliff edge because they could not come up with a solution. The solution is not that difficult to come up with. People need to sit down, deal with each other, speak to each other, negotiate and come up with something that is viable.

In terms of farm support, we are not here asking for money. We are saying that we are guardians of the environment. We are into the landscape. That is what we want to produce. That is what they are doing in Wales. You are not paying for their lamb; you are paying for them to look after the Welsh environment.

Q135 **Paul Flynn:** If you stop the subsidies, the hills will not fall flat; the lakes will not disappear. The beauty has been there for years. This is exaggerated. The fact is some of the landscapes would be improved if it was not for farming.

Chris Mallon: No, not at all. There is a very small thing that my grandfather used to say to me. People used to say he was a good farmer and his farm looked lovely. He used to say, "You should have seen it when God had it". It does nothing. This is a productive environment that is also providing—

Paul Flynn: I have more faith in God than I have in the Government; I can tell you that.

Chris Mallon: I cannot comment.

Q136 **Julian Sturdy:** Can I come in on something you just said, on the negotiation side of things? Do you think there is the expertise within agriculture on that negotiating panel? Do the people who are going to be negotiating on behalf of the UK have that expertise to deliver for agriculture, or do you think, as you mentioned very early on, that agriculture could be that sacrificial lamb?

Chris Mallon: Agriculture always worries that we are the sacrificial lamb. When it comes to trade negotiations, they will look at the value, et cetera, and make that decision. Food security is something that is nice to talk about. It is sometimes a difficult thing to policy for. That would be a concern. It is a learning curve, which we are all on. It would be very unfair to turn around to the people who have been working on pulling this together and say, "Why are you not 10 years ahead of where this should be?" when they only found out a year ago. The speed with which we have caught up and moved forward is exceptional. We have gone from a standstill, surprise start to running, and that is good.

I do have a lot of faith that we are going to do it. It is just about listening, finding out and not thinking that farmers are just there looking for subsidies. We are also looking for fair price. Give us an environment that we can work in. That is the important thing.

Q137 **Julian Sturdy:** I will just come back, and then I would be really interested to hear what everyone else thinks about this. Are the Government asking enough questions of the agriculture sector?

Chair: Linking into that, are we consulting enough with you? Let us link that in as well, because that is the final question.

Chris Mallon: I have had more interaction with Government in the last year than previously. There have been more in-depth questions and more discussions about what the future is and how we would want it to be. One of the problems is there is a feeling that there has already been a solution to farm policy, which we have just not been told. That might not be true, but if there has been a policy and it has been decided, "This is what it is going to be", the sooner we are allowed to know about it, the better. We have been listened to. If a policy has been formulated, for example on farm support, et cetera, the sooner we know about it, the better.

Chair: We all agree with that.

Phil Stocker: The level of engagement has been excellent, both here, within Defra, and across the devolved nations, from my experience. Administrations are communicating and discussing with farming organisations and farmers more than they ever have. From the people I meet, I think that the skills are there. There are some really good people within Defra, and I sense that there is a wind of change blowing through Defra as well, in terms of how it is prepared to work with industry. There are a few examples of that now, so there is a lot of potential there. A lot of it comes down to how important agriculture is seen to be at a higher level. That is what a lot of this comes down to in terms of the future of our industry: whether agriculture and food is seen as being important enough within 10 Downing Street.

Michael Haverty: The level of engagement, from what I am hearing, is positive as well, from a Northern Ireland perspective. There is an acknowledgement there, even despite the challenges with the Stormont Executive not being in place, that the engagement is good.

There is some concern about whether Northern Ireland will drop down in terms of the priority when it comes to phase two of the negotiations, once sufficient progress has been made. That is a concern.

Another concern that is out there in relation to the Government generally is about the consistency of message. There might be one department saying one thing—that standards are going to be upheld—and another department saying, "Let us get the trade deal with the US".

In relation to the expertise in addressing the challenge, as I mentioned earlier on, if you keep the standards aligned and harmonised, you make this a lot more attainable in terms of managing the changeover into the post-Brexit world.

Dr Hadley: From my perspective as an AHDB staff member, we have had a continuing engagement with Government. Certainly, the work we have been doing in our Horizon series of documents about the implications of Brexit across a whole range of areas and a whole range of commodities is very positive. We are fully engaged in those discussions. I see my industry colleagues being engaged more, and that is really positive. From my perspective, the engagement has always been there, it has certainly stepped up a gear and I see more people at the table now.

Phil Stocker: I just want to add one small point, which relates to a lot of the discussion that was had in the earlier panel. The engagement with the farming organisations and agriculture is very good, particularly in the areas of productivity and efficiency, and definitely in the area of animal health and welfare. The one area where I think it is lacking is within the environmental policy and regulation world. This separation of the agriculture Bill and the environment Bill is not helpful at all, and I sense that discussions around the environment Bill are going on without very much agricultural input whatsoever, and yet we are responsible for the management of 70% of our landscape.

Chair: That is a really good point and we agree with it, so it is good for the record.

Q138 **Angela Smith:** I will resist the temptation to dig into that. Something Chris said prompts me to ask this final question. Some of us in this place believe that the final shape of Brexit, whether it is WTO, the softest possible Brexit or whatever, has the capacity to deliver very big and significant changes to our landscape, which will change the face of the UK forever. Do you agree?

Phil Stocker: It could well do. If we get this wrong, we get a bad deal and it has a negative impact on our livestock sectors, it will have a devastating impact, particularly on the most vulnerable sectors, which will be our upland sectors and sheep farms in the more fragile areas. People talk a lot about rewilding and the benefits to the environment of rewilding. It will lead to abandonment, which will definitely lead to a deterioration in environmental outputs and the ecology of those areas, and it could be 200 years before there is any turnaround, improvement or change in the ecology of those areas.

Chair: Gentlemen, thank you very much. It has been a very good session, thank you. We have had two very good panels today. We have tried to drill down on the beef and lamb sectors, very successfully, and all this evidence will be collated and put in our final report. We appreciate you very much. Sorry to keep you waiting and sorry to keep you here until 5.40, but thank you very much. I do not think you realised the time was going on, really, but thank you for engaging so well with us, and thank you to members of the Committee for hanging on until 5.40 also. Thank you very much.