



Environment, Food and Rural Affairs Committee

Oral evidence: Brexit – Trade in Food, HC 348

Wednesday 29 November 2017

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Written evidence from witnesses:

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

Questions 278 – 385

Panel 1

Witnesses: **Michael Oakes**, Chairman, NFU Dairy Board; **Paul Vernon**, Chair, Dairy UK; **Nick Whelan**, Group Chief Executive, Dale Farm; **Ash Amirahmadi**, Senior Vice President of Sales, Arla Foods UK, gave evidence.

Q278 **Chair:** Would you like to introduce yourselves? Then we will fire away. Thank you very much for coming this afternoon.

Ash Amirahmadi: My name is Ash Amirahmadi, I work for Arla Foods and I look after the customer relationship, so I am the sales director in the UK.

Nick Whelan: My name is Nick Whelan. I am the CEO of Dale Farm co-operative.

Paul Vernon: My name is Paul Vernon. I am the chairman of Dairy UK and I am also the chief executive of Glanbia Cheese.

Michael Oakes: I am Michael Oakes. I chair the NFU's dairy board. I represent the part of the supply chain that these guys need. We need each other. I did milk some cows this morning.

Q279 **Chair:** Well done. You have a proper job, have you? I used to have a proper job. Do not answer that. That was probably a bit too tempting for you.

I am going to kick off and you are very much welcome. It is a fairly straightforward question to start with: how will Brexit affect future export and import opportunities for dairy products, first, to EU countries and, secondly, to non-EU markets? Who wants to have that easy question to start with? Paul, go on; you look like you might want to answer.

Paul Vernon: A volunteer is better than a pressed man, Chair.

Chair: Exactly, every time.

Paul Vernon: From a dairy industry perspective rather than a company perspective, obviously we are exporters. We manufacture about 7.7 billion tonnes of product and we export 1.1 million, so 15% of our output is exported.

Chair: This is tonnes, is it, of cheese?

Paul Vernon: No, tonnes of dairy products, which is a combination of cheese, milk powders, butter and other products. We are exporting about 15% of our current output at the moment. Obviously, in a Brexit scenario we would like to think that those exports will continue. As an industry, we have been growing our exports.

Q280 **Chair:** How much of that 15% goes to Europe?

Paul Vernon: About 85% to 90% of that ends up in mainland Europe. That is a key market for the dairy industry. Obviously, we have third-country exports as well. From an industry perspective, we would like to think that, post Brexit, those exports will continue. A lot of that will be dependent on the outcome of the Brexit discussions. From an industry perspective, we are hoping that they will continue and that we have unrestricted access to the European market and the other markets that we currently deal with.

Q281 **Chair:** Of what you export, is it high-value cheese; is it fats? What is it? I know there is a whole combination that you export and import.

Paul Vernon: It would be a cross-section of all those products: cheeses, speciality cheeses, butters, milk powers, speciality milk powders, infant formula, so the broad spectrum that we manufacture across the UK.

Q282 **Chair:** Do you manufacture infant formula?

Paul Vernon: Not our particular company, no.

Chair: Right, because I know there is an issue about trying to get more into China, and whether we have enough production capability.

Paul Vernon: We have sufficient production capacity in the UK at the moment. All the milk that is being delivered to the dairies is being processed, so capacity is not an issue at present.

Q283 **Chair:** You are giving the farmers a decent price for once, are you not? Do not answer that.

Paul Vernon: That is a leading question, Chair.

Chair: Who else would like to have a shot at it?

Nick Whelan: From predominantly a Northern Ireland perspective, our dairy industry is worth about 1.1 billion sterling. Sixty-five percent of that turnover is exported, quite a

considerable amount of it to the EU. About 40% of our production goes there and 23% goes to Great Britain, so we are very much an export-focused and orientated industry. It is quite a successful industry. Considerable investment has gone into that industry in the last four to five years, really trying to bring some value-add to the milk stream. There has been a lot of investment in retail cheddar cheeses, bringing up the value chain; a lot of investment in powders, getting into the infant formula arena with value-add.

Q284 Chair: The cheddar cheeses would be much of the supermarket own brands, would they?

Nick Whelan: Yes. There is a mixture of brands and own brands, yes, right across the range.

Q285 Chair: From Arla's point of view, it is interesting with you, because you are an organisation that is a co-operative at the moment across the whole of Europe. I am very interested to know not only how you think the Brexit deal will work, but how you will work, as a co-operative, in Sweden, Denmark, across Europe and here. I am sure you have given that some thought.

Ash Amirahmadi: Yes, absolutely. For the benefit of the Committee, Arla has owners in seven different countries in Europe. We have 2,500 British farmers who also own the business. One in four dairy farmers in Britain is an Arla farmer. The UK is the biggest market for Arla.

Chair: It is 25%, basically.

Ash Amirahmadi: One in four, 25%, of British dairy farmers is an Arla farmer. The UK is strategically important not just because it is the biggest market for us but because we have owners and because we have also invested a significant amount. We have invested about £500 million in the supply chain over the last 10 years and have every intention of continuing to invest.

If you look at the mix of our business in the UK, about 85% of what we sell in the UK comes from milk that British farms process; about 15% is imported. Approximately 10% of what we make in the UK is exported and about half of that is exported in what I would call high value items, so cheddar cheese, Stilton cheese and so on. The US would be quite an attractive market for us for stilton, for instance, and cheddar is increasingly becoming—

Chair: Let me get this right: 85% of what is sold here is produced and processed here.

Ash Amirahmadi: Correct.

Q286 Chair: You import about 15% and you export 10%.

Ash Amirahmadi: Correct.

Q287 Chair: That is not necessarily to Europe; that is outside of Europe, is it?

Ash Amirahmadi: The majority of that is to Europe, but there is also outside of Europe. We will export UHT milk from our plant in Yorkshire to China, for instance. China is quite a big UHT milk market for us. Cheddar goes predominantly into mainland Europe, as Europeans, in the same way as we are becoming more accustomed to different tastes, are enjoying the taste of cheddar. We are also starting to export cheddar into north Africa and south-east Asia.

Q288 Chair: Right. What is the NFU's point of view?

Michael Oakes: As you have just heard, the dairy industry is pretty entwined throughout Europe. I am a farmer.

Q289 Chair: Where do you farm?

Michael Oakes: Just south of Birmingham. In 2015, there were £800 million worth of exports into the EU from the UK and £300 million to third countries. From an import perspective, at this moment in time, we are 75% self-sufficient in butter in the UK and 55% self-sufficient in cheese, so there are threats and opportunities there. There are real opportunities, but we will require these guys to make substantial investment in the UK if we end up with a bad Brexit.

Q290 Chair: Are you saying that we should try to corner more of our home market?

Michael Oakes: No. From an NFU perspective, the real growth areas in the world are outside of Europe. They are in China and Asia, and we want to make sure that we can take part in some of that. But there is an opportunity for import displacement depending on where we end up with Brexit, so it is equally a threat and an opportunity

Q291 Chair: We will probably talk about tariffs a bit later, but it is a case of making sure that, if we face tariffs, we also put tariffs on. That is the issue politically that we have to watch, as this Committee, as to exactly what is happening, but we will probably talk about that in a minute.

The second question is very similar. What changes might you need to make to your business to respond to trading conditions after Brexit? Is there anything else you would like to add? In a way, you almost answered that in your first answers. If I ask Arla again, because you are a European co-operative, is government or the Brexit department speaking to you? Your situation, where you are literally trading across borders as an integrated company, is quite fascinating. What is your take on it? Are you talking to government directly or what?

Ash Amirahmadi: Through our trade body we liaise with the Government, but we also have our own conversations as well. An important point for the Committee to note is that the Arla position is consistent with the Dairy UK position, which is a desire for a frictionless trade arrangement, not just with the EU but we believe in free trade. Therefore, that would be our desired outcome of the negotiations.

Q292 Chair: I think what you mean is you believe in freely trading. I am not sure you believe in free trade.

Ash Amirahmadi: Free trading, not free trade, yes.

Chair: I will just correct you slightly there.

Ash Amirahmadi: Thank you. The question may be asking about what happens if there are tariffs and so on. An important statistic for the Committee to be aware of is, if you look at the net imports versus exports in the UK and work that back to milk that is produced on farm, there would be a deficit of something in the region of 3 billion to 3.5 billion litres of milk, as well as the lack of processing capacity to deal with that. Therefore, in the short term, that would certainly give us some concern. You could say it is an opportunity in the long term, but that would certainly give the industry some headaches in the short term, because turning

on that sort of volume and capacity for anybody, regardless of Arla, is not a switch on, switch off type activity. Careful consideration needs to be given by the Government to how we will give the industry the confidence to build that capacity up, if needed.

Q293 Chair: Playing devil's advocate, if we are not in the customs union and we are not in the single market when we leave the European Union, how do all of you believe you are going to physically get your cheese out of your plant in Northern Ireland, England, Britain or wherever, and get things back in again? Is there a smart way that we can have an electronic system? Nobody wants their product left at Dover or wherever, do they?

Paul Vernon: There are a number of things we are looking for, including, obviously, continuation of the relationship that we have with Europe. One concern we would have, even if we manage to reach a trade agreement with Europe, is the emergence of non-tariff barriers. Tariff barriers are an issue in themselves, but we would be urging the Government, in the detail of the negotiations, not to allow non-tariff barriers to emerge. You have just articulated one in terms of product being stuck at the border. There is also some research being done on the potential cost of non-tariff barriers. The numbers being bandied around are between 3% and 6%, which is quite a high margin within the dairy sector.

Q294 Chair: Yes, I imagine for some of your processing your margins are not much more than that.

Paul Vernon: On average, they would not be, so we need to be very cognisant of tariff barriers and the issues that they could present, but also, to the same extent, cognisant of non-tariff barriers.

Michael Oakes: The organic milk sector has been very successful in developing markets outside of the UK and it has relied on equivalence. Our organic standards have been accepted by the Americans and other European countries. It is potentially laying down cheese today that it is not sure it will be able to get into those export markets where it has grown the demand, in order to take advantage of the supply that is in the UK. There is a real issue there.

Nick Whelan: From a Northern Ireland perspective, we sell a large volume of cheddar into GB. The conversation that is currently taking place around an east-west border solving a north-south border—

Chair: We will go on and talk about that in a minute. We will talk specifically about the Northern Ireland and Republic border, so I will, if you do not mind, leave that until then.

Q295 David Simpson: I declare to the Committee that I know the two middle men personally. That does not mean they will get an easy time, though.

Chair: That is right. You make sure you give them a hard time, please.

David Simpson: Yes, well, hard-ish. There was mention of tariffs in relation to quotas and all the rest of it. To what extent would the EU imposing tariffs on dairy produce affect UK exports to the EU? How would that affect your industry? Reversely, how might the imposition of tariffs on EU imports to the UK affect the sector as well?

Paul Vernon: At the moment, we operate in an environment where there are no tariffs. If tariffs were to be imposed on exports, speaking as a company and a trade association, exports are critical for our business and for our industry, if you go back to the 15% that I quoted. Tariffs could block exports and, equally, they could block imports. If tariffs were to be accepted on imports, you would see inflation at consumer level increasing quite rapidly. Tariffs are not something that we would want imposed either way.

Q296 **Chair:** Some of it you could absorb, I suppose, as companies and the industry, but a lot of that would go to the consumer really.

Paul Vernon: If you take cheese as an example, WTO tariffs on dairy will do what they are designed to do: they will stop trade. The WTO tariff on cheese is of the order of 40% to 50% depending on the cheese variety. We do not make 50% margins in this sector, so the ability to absorb is minimal, if not non-existent. They would either block trade or they would be reflected in consumer prices. That reflection in consumer prices will have the knock-on consequence of reducing demand for dairy, so it is a vicious circle, not a virtuous circle.

Nick Whelan: To elaborate on that point, you are left with a very difficult decision on whether you have tariffs that will lead to food inflation, which is bad for the industry overall and bad for the consumer, or opening up our precious industry or market to other nations importing products in that have different standards and different costs. That could signal a very grave future for our agriculture overall and our farmers, so there is no simple solution to how you manage the tariff conundrum.

Q297 **David Simpson:** You mentioned the WTO. A report was done recently, I think by one of the universities in Belfast—I am not sure; maybe it was in GB—where they did the figures on the meat sector, from pork and chicken right through, and the only sector that would be detrimentally impacted was the lamb sector if we went to WTO. Has any such report been carried out on the dairy sector? Has something been done on that? I know it was done for the meat sector and it said that lamb would suffer greatly, but the rest of the industry would be better off by going to WTO.

Nick Whelan: AHDB has done an analysis, and I am trying to remember it all but, from memory, one of the things it said is that there would have to be a certain amount of support to dairy farmers, if they were to stay in business, if there was a WTO scenario. Simply having free trade and having no support would probably eradicate the dairy industry in Northern Ireland.

Michael Oakes: The NFU did some work with Wageningen University at the beginning of this process, which highlighted where the risks were for each sector. While dairy was less affected than some other sectors, there were definitely some pretty drastic consequences. Our worst-case scenario is that we end up with WTO rules and, in order to keep food inflation down, there are no tariffs to import dairy products into the UK. At that point, it is how we compete on that playing field, which certainly would not be level. These guys would not be in a good place and nor would the dairy farmers, as primary producers. That is the worst case.

Chair: The one thing we really would not want is if tariffs were imposed on our exports and then we decided not to impose tariffs on our imports. That is something that, politically, we really have to watch, because naturally, all Governments, of whatever colour, like food to be a reasonable price, so we have to watch that that



does not happen here.

Q298 Angela Smith: Is there a precedent for achieving access to tariff rate quotas based on historic utilisation? If so, how long can the negotiations take for achieving this?

Chair: I am just trying to think what there is on milk. Do you mean coming in from outside the EU?

Angela Smith: It is in the brief, is it not? I am sure it is in there somewhere, the point about the historic trading routes, whether this can lead to agreements around tariff rate quotas, and whether there is any precedent for achieving access to these quotas. For instance, at the moment we have a proportion of the TRQ.

Chair: That is right. I am just thinking. It works on the lamb side of it and I can understand where that is. What do we do with New Zealand, for instance? Do we have an agreement to take in some milk product? Do you know what the situation is?

Nick Whelan: There are cheddar and butter TRQs, but they have not been filled by New Zealand of late.

Q299 Chair: Therefore, at the moment, you do not see that as a major issue for the dairy side of it.

Nick Whelan: I would not say that. We would still be of the opinion in Dale Farm that, if you lower and open up this marketplace and it is not a level playing field, as regards to standards and regulations, we are very exposed as an industry.

Q300 Dr Johnson: We have talked about tariffs and the principle that, if tariffs are applied to our imports, products may become more expensive for the consumer. What capacity is there in the UK system to increase produce to meet that demand?

Paul Vernon: At the moment, the UK is producing about 14.5 billion litres of milk per annum. That will oscillate depending on weather conditions and milk price, depending on world markets. If we were to become self-sufficient—Ash has mentioned a figure and I would concur with him—we would need to produce another 3.3 billion litres of milk, which is an extra 20%. If you look at dairy in isolation, we could grow dairy output. You have to bear in mind that, if we end up in a WTO situation, it will not just affect dairy; it will affect the whole agri-food sector. You will have a scenario in the UK where you have a number of different sectors looking to grow and competing for the available resources.

Dairy has the ability to grow; it will not grow 20% overnight. There has to be growth and investment at farm level, there has to be growth and investment at processor level and there has to be a market for it. We are assuming the market for it is now because of WTO and we have prevented imports. We will be competing with other sectors. Then the question we have to ask ourselves, which we do not have the answer to, is: who is going to work in these factories and farms? Where is the available labour to drive that production growth?

We can look at growth within the dairy sector, but we need to look at it in conjunction with what will be happening in other sectors and the availability of labour.

Q301 Chair: In your plant in Northern Ireland, what percentage of the labour would be local?

Paul Vernon: In our Northern Ireland facility, 10% of our workforce is what we would classify as non-national. They have been there for quite a considerable period of time, so it is not impacting us today, but we are aware that within the meat sector in Northern Ireland labour availability is becoming an issue. Michael will be able to tell you of the lack of availability issue on farm.

Michael Oakes: On the opportunity, it really depends on there being a margin for the whole supply chain. That is key to whether we, as an industry, take advantage of that opportunity. It has to pay.

Labour on farm is an issue today on dairy farms. In many cases, there are maybe four or five people employed on a dairy farm. If you lose one, that is 25% of your workforce. It is not on the same scale as the horticultural sector, but it is having an impact now on long-term decisions being made on farms almost on a daily basis. It is an issue in the whole supply chain, but on farm today, if I wanted a ballet dancer or a groom to look after my polo ponies, I could get one. Unfortunately, I cannot get anybody to come and milk my cows.

Q302 David Simpson: You made a point about how dairy could increase if it was required to increase. Some months ago, we had a serious problem within the dairy sector with farmers and prices and all the rest of it. If you were to ask farmers to increase milk production, from a sustainability point of view for farmers, to encourage them to invest again—many of them had to get over the debt problem, and that is just the circumstances of the climate and the global market; we know the circumstances of that—how would you encourage them to do that from a sustainability point of view? Would it be long-term contracts?

Nick Whelan: There are a number of challenges. The biggest challenge for farmers is having some predictability of the future. How would you go about buying land at £10,000 to £20,000 an acre and taking a massive gamble when you have such a mercurial debate as we have today around what Brexit will be? At the moment, it is in a vacuum that one would be making a significant business investment decision.

There are also environmental constraints: phosphates, ammonia. It is not as simple as just buying cows, putting them into a feed lot and feeding them concentrates. There are environmental constraints on growth that would have to be considered. It is not beyond our capabilities, but there are challenges that have to be managed. Having said that, in our view, if there was a clearly defined opportunity, our farmers would respond over time.

Q303 Angela Smith: That last comment you made about time is what I wanted to focus on. You have indicated a wide range of issues in terms of growing the sector: labour, capital, land, planning, environmental standards. Can you give an estimate of how long it would take, potentially, to grow the sector? Are we looking at two years, five years, 10 years?

Nick Whelan: There is a three-year cycle in bringing a cow to lactation for a start, so there are genuine lags as regards time.

Ash Amirahmadi: That is a key point. It is because of that time that a hard transition would make it very difficult for the industry. If the industry is trying to fill a 3.5 billion gap in milk production on farm, that capacity is not going to grow probably even in three years, because that would mean everyone investing on day one to get there. Therefore, our position would

be that that is something that would need to be built over time. Of course, the key question to make those sorts of investments is about confidence. Confidence on farm is hugely important because, as Mr Simpson said, to borrow the money from the banks, you are carrying debt. You then get the global markets moving up and down, so you have to be ready for that as well. To build in the confidence to make those sorts of investments is hugely important. Therefore, again, that would indicate to an organisation like Arla we need a relatively longer transitional period, based on more tariffs, if there are tariffs, and that is another unknown.

Q304 Angela Smith: I do not want to attribute this to you unfairly, but it seems to me that you are indicating it would need to be longer than two years certainly.

Ash Amirahmadi: It depends what we end up with at the end of that transitional period. If we are going to end up with relatively free trade agreements, a two-year transitional period is not a problem at all. It is very linked to what end point we end up with.

Q305 Chair: It is where the journey ends, really, is it not?

Ash Amirahmadi: That is the key thing.

Angela Smith: It needs to be flexible.

Ash Amirahmadi: Yes. When the vote happened, Arla very quickly pulled together a Brexit taskforce. We have a management Brexit taskforce, but we also decided to have a farmer Brexit taskforce. The farmer representatives said to us, “Rather than us deciding what positions to take, why do we not ask the membership”. We surveyed the membership and asked them, “What would you like the company position to be on this?” It is very interesting that, no matter which way they voted, over 90% said that they want to be able to trade free of tariffs, very clearly and for the reasons that we are talking about: because it leads to uncertainty while we are waiting to find out.

Michael Oakes: The one thing that is certain at the minute on farm is that there is a significant amount of uncertainty. That is the only certainty we have. I know that sounds a bit odd, but it comes back to the question earlier. Farmers are up for the challenge. There are fewer dairy cows; there are fewer dairy farmers, but we are still producing a similar amount of milk. We are constantly getting more productive, getting more for less. We have to do that, manage volatility and look after the environment at the same time.

Q306 Chair: We are on about 14 billion litres, are we not? It is something like that.

Michael Oakes: Yes, we are, so we are getting more efficient. Ultimately, we need that margin, those market signals and the right environment in order to step up to the challenge.

Q307 Julian Sturdy: Apologies for being a bit late. I hope this has not been touched on before while I have not been here, but what sort of trade policy objectives do you believe the Government need to establish to ensure that the dairy sector flourishes after Brexit?

Paul Vernon: What we want is close to what we have today in terms of market access, no tariffs and no non-tariff barriers.

Q308 Julian Sturdy: Is everyone pretty much in agreement on that? Okay. Would you say that government could, over the next few years, look to specify any sort of financial packages specifically for UK dairy farmers? For example, is the insurance

scheme in the US something that you might think of going forward?

Paul Vernon: One of the challenges that we have faced over the last number of years is volatility within the sector. Looking forward, we think that volatility will continue, so anything the Government can do, although they will not eradicate it, to ease that volatility would be very helpful. If we look at the insurance scheme in the US, it got off to a slow start but it seems to be helping US farmers. Anything that can reduce volatility would be welcome across the supply chain.

Q309 Julian Sturdy: Do you think that has happened in the US? It has reduced volatility.

Paul Vernon: It has reduced it and it has given farmers the confidence to continue to invest.

Michael Oakes: The USDA insurance scheme was pump-primed, in effect, with a substantial amount of money. In the first year, the uptake was quite substantial. Ever since then it has got less and less and less. As the market has gone the right way, fewer and fewer farmers have bought into it. It is something we have seriously looked at, from an NFU perspective. Within our domestic agricultural policy, managing volatility is one of the key streams and there are other ways: there are matched funding saving schemes, which go on in certain parts of the world; there are deferred tax schemes. There is more than one way to skin a cat, in effect.

While there is some merit in the USDA scheme, there are other ways. We need to create a suite of tools, working with the supply chain, in my view, in order to make sure that farmers can maintain a margin and processors get the milk that they require.

Ash Amirahmadi: We support the position of Dairy UK and the NFU on this, but another interesting avenue for exploration is that of non-subsidy means. For instance, making finance available to our farmers, set aside for capital allowances, maybe linked to efficiency improvements, would be a good thing that would encourage investment and borrowing.

Q310 Julian Sturdy: Would an example be moving to robotic milking parlours and that sort of thing?

Ash Amirahmadi: That could be an example of how you would make that investment. It would not be an either/or, but having lots of opportunities, as a dairy farmer, to be more efficient in the future can only be a good thing for the UK dairy industry.

Nick Whelan: Yes, we would echo that.

Q311 Chair: All farming industry brings in a lot of new ideas, but with dairy, in a way, you can bring in a very big investment. This is something that could be helped with a productive type grant system, could it not, in the future?

Ash Amirahmadi: Yes, it is capital-intensive.

Q312 David Simpson: Nick, you started to have the conversation about east-west and the whole border issue with the Republic of Ireland and Northern Ireland. From the guys there who have trade with the Republic and Northern Ireland, how would you like to see that developed? I am sure as frictionless as possible, but what is your ideal world and the ideal picture that you would want to see coming out of the Brexit negotiations?

Nick Whelan: At the moment, it is almost like squaring the circle. Having an east-west solution for a north-south problem from, in Northern Ireland, an economy perspective, is very challenging. Sixty percent of our exports of all goods and services from Northern Ireland go to GB; 23% goes into the EU.

Q313 Chair: How much of what is going into the UK and into the EU is coming from the Republic of Ireland?

Nick Whelan: There is a significant trade deficit from the Republic of Ireland into GB today. It varies, but the Republic of Ireland is supplying about 85,000 to 90,000 tonnes of cheddar, as an example. Looking at it from a Northern Ireland perspective, GB is a significant marketplace for our economy and for our dairy industry, as we were saying before. Echoing what has been said previously here this afternoon, as frictionless and as free trading as possible is the objective, understanding the challenge that, if we are outside of a customs union, that requires a circle to be squared.

Q314 Chair: Again, I will ask you the question I put at the beginning: have you any practical ideas about how such a system would work outside the customs union?

Nick Whelan: The first practical idea would be to stay in.

Chair: That is not the question I asked.

Nick Whelan: No, I know. We will pass on that one fairly quickly.

Chair: That is right, yes. No, I accept that, but if that is not possible, there may be times when we have to think slightly outside the box. That is what I am asking you really.

Nick Whelan: There are a number of commentaries that one can read at the moment on potential solutions. In the past, there has been quite considerable innovation in how Northern Ireland, as an example, sorted out the Good Friday agreement through dual citizenship. That was very innovative at the time. A question might be whether the Northern Ireland economy can be a dual citizen also. There would be some challenges around that, but it is going to require, as I said, some innovation. At the moment there is an impasse, as far as I can read it, between staying outside the customs union and not having a border of some sort north-south.

Q315 David Simpson: Do you think it is realistic when the Government talk about electronic checking? Sweden and others that are outside operate in certain ways. Do you think it is realistic to do that? There are some suggestions of figures going back and forth of maybe 6,000 or 7,000 a day—I am not too sure of the figures—where SMEs would be exempt. For larger companies with a reputation, 2% would be checked. That is what is suggested; I am not saying it is practical.

Nick Whelan: I would be no expert on border security, but there are 300 formal road crossings on the Irish border; that is quite challenging.

Paul Vernon: I would concur with what Nick has said, about 300 border crossings. I go back to my earlier point in terms of non-tariff barriers. This is the realm that we are getting into, which is a non-tariff barrier and the potential cost of that. If you look at a lot of the movements between Northern Ireland and the Republic from the dairy sector, it is liquid milk that is going south for processing. This is a perishable product, so any delays that would be

built into that type of system will invariably add cost to a sector where margins are relatively low.

Q316 David Simpson: The point has been made to me that some of the processors in Northern Ireland, if they have a breakdown and there are a million litres of milk sitting that can go off, can lift the phone to their neighbours in the Republic and transfer that down very easily. We would want to see that continued in some shape or form.

Paul Vernon: It does happen. If you look at the four major processors in Northern Ireland—and two of them are represented here today—the volumes of milk that we process on a daily basis are significant. A million litres a day would be the minimum. If you take that back to an hourly rate it is quite substantial, so if you lose half a day's production, which in a production facility is quite easy to do, that milk needs to move quickly. Obviously, it can move around the other facilities in Northern Ireland, but from time to time it moves across the border and any restriction on that will build cost back into the system.

Q317 Angela Smith: I will start with a cheeky endorsement of what Nick said about staying in. This idea of a circle to be squared is a good way of looking at it. Of course, it is not just the customs union; it is the single market and the fact that we have regulatory equivalence. That is another really important factor in all this. It was suggested to us the other week by an agricultural economist in relation to this that the only solution, potentially, to the border issue is to have the whole of Northern Ireland as a border zone. I suppose this echoes quite clearly the comments made the other day about effectively having the border at the Irish Sea.

David Simpson: But—

Angela Smith: Yes, well, I agree, which is why we should stay in, David, but never mind. I would just like your comments on that. People are trying to come up with imaginative solutions to square the circle. I would like your comments on the feasibility of some of these options being developed. Is this circle impossible to square?

Chair: There is a degree of politics about that, but please answer the question how you feel happy to do so.

Paul Vernon: I will answer the question diplomatically and say we have accepted the result of the referendum. What we now need to do is focus on resolving the issues that that has thrown up. I go back to my earlier comment that anything that we design, if it builds cost or delay into the system, will be detrimental to everyone in the supply chain. I include consumers in that, because we touched on inflation a little earlier. Whatever solution we arrive at has to be as close to what we have today. Any deviation from today will put additional costs into the system.

Nick Whelan: Another thing I would like to layer on that is an issue that is not being spoken very much about in the narrative at the moment, which is the issue around food security. It was mentioned by Michael previously. If you turn the tap off here on dairy farming or any type of agriculture, it is not particularly easy to turn it back on again. Once you lose the farm husbandry skill base, once you lose the supply chain overall, it is almost impossible to turn it back on again. The UK is only about 60% self-sufficient in food supply today. If you look at

the demographics and growth of the global population, forecasted at 9.5 billion, if you look at soil quality and at water availability on the planet, food security is an imminent issue over the next 20 years, which this debate is almost ignoring. We have the potential here in some of the solutions that you mentioned of literally turning the tap off on some of our agricultural supply chain. That is quite grave.

Q318 Chair: Post Brexit, how are we going to gain health certificates? I remember being in the European Parliament when we were getting beef back into France, and even under the single market regulations it was quite difficult. If, post Brexit, they decide, for instance, they have too much cheese in France, or they find something wrong with our cheese, how do we deal with that?

Paul Vernon: The system we have at the moment of equivalence throughout Europe works well. It has enabled us to grow our exports. It has enabled some of our European competitors to grow their exports into the UK. We need to be very careful as we go forward that, as a nation, we do not create tariff barriers or non-tariff barriers. The whole issue of export certificates will be critical within that. One of the issues that we face as an industry when we exit the European Union is what happens to the free trade agreements that we currently avail of. We have talked a lot about exporting product to Europe, but we export product beyond Europe—the USA was mentioned in one example—so we need to be extremely conscious and cognisant of that.

Q319 Chair: The standards and health regulations if you were to export to America, at the moment, naturally are all done entirely under EU standards, even though it is coming from this country.

Michael Oakes: Yes, and many of those products are consolidated in Europe on the way to the States. Many of the south-west cheesemakers would be growing their market in America, but a lot of that is done through third parties on the way, through the European countries.

Q320 Chair: I know OMSCo, the organic milk producers, export a lot to America, do they not? In reality, I suppose, not wanting to put words into your mouth, the only way one would really keep the health certificates going would be to maintain exactly the same standards as what is happening in the European Union now. Otherwise you would not be able to trade across there. Is that how you see it?

Michael Oakes: On day one, that is the way it would be. Obviously, beyond that period we have the opportunity to negotiate our own free trade agreements with those countries, but that will take a period of time; it will not happen overnight. Unless we want to face a cliff edge on day one, we need to continue to adhere to the standards that we have currently, until such time as we can reach agreement on a different standard.

Q321 Chair: I suppose, as milk processors, you do not really have a problem with that, because that is the standard you are meeting at the moment.

Michael Oakes: Yes.

Chair: It is just if they change them along the way, but all of that will be dealt with further down the road.

Q322 Angela Smith: What impact would there be on your business if imports were permitted from non-EU countries with lower animal welfare standards?

Michael Oakes: From an NFU perspective, that would be the worst-case scenario. We have the red tractor, we have some of the highest welfare standards in the world and we are constantly reviewing them, trying to make sure that we are ahead of the game. We are extremely proud of those standards and there is a cost to them. They do not come cheap and there is a cost to providing the level of welfare that we do. We need to protect that; it is important. Consumers expect that level of welfare from UK produce, but it would be very difficult to compete if product was coming in with a lot of the things that are now banned in the UK, quite rightly.

Paul Vernon: One of the concepts that we have developed within Dairy UK is the concept of equivalence. That is equivalence across the board. It is equivalence in terms of animal welfare, quality standards, health standards and in how we support farmers. That is a key concept that needs to be borne in mind as we go forward. As an industry, we are quite capable of competing. We compete on a global stage, but we want to compete on an equal footing, so the concept of equivalence is key as far as we are concerned.

Ash Amirahmadi: From an Arla perspective, there are a couple of considerations for why we should be very cautious about allowing products of a lower welfare or technical standard. One would be, from our own industry perspective, the farmer perspective, that they would not be competing on a level playing field, as Paul said. An even bigger concern that we would have is around consumer confidence about the industry and about the product. The last thing that we would want is a product of sub-standard coming in. There would be some sort of a sensationalist food scare and then people would tar the whole of the industry with that brush. We would very much caution against lowering standards.

Q323 **Angela Smith:** Yes, because that is food safety as well as animal welfare. It really is. The Secretary of State has said that the future of British farming is in quality and provenance, which I do not disagree with, and that we have a world-leading reputation based on doing things better, which has been indicated by the panel already. Can we rely on that reputation to maintain the current market? Let us assume for a moment that the UK suffers the importation of dairy products produced to lower standards. Will the UK be able to hold its own in the UK market and elsewhere in the world, in order to compensate for those imports? I suppose it is a different way of asking the same question, but can we continue to hold our market position by clinging on to provenance and standards?

Nick Whelan: The way we would read it at the moment is that it is a delicate supply chain today. Farmers are leaving the industry as opposed to coming into it. For us, strategically, long term, that is a challenge that we have to deal with ourselves. If we threaten an already delicate supply chain with even lower returns, that has a fundamental effect on the food security issue here in the UK. The fact is, if there are substantially cheaper imports at a lesser quality and lesser standards, it will inevitably erode margins from those farmers, so it threatens a very delicate supply chain. Obviously, it takes away from market share, which reduces the volumes, which increases costs, so it is detrimental to an industry.

Michael Oakes: If you did not have something like mandatory country of origin labelling, consumers would not know which products those were that were coming in at lower standards, potentially. If they are not clearly identified on a retailer's shelf, how do we keep that advantage that we have?



Q324 Angela Smith: That was the final question that I wanted to move to, which is around labelling. Are the Government showing any interest in helping the industry to achieve what Michael Gove is suggesting by helping you think about labelling and government regulation around labelling, so that provenance stands out more clearly than it does at the moment? Is there any discussion around this? No.

Chair: I suppose you would argue, from an NFU point of view, you have the red tractor and others that give you a mark of quality. It is how much we could build on that.

Michael Oakes: Yes, like I said earlier, we have the red tractor. It is something we are extremely proud of, but it is something we are constantly reviewing to make sure that it is leading the way. It is something we need to value and we hope consumers will value it.

Q325 Dr Johnson: We have certain dairy products with protected geographic status from the EU, like Cornish clotted cream, stilton cheese. How does that work after we have left? Will they still retain their protected status or not? Do we not know yet?

Chair: That is probably something we need to ask the Minister, because it is something we need to keep in place. Theoretically, we should be able to do more of these geographical indicators, but it is something that we need to make a political decision here on.

Gentlemen, is there any last comment you would like to make to us? Is there anything you would like to say to us that we have not asked you? Feel free; now is your moment.

Paul Vernon: As an industry, we would like clarity as soon as possible. At the moment, we are in this vacuum and a lot of the questions you have asked today we could answer a lot more succinctly if we knew where we were going. Anything that you can do to get clarity back to the industry would be much appreciated.

Q326 Chair: I think the whole of the United Kingdom needs clarity, but nobody probably needs more clarity than you in Northern Ireland. That we accept, so we will work hard to try to make sure that happens. The whole idea, of course, of bringing you gentlemen here is to look at Brexit, look at the effects and look where it is not all negative, but it is far from positive. We are trying to be realistic really, and that is where we are.

Nick Whelan: One request that we and other people would have is that, in the debate around the customs union, it is evidence-based. What we struggle to explore is the benefit we are giving up or we are going to attain. It is a bird in the hand versus a bird in the bush.

Q327 Chair: You are not sure there are two in the bush; there might not be anything in the bush at all.

Nick Whelan: In fact, it is two in the hand and one in the bush. We are trying to understand the logical, evidence-based argument that suggests that this is the right way forward. That would be extremely helpful.

Chair: You make a good point and we will make sure to put that. It is a very simplistic question but a very right one. If we are going to move away from the customs union, why? Let us prove the situation and ask why. If we are going to

replace it, with what are we going to replace it? That is the core of all these big conundrums and questions, but we very much accept that you need confidence. We all need that.

With this inquiry, I suspect in the end we will look through the various scenarios as to exactly what we think the various deals might do and the effects upon all the sectors. That is why you are here today talking about the dairy sector in particular. Thank you very much. We wish you well.

Panel 2

Witnesses: **Edward Barker**, Senior Policy Adviser, National Pig Association; **Richard Griffiths**, Chief Executive, British Poultry Council; **Peter Allan**, General Manager, Cargill Meats Europe; **Andrew Saunders**, Agriculture Director, Tulip Ltd., gave evidence.

Q328 Chair: The chairs of the Select Committees are supposed to have a balanced panel, but we have to make sure we have the people who are put forward by the various organisations. Thank you very much for coming this afternoon. If you would like to introduce yourself, we will then get on with the evidence.

Edward Barker: Good afternoon. I am Edward Barker, senior policy adviser at the National Pig Association and from a family farm in Suffolk that was in pigs until recently.

Andrew Saunders: I am Andrew Saunders. I am a director of Tulip, which is part of a company called Danish Crown. We operate in the UK, sourcing one in four pigs, and are now the UK's largest pig producer.

Peter Allan: Good afternoon. My name is Peter Allan. I am a director at Cargill Meats Europe. Cargill is an owner, since 1980, of a UK poultry business based in Hereford. We are also a provider of poultry products from the EU and third-country supply chains to consumers in the UK. Our key challenges going forward are the availability of labour in Herefordshire and the necessary clarity required on the substance of trade for both exports and imports.

Richard Griffiths: I am Richard Griffiths, chief executive of the British Poultry Council. We are the trade association for the British poultry meat production industry. Just to give some opening context, with poultry being half the meat that is eaten in the UK now, as the industry, we are very conscious of our role in society and the fact that consumers have to have confidence and trust in the products that we supply. Brexit is giving us an opportunity to redefine how we feed the nation and the values that we put into our food. In the context of this trade discussion, I would highlight that we are an importer of mainly breast meat, but we also export a lot of dark meat and fifth quarter, such as chicken feet. The UK is a world-class hub for breeding stock as well, which is a vital part of our industry.

Q329 Chair: Thank you. Some of these points will come out in questions. What is interesting about the pig and the poultry industry is that you are both successful industries outside of any support system. It is fascinating, and what is so important for you is trade, in particular, and making sure there is access to that trade.

The first question is: how will Brexit affect future export and import opportunities for the pig and poultry sectors, first, to EU countries and, secondly, to non-EU markets? We have more than a fifth quarter of the pig at the moment into China, which is a

good thing.

Edward Barker: There are two sides to this. Trading within Europe is absolutely vital for the sector. One thing that has been asked of us is that there have been a lot of scenarios by the AHDB and others that make the pig sector look like it has a particularly rosy outcome in the event of a hard Brexit or a no-deal scenario. I would want to bat this suggestion away very quickly, because not having access to the single market or even just having a trade arrangement with Europe is extremely serious, mainly for carcass balance. The carcass balance situation between Europe and us is quite delicate and we really want to maintain that at all costs. We know that this is a two-way scenario: that Europe exports a lot to the United Kingdom and we would want to try to continue that.

Outside of the European Union, we are really setting a trail in terms of food exports across the world, not just south-east Asia and Asia, but also to other developed economies in different cuts. There is a very successful model in terms of year-on-year exports that are going there. It is on two bases of Europe and non-Europe, but the most important challenge facing us straight away is that that access to European markets is kept.

Q330 Chair: With the pig industry, how much do you export? You have quite big imports, much less on the poultry side, but where are we?

Edward Barker: I had to check with AHDB yesterday, but at the moment about 57% of exports go to the European Union; that is the most up to date figure. This is down from 63% or 64% about a year ago. That is largely because of the drive in exports outside of the European Union, which has been very successful, but with over half of our exports going straight to the European Union either, as culled sows for that carcass balance or as fresh cuts, fifth quarter and offal, that is the rough position.

Andrew Saunders: We have a rather peculiar situation. We require a funny pig in the UK; we want it with lots of legs and lots of loins, but not so much shoulder and belly, so we have a rather interesting scenario where we are exporting shoulders and fifth quarter, but we are massively importing loins and legs from Europe. We have yet to design that pig that works for us.

Q331 Chair: You need a pig with more legs, do you?

Andrew Saunders: We would like them with more legs and fewer shoulders, to some extent. That delicate balance between imports from Europe and exports to the rest of the world is something we need to maintain. A specific thing is culled sows, as Ed has talked about. We virtually use none of those in the UK, so that is a very important market we need to maintain.

Richard Griffiths: Shall I start with the overview? We currently are about 60% to 65% self-sufficient in poultry meat. We are a net importer of poultry meat. We import a value of around £2 billion worth of poultry meat and export around £300 million to £350 million worth, but that is really a reflection of the carcass balance; UK consumers want breast meat and we do not want to eat the dark meat.

Chair: I prefer the darker meat, but that is another matter.

Richard Griffiths: Three-quarters, 70% or 75% of our trade inwards and outwards is with EU member states, so that is an absolutely crucial area to get right and continue that frictionless trade. Third countries are important and they will become increasingly important. China has

already been mentioned and China is, at the moment, not yet an option for the poultry industry

Q332 Chair: Am I right in saying that certainly at one time we used to breed almost half the chicks for the world? Is that still the situation?

Richard Griffiths: The latest figures are that around 70% of the world chicken breeding stock comes from UK, along with 70% of duck breeding, so it is a big and important part of our industry.

Q333 Chair: When you say “breeding stock”, that would be the breeding stock to lay the eggs. They will not necessarily all be hatched here; they might be exporting breeding stock. We also hatch a lot of chicks, because I think a lot of chicks go straight to Africa, do they not, and all over the place?

Richard Griffiths: There is a combination of chicks and eggs exported from the UK. As I say, I will find the figures and provide those at a later date but it is a significant amount of the breeding stock of the world.

Peter Allan: We have an industry both in the UK and from third country that has been investing for a number of years on the basis that UK consumers prefer chicken. There are probably as many chickens imported as there are grown in the UK. The UK has seen significant growth over the last couple of years, reaching probably about 20 million birds slaughtered a week. We are in an industry that faces long-term commercial contracts and long-term supply contracts, and uncertainty looking forward in terms of how that trade and those commercial realities can be managed given the size of our important imbalance and the opportunity to grow UK chicken.

Q334 Chair: You are probably the most integrated of all farming production—probably pig as well, but poultry in particular. Basically all farmers that are growing poultry are contracted right through, are they not?

Peter Allan: To a large extent, Mr Chairman, yes. There are some company owners but proportionately there are many farmers who are investing significant amounts of money in the UK industry in innovative farms, technology and the ability to grow UK chicken. Nevertheless, we are still as reliant on third-country and European supply to supplement our propensity to eat breast meat.

Chair: With all the sectors that we are looking at, it is not only about what we produce and the tonnage we produce but it is what we eat, and what we do not eat we export and vice versa. It is a point well made.

Q335 Paul Flynn: What are your best hopes and your worst fears post Brexit? How will you change your businesses to cope with Brexit in those two situations?

Richard Griffiths: The two big areas of concern are trade and access to labour. In the worst case scenario, labour is probably our biggest concern. If we do not have access to EU labour at this time, it will be a disaster for the industry and we will see massive shrinkage in the industry. Our workforce at the moment is around 60% EU nationals.

Chair: We will deal with the labour point at the end but it is a fair point made.

Richard Griffiths: If we do not get that right and if we do not get trade right, it will be disastrous. On the opportunities side, we see the positivity for innovation and productivity. As the demand increases for chicken meat, we see those opportunities increasing. With consumers demanding the standards that we have in the UK, we see an increased role, if we get the other areas right.

Q336 **Chair:** Do you see the developing world as part of that market?

Richard Griffiths: Yes, very much so. The third countries, as we may be in the future, are incredibly important. Securing markets into developing countries is one of the keys to our future success.

Andrew Saunders: Similarly, our concerns are about trade and availability of labour. At the moment, the UK is 56% self-sufficient in pig meat so, in theory, there is plenty of opportunity to grow more UK pig meat. As Richard described earlier, there is a massive imbalance there and, even if we grow the number of pigs in the UK, we need to have an opportunity to trade those imbalances with Europe, the Far East and, increasingly, developing countries such as Mexico and South Africa. It is that trade piece and the availability of the labour. We are in a similar place in the pig meat sector where our processing factories are 60% to 70%, but some factories are up to 80% non-UK workforce. While we can develop automatic systems to some extent, a lot of the requirements and the skills associated with butchering meat still require a skilled workforce, and non-availability of that would have significant impact on our ability to process either British or imported pig meat. Those are probably our two major concerns: trade and labour availability.

Q337 **Paul Flynn:** One of our previous witnesses has suggested that one way of getting over the difficulties that Welsh lamb will have, if it is exposed to competition in other countries that it does not compete with now, is to export the animals on the hoof rather than the hook. The other side of this is importing animals that were bred abroad. Are both these situations going to deal with very serious animal welfare considerations? Will the lower standards abroad and the difficulty of the journey likely frustrate those plans?

Andrew Saunders: There are significant animal welfare challenges associated with that. In the pig sector, only small quantities of breeding stock are imported into the UK, and live animal exports are broadly something that the pig industry would not be in favour of at all in terms of slaughter pigs. The biggest challenge we face here in terms of bringing live animals in and taking live animals out is protecting the UK health status. One thing that we have certainly been up against in the pig sector before with FMD and swine flu is being locked out of markets for years. All these trade discussions are potentially frightening if we lose our animal health status. Perhaps there is an opportunity to enhance that protection to make sure we can trade globally so we do not face some of the challenges that we have had in the past.

Chair: I do not think much in the way of poultry meat gets imported.

Richard Griffiths: Yes, that is not a scenario that we could ever see happening, exporting live animals for slaughter. Even importing, we do not do that at the moment. The point embedded in that question is that standards go beyond just welfare; it is how animals are slaughtered, how they are processed, the quality and so forth. The only way we can deliver the standards that we want is by doing it in Britain.

Q338 Paul Flynn: We are hearing a lot from witnesses about the problems with labour from people who are not native British people. We are hearing about the problems but I have not heard of anyone offering any practical solution when the numbers involved are so huge. We hear about 70% in this industry and 60% in the other. Is a crisis of staff not certain post Brexit? Is there any practical alternative?

Peter Allan: I would make the comment that today we are managing. We see significant challenges post Brexit. We are already beginning to see signs of labour recruitment issues in part because of the euro-pound impact. People's take-home pay that they are sending back home being significantly impacted. We are beginning to see people make changes to home ownership in our local community in terms of selling now so that they can move fast post Brexit, which is a worrying sign. On the flip, we are beginning to see recruitment from other parts of Europe such as Romania, Bulgaria and elsewhere. As an industry, you have to go through the learnings and teachings of how we want to process, and the values and standards that we put into our plants.

Q339 Chair: Can you be more automated?

Peter Allan: There is a limited amount of automation that you can carry out in the next one to two years. As a poultry industry, we have robotic arms that help pack product. We have invested significantly in equipment, but ultimately we still employ 2,500 people. We operate in a rural community in Herefordshire where there is 2% unemployment. We try our hardest to engage with the local communities to recruit more. It is not just about the shop floor; our employees are embedded within all parts of our organisation from running sales departments to working on deboning lines. They are part of our communities now. They have been living with us for five to six years. There is a real and significant challenge in our ability, post Brexit, without the free movement and labour, and with a different form of labour recruitment, to sustain the level of productivity that we have today in our industry.

Chair: Thank you for that. That will be recorded. We did a one-off inquiry last year into availability of labour. We may well look at that again because it is important. We have to make sure that we have the right facts and figures when we do it because the Home Office will often say, "We do not have the figures", but the figures are there now and we need to be aware of that.

Paul Flynn: We have done a very successful operation by changing Ministers and replacing them with robots who do a very good impression of being human beings. It does work.

Peter Allan: You would get my vote.

Chair: Do not encourage him. They will replace MPs as well, Paul. They will replace us all. We will all be made redundant soon.

Q340 Angela Smith: Related to the point you made in a previous question about integration and the supply chain in poultry and pork, it is the case that quite a lot of this supply chain in chicken and the processing end of it is for ready meals and other supermarket shelf goods. The pig industry is also about bacons, hams and other products that are very popular here in the UK. I would just like a better understanding, if it is possible in a very concise manner, of the importance of the processing end of the industry, particularly in relation to the pig industry because we

perhaps now know more about poultry, especially after “Countryfile” on Sunday.

Andrew Saunders: To put it into context, we slaughter about 10 million pigs. Those pigs are slaughtered and turned into a range of products. In terms of the value of the processing sector, the leg demand for further processing requires 19 million pigs. We can breed 10 million, we can slaughter 10 million but we actually process 19 million coming through on leg.

Chair: The majority of that would be ham.

Andrew Saunders: A similar picture exists on bacon: 10 million pigs again but we require 23 million pigs’ worth of bacon. By default, they are not being bred or slaughtered here but being processed here. That puts some context around how much is in the processing sector rather than in the growing and slaughtering end. Hopefully that helps illuminate that for you in terms of how much goes on in that area further down the supply chain. You might suggest there is massive opportunity to therefore grow more of those pigs in the UK. It is a time-based thing and obviously we will end up with an imbalance carcass as a result of when we do that, if we can do that. There is a timeline of some significance to know when to grow those additional pigs in the UK, similar to what the dairy sector quoted earlier, off the back of competence, stability and long-term investments that need to be made.

Q341 **David Simpson:** What is the UK pork and poultry sector doing to ensure it can exploit any post-Brexit opportunities to increase exports? The figure was used earlier that we are about 60% self-sufficient. In particular, the pork sector can be vulnerable when it comes to the farmers. I mentioned this in the last evidence session in terms of the dairy sector. How do you encourage farmers in the pig sector to invest and to increase their production afterwards? It is vulnerable. Let us be honest; it can be very vulnerable. Northern Ireland has good news with the fifth quarter, which will help the producers there. In order for you to increase your exports, you need the primary producer to produce the pigs. How do you guarantee that and give them sustainability?

Andrew Saunders: We are an integrated producer and processor. Much of this is about the stability required from the markets and knowing what return you will have as a pig producer. There are a number of models that can help with that. We have been mirroring the things that have been going on in the poultry sector by doing some of that production and taking some of the risk out by the producer and the processor being linked together. But it is the stability of the selling price, to some extent, that gives that confidence to producers to invest.

Some of that is against the background that we have seen so much volatility in the availability of markets. We have been in and out of China in the past. We have had difficulties in accessing markets. The Government have worked hard to access China and done some good things in recent times, but we are still faced with a long tail and a long delay. Some UK mainland plants still do not have full access to China. That is reflecting in the value and putting instability into the market, because we do not know what return we will get.

Producers will invest but, to put it in context, for a producer to produce 400 pigs a week it probably needs to invest something in the region of £5 million. Big money has to go in to get a relatively small number of pigs produced. Those 400 pigs a week will occupy our slaughter house for one hour a week. That puts some context around investment versus how much comes through.

Q342 **David Simpson:** Pigs and poultry are a relatively quick turnover from the primary producers' point of view; it is a number of weeks rather than months or a year.

Andrew Saunders: Yes.

Q343 **David Simpson:** That in itself would help the cashflow and the turnover of farmers. But it is the price. There is a cocktail of issues where animal welfare has to be right, pricing in the market and all that. It is very hard to get everything in that cocktail running perfectly at one time. It is very difficult. You are right that they will invest, but they need some kind of surety in order to go forward on that.

Edward Barker: This comes back to the earlier question about what issues we face now in terms of uncertainty over Brexit. Of course, all farmers across the board can do more to improve the efficiency of their operation, no matter where they are. However, there are a lot of producers out there who are very uncertain about investing in their business at this moment in time, despite the fact that prices are good or have been good and that the ability of finance has also been pretty good. That is why we have a really good opportunity under a replacement CAP—domestic agricultural policy or whatever you might call it—to give those in the pig sector greater encouragement in investing in their own business, whether that is removing existing red tape barriers or providing actual incentives to help invest in their own business and help improve that productivity.

The other side of that, and one thing that we would call for under a replacement CAP, is to better finance and better equip UK plc to promote exports abroad. When you look at our competitors outside the European Union—the United States is a good example—the amount of resource they put in to promoting their export agendas, particularly in south-east Asia, is huge. It is seismic in comparison to anything that we do. If we really want those economies, not just in south-east Asia but around the world, to seriously think that the UK is looking to export quality products that have full traceability—which we have and which is a huge benefit, particularly under red tractor, with high coverage in the pig sector—we have to look at properly resourcing UK plc exports so that we are taken seriously as a serious exporting nation.

Andrew Saunders: To put that into context, Denmark is a major exporter of pig meat and has 20 people sitting in China. In the UK pig sector, we have one person in China.

Peter Allan: In the poultry industry, it is not low-cost production. When we export, we are competing with a global commodity price. Our ability to access markets like China and South Africa is key to UK consumers eventually getting a lower cost price, because the ability to access those markets on a regular basis enables our businesses to guarantee supply and generate value, which all flows back into the co-product carcass value. That is one area as an industry that we are significantly suffering against, especially around the AI in terms of product going into South Africa today, but there are a lot of political issues as well. We will never beat them on cost in that trade link, but we just want fair access to certain markets.

Q344 **Chair:** We will beat them on quality basically but not on the price. As far as government is concerned, surely it is one of those things where, if we want to promote more meat into China, we almost want the industry to be able to do it itself, but how can we support you to do it? I am not a great believer that it always needs to be a government-led initiative to do this. I know the AHDB have people and that goes through a levy but not on the pigs and poultry side; that is on the lamb side.

Andrew Saunders: There is a levy on pigs as well.

Chair: You have somebody out in China.

Andrew Saunders: Yes, the industry is funding that.

Q345 **Chair:** That is right. It is about how we could enhance that really, whether through the levy or through direct government support. I am still quite keen to see it be industry-led.

Andrew Saunders: The industry is working actively at it, but politically there needs to be continued engagement with these countries in terms of dealing with the trade barriers that are in place. The consistency of people in the seat might help. In respect of the Chinese authorities, they like to see the same people.

Chair: They do. They like continuity.

Andrew Saunders: They like continuity. There is much more Government can do to help industry get the message over that we have high-quality product that is available. We have barriers to overcome that have been around for some time and need to be worked at. The Government can certainly support us with more regular input.

Q346 **Chair:** I know Denmark, the Netherlands and other countries, even individually, do more than we do.

Andrew Saunders: Correct.

Chair: There are perhaps some lessons that we can learn there as well.

Richard Griffiths: It is definitely a partnership approach. It has to be a partnership approach here. There are some things that industry can do and industry can resource, but there are certain elements that only government can do. A lot of the time, that is opening certain doors and establishing relationships. To give you an example, China has been closed to many markets because of bird flu in Europe. Only yesterday, Poland was cleared for export of poultry meat to China. It had, I understand, 65 outbreaks during this last period and we had 11. It has managed to do that, and a lot of that is down to the political and diplomatic efforts put in by its government with support from its industries.

Chair: Not only do the Chinese like continuity but they also like status. It is about making sure that we have the right status of person helping as well. We will take that very much on board.

Q347 **Dr Johnson:** Moving now from the issue of exporting to the issue of importing, if tariffs were to be applied to importing, the consumer price would go up quite significantly. The IMTA calculated that, if the UK wanted to reduce its reliance on imported poultry meat, UK domestic chicken production would have to more than double. What steps is the industry taking, if any, to gear up production to displace imports after Brexit?

Chair: Do you have enough poultry houses? Do you have enough planning permissions? Where are you going to grow all this poultry?

Richard Griffiths: There is some capacity and some scope for capacity to increase British production. There has already been mention that that would also generate more necessity for exports at the same time. We face challenges in terms of the planning system and just sheer resource. There are opportunities there; if demand for British produce rises, as it has been doing, there is good scope for scaling up operations.

Peter Allan: There is typically a two-year cycle between making a decision and then processing a chicken. In terms of large-scale uplifts, within the industry there is probably a limited amount of capacity today. You would have to scale up again. It is all a matter of time. The industry will invest. If you look at the last two to three years, the poultry industry in the UK has significantly invested, in terms of company investments and farmer investments.

Chair: In poultry units, yes.

Peter Allan: There is a significant amount of challenge around the planning application process that can take up to three years, so the whole timescale is able to be scaled up. Ultimately, there is a cost differential between UK poultry and the product that we import, and that eventually will cause some form of inflationary pressure for the final consumer.

Q348 **Dr Johnson:** What are the main challenges affecting the planning? We have some details on particular NGOs campaigning systematically against the expansion of both pig and poultry farms from a report in 2014. Is that still an issue in 2017?

Richard Griffiths: Yes, it is. There is significant opposition, generally on a local basis but more often now on an organised national basis. We need to work at that in giving reassurance to communities that what we are doing is of benefit to the community, both to the immediate community and to feeding the UK as whole. For that, we need to reinforce the standards of what we do, which not only presents our local economies and our national and regional economies with opportunities, but it constructs a shield against the imports that may not live up to those standards.

Edward Barker: Productivity, as I said before, can be improved across the board. That is certainly true. However, there are a number of barriers in place to improving the status we have of about 56% self-sufficiency. Environmental permits and regulations are extremely laborious and challenging. Planning, again, for the reasons mentioned, is extremely difficult.

The consumer is very lucky in this country and has a choice of production systems: indoor and outdoor. Approximately 40% of our production systems are outdoors. There is only so much land in the United Kingdom, certainly on the outdoor side of things, that we can increase in terms of free-draining soils. A lot of that has to come from indoor production. For the reasons mentioned, that increase in capacity has a lot of challenges to it, and that would be one area that we would certainly be looking at. Changing the regulatory environment would go a long way towards doing that. We would want to see it done incrementally but, since the mid-90s, we have seen almost a halving in the number of breeding pigs in this country, and we are only now slowly building our way back up. It takes a long time to build up, as you would expect, because it cannot be done very quickly.

Andrew Saunders: In addition to that, one of the challenges we face—and we have looked at this in the last two or three days—is understanding the future cost of producing pig and chicken meat in the UK against the background that we import quite significant amounts of

feed raw materials like soya that are required for protein to go into animal diets. We started to look into purchasing those raw materials post April 2019, post Brexit, and we are now faced with a scenario where we cannot get quotes for that product. In terms of looking ahead, scaling up and planning our business, because of the uncertainty, we are now in a market where we cannot identify those costs because suppliers will not quote to us. That lack of certainty prevents investment from taking place even if you could get planning permission.

Chair: Julian, we have stolen most of your questions but then you stole one last week so we are getting our own back. Carry on. There is probably a bit more detail you want to go into.

Q349 Julian Sturdy: I want to touch on the planning policy framework. We have spoken about quite a lot of it already, but I will talk about it from a constituency MP's point of view. A lot of the farmers in my patch talk about the problems in planning as among the biggest issues that they face. If you could pick anything in the planning policy framework that could be changed going forward, is there a way for government to help? Is there anything that you would pick on particularly—apart from speeding it up, obviously, which has been touched on? I mean specifically within the planning policy framework.

Edward Barker: I would probably start by making sure that no applications are done on the basis of animal welfare from a planning authority point of view, because that is often where you see a bombardment of correspondence, particularly to the local authority, which is certainly not resourced to deal with the volume of correspondence that it receives.

Julian Sturdy: That should not be a planning issue anyway.

Edward Barker: It should not, but I spoke to a member last week, for example, who said it has taken them 18 months just to get to committee with various objections coming from different parts of the local area based on very spurious means. The practice between local authorities varies massively, between those that have very good policies in place with regards to development, particularly in the rural economy and particularly in the agricultural economy, and those that simply do not have that process in place.

Q350 Julian Sturdy: Do you have any idea of the percentage across the country, both in pig and poultry, that will appeal?

Edward Barker: I would not know. We can get back to you on it.

Chair: Yes, that would be useful.

Julian Sturdy: Yes, it would be, because that would just give us an indication of whether there is a difference regionally with how local authorities are dealing with it and whether that is much higher than the national average for basic planning applications.

Richard Griffiths: There are frustrations in the planning system. It is sometimes a lengthy and very frustrating process but, ultimately, the planning process is quite robust. Quite a lot of applications, eventually, go through and it is a fair process. If there are any improvements to be made, it would perhaps be with central government having a “prioritising food” policy in planning. That is the sort of area where we could see improvements, and that would give

support for local authorities to make decisions. Ultimately, I do not think we need to change much about the planning system itself.

Chair: I expect Julian would agree, but I get constituents coming to see me to say there will be a poultry unit or an indoor pig unit, and it will smell, have lots of flies and all these things. With the modern unit now, there is not that problem. It is about how we get that out there because, as soon as you have an application coming in, you get somebody in who is not particularly enamoured by it.

Edward Barker: The key point on that is that the reference data used for permitting is very much out of date. Modern pig buildings, for example, are much lower in terms of emissions, odour, ammonia and that type of thing compared to 20 or 30 years ago, or compared to the buildings that we had on our farm just 10 to 15 years ago. We have come a long way in that time. The capacity of design has not just brought benefits to emissions and things like that, but it is rapidly improving animal welfare and antibiotic use, as well as inputs, such as energy use. The baseline in a lot of cases will be much improved with the new infrastructure in place. Unfortunately, for reasons you have mentioned, when a large application or even just a modest application is put in place, the very worst fears of local residents are articulated very strongly.

Q351 **Julian Sturdy:** Is there sometimes a lack of expertise within local planning authorities to deal with applications, because they do not see them coming forward regularly, like you would with a house extension or something like that?

Andrew Saunders: We see that. When they understand the issue and catch up with that knowledge, they broadly come on board with it.

Peter Allan: I would also make a comment about the scale. If you want to see an industry react gradually, it is manageable. If you want to see a significant increase, it is less manageable and it is more problematic in terms of managing the number of applications. In the last 12 to 18 months in our own infrastructure, we have seen a significant increase in the numbers of farms. Just by the sheer weight of that, it is more difficult to manage, when you are only used to one or two a year, if you suddenly get 40, 50 or 60 coming through. There is a practical aspect to it. If you talk about how the industry gears up and takes opportunity post Brexit, that is a real issue in terms of manpower and being able to manage the uplift in the number of applicants.

Q352 **Angela Smith:** We have in front of us some details of the tariffs applicable to UK exporters in relation to pork: for instance uncooked sausages, 80% tariffs; and frozen boneless pork, 65%, to quote two that, I must admit, are at the higher end. I would like to explore with you the potential impact of tariffs in terms of the UK exports to the European Union and vice versa. What would the impact of the imposition of such tariffs be on your industries? I did not have figures on chicken or poultry.

Richard Griffiths: With straight WTO tariffs, meat is certainly in the highest category and poultry is over 30% tariff. For poultry, as was said about the carcass balance with dark meat versus breast meat, the ultimate outcome is food price inflation in the UK market, as producers have to seek the value back through the UK market.

Peter Allan: We live in a world where we operate under import TRQs from third country as part of the European system. We have an opportunity in the future to rewrite a system that is

less bureaucratic. It is an inordinately bureaucratic process today to administer quotas for imports, and there is a significant cost that is borne in that because of trade of quota licences. If we have an opportunity to rewrite it, we should do that in way that is fairer for small, medium and large businesses. In terms of exports, we export at cost on the poultry basis. For the European community, that is a significant dislocation. If you start having to administer TRQs and quotas under the WTO, as Richard said, that is a significant on-cost that the UK consumer in the short to medium term will see as an inflationary price pressure.

Angela Smith: Presumably there will be a loss of trade overall.

Peter Allan: Overall, either the European producers will decide to sell their products somewhere else because they do not get paid for it or the UK consumer will end up paying for the increases in whatever tariff structure is inbound. Today, third-country prices already have the element of costs for the TRQs that are allotted to them but, for European production, that is probably half of what we import today in terms of total imports. That obviously comes in as duty free.

Andrew Saunders: A lot of our pig sector is imported product. As a business and a supply chain, we are used to driving efficiency and looking at ways to mitigate costs. With the levels of tariff that would be applied, we are looking at impossible engineering opportunities or efficiencies within the supply chain.

Chair: We will just stop the exports, really.

Andrew Saunders: We are going to stop exports and see massive inflation on imports as a result of those tariffs being applied.

Chair: There is potential for huge price increases.

Andrew Saunders: Yes.

Angela Smith: Yes, even more so than poultry.

Edward Barker: Within Europe, there is quite an interesting dynamic in all of this. Almost all the pork products that we import—we are talking 99.99%—come from the European Union, so restricting that will have a knock-on effect to those European producers. A report came out a couple of days ago from meat traders in Europe stating that, while there is no one single country that has a monopoly on exports—it is quite varied between different member states like the Netherlands, Denmark and Spain—you are likely to see that Europe at the moment is slightly more than self-sufficient in pork products, so restricting the UK market suddenly means that that self-sufficiency ratio will go higher. Therefore, pig prices across the board in Europe will inevitably go down because suddenly there is more pork product in the European market.

It is quite interesting. In our written evidence, we tried to explain that there is perhaps an opportunity here to facilitate a trade deal with Europe along these lines: that there are mutual requirements for us, in order to export for carcass balance, as we have just mentioned, but also for those countries in Europe that have a large pig sector that want to export to the UK and to maintain that continuity. There is an opportunity for us to do that and we know that they are very concerned about it.

Q353 Angela Smith: It seems to me—please tell me if I have read all this unfairly—that there is evidence in both your sectors to suggest that it is really very important for the UK to secure a trade deal with the European Union, in a nutshell.

Andrew Saunders: That is right.

Edward Barker: Absolutely. It is unthinkable not to.

Andrew Saunders: Yes, as frictionless as impossible in respect of the trading relations going both ways.

Angela Smith: In terms of finalising that deal, this was something that we explored briefly with the previous witnesses, about how long it would take and the issue of transition. There was a feeling with the previous panel that flexibility in terms of transition, because of the length of time it may take, is important. What do you feel about that, very briefly?

Richard Griffiths: Yes, flexibility would be fantastic, but it depends not on the length of transition, but what you do in that transition period. If there is opportunity to get that regulatory framework set up, it will be a challenge to get a trade agreement within that period, especially if the UK is going to be a third country to Europe.

Chair: Thank you very much for that. That was quite clear.

Q354 Dr Johnson: The Royal College of Veterinary Surgeons has said that, potentially, there may not be enough vets. It tells us that 95% of the official veterinarians working in abattoirs graduated overseas, with a clear majority of these being non-UK EU graduates. How will we make sure that we have enough vets after Brexit to ensure that these animals have had their appropriate health checks?

Andrew Saunders: In terms of the pig sector, it is frightening in the context of that level of non-UK veterinary engagement. It is not just within the OV's; it is fairly clear that a similar level exists within Defra itself, in respect of expertise outside the UK. It has caused some problems in the existing structure, let alone in a post-Brexit world. It is difficult to see how we can gear up in the timeline that is being talked about, because an OV has to be on an abattoir site all day, slaughtering animals on a 10 hour, five days a week shift. It is difficult to see what the quick solutions are to that, other than continuation of similar levels of employment. The UK cannot gear up with the OV's in the timeline, given the timeline for vets to be trained. I cannot see a simple solution here, unfortunately.

Richard Griffiths: It is very difficult to see us being able to replace those vets if even a proportion of them decide to leave. As has been mentioned, it is not just the OV's; it is vets that do the veterinary checks, for example, in Defra and APHA. I understand that there are around 1,400 health certificates in existence that all need to be reviewed as part of this process. Bear in mind that we do not have health certificates with EU countries. If we need those, there is a lot more work to be done than just the day-to-day. We do not need just what we have now; we need more.

Q355 Julian Sturdy: The Secretary of State, rightly, supports high welfare standards and maintaining high welfare standards. How might the Government secure these high standards in future trade deals with non-EU countries?

Chair: You like poultry meat coming in from America, do you not?

Richard Griffiths: Yes, that has been rather in the news. Imports is one question, and we can have quite secure control over standards coming in. We have to be clear that, in UK terms, there is no dilution of standards, post Brexit. That is absolute. The real challenge will be convincing trading partners on exports that our standards are worth paying for. In many cases, they want the meat. They are not buying welfare; they are buying the meat. It is a challenge to convince them that our products are worth paying for.

Peter Allan: In my role, I get the opportunity to visit many countries around the world. We have the most progressive standards in the UK and we should not dilute them at all in any trade negotiation. They should be part and parcel of the foundations of a negotiation. There is no need to dilute them at all.

Q356 **Chair:** Just playing devil's advocate with the poultry for a moment, we will have a trade deal with America. They do a chlorine-type wash. They have more densely populated chicken. Their welfare and hygiene standards are not so high. They wash them with chlorine or whatever. The US Secretary did not say they did, but it is a similar process. Those poultry are safe to eat, but they have not met the standards. I am very interested in how, in a trade deal, we resist that poultry coming in from the States, because it is perfectly safe to eat.

Richard Griffiths: It is perfectly safe, but you saw from the consumer reaction to this story a visceral feeling: "Why would you need to use chlorine if the process was not below ours?" We need to leverage that.

Q357 **Chair:** Again playing devil's advocate, if they were a pound or 50p a chicken cheaper, do you think our consumers would not buy them?

Peter Allan: I would make two comments. Consumers ultimately decide on the welfare standards that they wish to pay for. Our retailers and food service QSRs asked for a progressive set of standards, and I do not see that changing for 50p or a pound. I do not see a requirement for that.

Within the European process, a change has been made in terms of enforcing standards on the welfare certificate. In terms of the changes in stunning in the poultry sector, a couple of years back it became enforceable to be put on the health certificate by the vet in the export plant that he or she signed off the compliance against European stunning requirements. It is relatively straightforward to enforce welfare standards down to a veterinary level by explicitly putting them on a health certificate that is independent from the producing company. It is down to the administration and the vets on the system. That is a notable difference, and that is how the stunning changes were enforced in third country.

Q358 **Julian Sturdy:** You do not think we should import any lower welfare standard.

Peter Allan: I am not saying we should not enforce. Ultimately, today, we purchase products from around the world, and some do or do not comply with the standards in the UK. What I am saying is consumers ultimately decide and they decide today.

Q359 **Julian Sturdy:** Coming back on that, how important is expanding country of origin labelling? Country of origin labelling has been slightly restricted through the EU. That restriction will go, so there is an opportunity for the Government to expand country of origin labelling to many more products. How important is that going to be, going forward?

Peter Allan: It is a significant milestone in terms of what we have done. I would support the continuation of being clear in terms of where food is bought, sold and produced. I would not turn back and go back to not putting country of origin on our products and packs. I would encourage it to happen.

Q360 **Julian Sturdy:** We could go further, because there has been a restriction.

Peter Allan: Personally, I would support it going further. That is all about a consumer deciding where they want to purchase their product from, so it is about clearer labelling.

Julian Sturdy: Yes, and maybe labelling through processed product as well.

Andrew Saunders: The pig industry, through its levy funding, has funded activity around promoting welfare standards, with one hand tied behind its back, with red tractor. We have not been able to say as much as we would like to. There is an opportunity to be clear about that as we go forward, without the restrictions of the EU, in talking about that product. The AHDB collects £10 million from pig producers through a statutory levy. Quite a bit of that money goes towards promoting product. We did promotional television activity on that recently. In the future, we can be clearer and freer outside EU restriction in saying what we want to about that. The Government appear to have got behind the “great British food” concept. If they can continue to wave that banner in conjunction with the industry, that may be a way forward.

Edward Barker: Going back to the trade with non-EU countries, we have two issues to look at. One is free trade agreements. We know that Defra, DIT and other Ministers have said quite clearly they wish to do trade deals with specific countries. The precedent with the European Union and others is to leave agricultural products as sensitive and outside the scope, because there is too little to agree upon in those deals. It is very difficult to even come eye-to-eye, so that is why they are left as sensitive. That is what we would ask for, because of the United States and South American production standards for pigs, for example.

Q361 **Chair:** Under WTO rules, you would not be able to enforce these standards, would you?

Edward Barker: That is the other side of it. If we revert to WTO rules, we want to be clear about one thing. At the moment, we are protected under a number of non-tariff barriers through the European Union. As an industry, we really need to know what assessment Government, be that DIT or Defra, have made of those non-tariff barriers from the European Union. What would we like to keep and what do we think we could still maintain as non-tariff barriers? Those are two very different things. You may want to say, “We want to not import pig products that come from sow stalls”, but you may find it very difficult to do so. Having absolute clarity from either DIT or Defra, to know what they would like to keep and what they think is feasible, is absolutely vital.

The recent statement by the Government on allocation of tariff rate quotas from the European Union is absolutely right. It is one that we have endorsed very strongly, because it maintains the status quo. When we are out on day one, the very small TRQ that would be available to pig imports would provide at least some level of protection from much cheaper imports coming from South America or North America flooding the market, and that is key.

Q362 **Dr Johnson:** Just for clarification on that point, you talked about the non-tariff



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barriers, these standard-related barriers, essentially, and that we might want to keep some of the ones we have currently within the EU. I do not understand, if one country operating WTO rules with another—the EU is essentially a group of countries—is able to impose a barrier against cheap imports from outside, why we would not be able to.

Edward Barker: That is a question that we have asked of other departments. It is something that we would like to get further answers on from Ministers in DIT or Defra as part of that. From our point of view, we have been told to expect that enforcing barriers such as those is very difficult and we may face challenges.

We know, for example, in the beef sector, the European Union has for years been engaged in various disputes with the World Trade Organisation and the United States over the use of hormones. We do not have that collective scale and size to do it. We know that the likes of the United States, among others, will be waiting and trying to pick apart any barriers that we wish to put in place. From reading the situation at the moment, I am unsure as to whether that is simply a government ability to defend that at WTO level, or whether that is a way in which rules are enforced.

Q363 **Dr Johnson:** Is it the cost of the lawyers, basically?

Edward Barker: That is one suggestion that has been made to us: the time restraints. Similarly, we have been told very recently that the stated position on taking TRQs away from the European Union could change. Now, we would not want that at all.

Q364 **Chair:** The WTO is challenging that, is it not?

Edward Barker: The Cairns Group—Australia, New Zealand and the developing economies—is challenging that. We were told yesterday, at a trade industry event, that it is not set in stone. If enough resources were put into standing against that position by the UK Government, it could change. We hope not and the Government have said as much, but that would be potentially huge for our industry.

Q365 **Angela Smith:** This is very closely related to what we have just been discussing. In previous panels, when the beef and lamb sectors appeared in front of us the other week, there were two issues relating to falling back on WTO rules. One was the sheer volume of the potential for US imports in relation to beef and lamb. The second was the fact that the US is a net exporter anyway, which is what the potential to export is built upon. The US has made it absolutely clear that it does not like and will challenge the TRQ proposals, for obvious reasons. The beef and lamb sectors, the other week, were very clear that they thought that animal welfare standards would have to be dropped, if they had to compete against very cheap, lower-welfare, lower-standard American imports. I would like a quick word from you on whether that would be the same for poultry and pork. It depends partly on volume and the potential for imports from the US.

Edward Barker: We would never want to see a lowering of standards on welfare. I will make that very clear. Pig producers in this country have absolutely no intention to do that. The United States, South America and others have a much, much lower cost of production for many other reasons—feed, planning, all these issues—that mean input costings are much lower. There is a product called ractopamine, which we know is used in the United States and South America. These allow productivity and output to be much, much higher. The UK

could not compete with that at all. If we were ever to even come close to competing, hypothetically, on that basis, it would require a wholesale lowering of standards, which we have no appetite to do.

Andrew Saunders: The UK has led the way in terms of the pig sector and been ahead of Europe for many years. We were 12 or 13 years ahead of Europe coming up to UK standards.

Q366 Chair: It had a huge impact on the number of pigs.

Andrew Saunders: It halved the UK pig herd as a result. Thank you very much. Going there again would be catastrophic for the UK pig industry. That would be the pig sector.

Q367 Chair: Thinking out loud, taking the example of sow stalls and tethers, we want to maintain high welfare standards, but we do not want to drive them too high above everybody else's if we are allowing imports in. That is basically what happened.

Andrew Saunders: Correct.

Edward Barker: All that would happen is that you would drive production abroad. It is what happened in 1999, and we are slowly getting back, over the years, to that. If this happens, we can expect to see all our production going out to the United States.

Richard Griffiths: I agree with much of what has been said. There is an added element for poultry. There is the direct threat from American imports to this country, but the greater threat is America competing for our export markets, because it exports dark meat as well. It might undercut our export markets.

Q368 Chair: The tastes are very similar to ours, are they?

Richard Griffiths: Yes, they are, with a large consumption of breast meat. If it can steal our export markets in markets that are not so invested in welfare, say, that puts pressure on our production chain and the value in our production chain.

Q369 Angela Smith: Can I mention briefly, slightly at a tangent—but it has not been mentioned so far, and is not going to be—environmental standards? The feeling from the beef and lamb sectors was that there absolutely would be an equivalent dropping of environmental standards. I see some nodding from the pork sector.

Andrew Saunders: We see similar challenges. We face IPPC regulations here, which we have had to contend with, which add cost into the sector. We would be fearful of the same thing happening, on not just welfare but environmental standards, if that came about. We have to be realistic that some EU countries—Denmark and Holland being two of them—have adopted high environmental standards, and we are equivalent. We are chasing them, in some regards. The US and South America would be a totally different ballgame, if that was allowed.

Richard Griffiths: We are in exactly the same position. If animal welfare gets the headlines, you can replace that with environment or employment standards, and a whole host of other standards that we adhere to in the UK that are not matched in other countries.

Andrew Saunders: The employment point is a good one to make, because we are now seeing more and more worker welfare coming through in terms of the standards we are looking at,

all the way back through the supply chain. That is something we are having to adhere to even more, as we become more conscious of those aspects of our employees.

Edward Barker: Yesterday, the Secretary of State stated clearly that soils would form part of the future agricultural policy, quite rightly. If you speak to a pig producer in the likes of the Netherlands, even though they are almost entirely indoor systems, they will say soils is one of their biggest challenges. The high productive capacity and the expansion in production they have had over the last 10 to 20 years have placed an enormous burden on how they export manure and how they put out soils. We have seen a lot of measures being brought in that can curb that.

We are slightly different, in that we have a larger outdoor sector. Again soil is an issue that we have to make sure we are maintaining as part of that. The high productivity, in this case, that would drive high production output would inevitably have an impact on environment, if it is not done sustainably and managed properly, in terms of competing with the likes of the United States. Like I said before, we would not even consider going there.

Q370 Chair: We have largely dealt with this. To what extent will Brexit impact on UK animal health policy? Can you think of anything else you want to add that we have not spoken about, or is it dealt with? We talked about health certificates. It is about maintaining our health and any imports that might come in in the future that did not meet those health requirements.

Andrew Saunders: We are all encouraged by exports, but if we lost some of our health status, as we have done in the past, the impact on UK farming would be catastrophic. We took years to get that back after FMD breakdown and all the rest of it. Those export markets really need protecting. Perhaps there is an opportunity to strengthen our borders in respect of protecting our animal health as a result of being outside the EU.

Q371 Chair: There is an interesting issue on the poultry industry. In the agreement we have with Europe, if there is an outbreak of avian influenza, you regionalise the country and you can still export. That is probably something we need to be aware of. I think I am right in saying, with any other part of the world, if we get one outbreak of avian influenza, they shut down the whole export market.

Richard Griffiths: That is absolutely right. It depends on the country. Some will accept a regional; others will shut down the entire country. If we become a third country to Europe, it could do exactly the same to us in the case of a bird flu outbreak.

Peter Allan: The intracommunity process for avian influenza works particularly well, so it enables trade to continue within country, while excluding livestock in a 2.5 km zone from that farm. That works particularly well, and it is a good model to carry forth in any agreements we have in place with other countries.

Q372 Chair: That is something we would like to try to negotiate. Is it the same with pigs?

Edward Barker: At the moment, we have a clear challenge with African swine fever. If you look at a map of Europe, it is clearly spreading its way west from eastern Europe. We are seeing outbreaks in isolated areas, particularly in areas like the Czech Republic. If, in the UK, we have African swine fever that has come over, we can say goodbye to our export markets in China. All that work that has been done in the last five or six years, as Andrew mentioned, would just go. The Chinese's priority is not animal welfare; it is provenance and

ensuring the supply of those products is assured and disease-free, because of various scandals that have happened in China. They are responsive enough even to minor scare stories in UK tabloids, let alone physical outbreaks of disease that are substantiated. That is how serious it is. That would go as quickly as you could state it.

Edward Barker: There is definitely an opportunity to rationalise our policy on imports in particular, and to look at a more country-by-country profile in Europe as to where risks are generated. At the moment, it is a common trade area and products can move very freely. We can look at that and rationalise it. Being an island nation, in that respect, with the current trade at the port at Calais and others, we at least have the ability to look at it again and decide how we can implement a policy that keeps disease out properly.

Q373 Julian Sturdy: What would you recommend the UK policy should be if we get further outbreaks in central Europe when we have left the EU? What should our policy be to make sure we keep free of African swine flu. I take it, if it is going to come, it is going to come through Europe.

Edward Barker: Do you mean outside the European Union?

Julian Sturdy: Yes.

Edward Barker: We have the risk profiles there already. That data is available to us. The data that is submitted within the European Union and between different institutions is very good. We would not want to shut down any type of trade with the European Union, but we already know those countries that have a higher risk profile than others. Look at the Baltic countries: that is where the risk priority is at the moment. We can then enforce our own laws on country of origin, haulage and movements. It must be said, a lot of work has already been done by Defra to explain to haulage drivers, for example, who come from those countries the importance of good biosecurity measures when importing those products. But we can identify ourselves and we can assess, within Europe, where certain imports come from, in terms of haulage, and where we can restrict them. That would be our right as a third country, which we do not have at the moment as a member of the European Union.

Q374 Dr Johnson: We talked to the previous panel about the geographically protected products, like your Cumberland sausage or whatever. How important is it to you that you maintain those protected statuses after we leave the EU?

Andrew Saunders: Pig sector-wise, it is probably not paramount. There are Melton Mowbray pies and suchlike. In reality, they represent an important but small part of the industry. Most of our products are sold through retailer brands. They have a place, but generally in the niche sector, rather than in the core mainstream.

Edward Barker: For those businesses in question, it is absolutely vital to maintain their unique selling point within the market. As Andrew says, we have fewer products that have a coverall definition requiring a geographic indicator or a particular term. But those sectors have told us that it is part of their business profile to keep it.

Q375 Chair: There is a good side to having an integrated business, but is there partly a downside that you cannot add enough value, in a way, because you are selling a baseline product? I am just throwing you a googly, really.

Richard Griffiths: It is a googly. In many ways, what you are saying is correct, but an integrated system has allowed for an artisan methodology of production that is very healthy in this country. While we, as the large part of the sector, may not rely on protected status, a lot of small producers out there may well do. We need to fight to protect them as much as anything, because they are part of a healthy UK food production system as much as we are.

Andrew Saunders: On dumbing down the standards through integration, I would say the reverse. Our role has been to lift welfare standards. We have invested in our product being higher welfare, in outdoor pig production and in free range and organics. We have taken the opposite view. We have tried to do it that way round.

Q376 Chair: The point I was making to you is that you sometimes have a supermarket—they do not do it quite so much now—that has these fictitious farms when marketing chicken or pork. I really disagree with that. You either promote an actual farm, so there should be a mark-up on the price, or you do not do it at all. Is there a role in the pig and poultry sector to add a little more value for both the processor and the producer, and perhaps a little less, dare I say it, for the retailer? That is the only question I am asking you. Because you are so integrated, it is a strength, but is it a slight weakness in that instance? It is probably difficult for you, because you are all very keen on your large retailers and that is where you send your food.

Peter Allan: Ultimately, the market is governed by the large retailer infrastructure and the own-label sale. It is almost impossible to sustain a branded proposition, at least in the poultry sector, of any note, without a significant investment. Integrated businesses like ours are based on producing scale, productivity and products to consumers. It is just the nature of the industry today.

Chair: You do a very good job.

Peter Allan: We had a brand many, many years ago. Ultimately, brands, for us, disappear, because there is not the consumer need for them and there is not the investment that you require to back them up.

Andrew Saunders: The integrated sector, for both pig and poultry, provides an opportunity for collective standards, driving things through to higher standards in a collective way. One of the challenges that the beef and lamb sector faces is being less integrated. It has more challenges in pulling standards together than pigs and poultry do.

Q377 Chair: That is right, because we asked them the opposite question to what I am asking you: whether they would be better off if they were more integrated, like the pig and poultry sector.

Andrew Saunders: That scaling provides opportunity for efficiency and differentiation, which is much more challenging if you are in a fragmented sector.

Q378 Paul Flynn: This morning, I saw a statement from the association of meat producers suggesting that, post Brexit, we are about to lose 60% to 80% of our meat exports. There is a statement this afternoon by the CBI saying that Brexit would mean the loss of a million jobs and would cost £100 billion. We hear from you, and other panels, the words “disaster” and “catastrophe” more than any other words that come across. There are so many nightmare scenarios coming up. Is it time we thought again about

Brexit and had another vote, on the basis that second thoughts are always better than first thoughts?

Chair: Do you want to step into that political opportunity?

Andrew Saunders: Not particularly, no.

Paul Flynn: Just sit there and cry, if you like. I am going for my trauma counselling after this meeting.

Chair: You can put forward a personal view if you want to.

Andrew Saunders: We are where we are. We need to look at what the opportunities are and build on them. Yes, there are lots of threats, but there are some opportunities out there for us to explore. The pig and poultry sector has faced many challenges in an unsupported world for many years and, as the pig sector, I feel we will take those challenges forth, as long as we are competing on a fair and equitable basis.

Peter Allan: In the poultry sector, we are in a healthy position. We have very strong consumer demand. We have companies that are wanting to invest here in the UK. What the industry requires is clarity: clarity of purpose, clarity of how you manage a business, clarity in future direction. At the moment, it feels as if there is not the clarity that we need on the basis that we have some, as I referred to earlier, long-term contracts with our customers; plus we have a long supply chain. Within that, there is broadly a two to three-year period. Whatever the output is, whether there is another vote or not, from our perspective, the industry just wants clarity.

Q379 **Julian Sturdy:** If you had a specific timescale, when would you say the Government had to deliver clarity?

Peter Allan: I would not like to put a specific date on it but, broadly speaking, if it is the day before you have decided what we are going to do, it is probably too short a notice.

Chair: “The sooner the better” is the answer.

Andrew Saunders: We have already been faced with talking to customers about supply of products post March 2019. How can we do that when we cannot secure the raw materials to put into the product to convert it into something?

Q380 **Chair:** You cannot get forward prices on everything beyond the Brexit date.

Andrew Saunders: We cannot quote customers because we do not know what the tariffs are going to be, or not, post March 2019. That uncertainty is building in.

Peter Allan: We want to invest in the future. We have capital investment plans, which we will follow through on. It is not that we are not going to invest but, ultimately, you want to see the return at some point in the future.

Q381 **Chair:** You want to know what that future looks like, but you are not alone there, are you?

Edward Barker: A lot of the issues can be sorted irrespective of Brexit. There are ongoing innovation productivity issues that can be sorted out, and we have discussed them already. That ability is there. Brexit, as we have mentioned, provides a lot of concerns, but there are a lot of opportunities for the sector. Those who are sat in front of you have probably been the

least exposed to a lot of what Brexit provides. I know you have had a lot of stakeholders who are hugely affected, particularly by the loss of direct payments and potential import-export scenarios.

In that respect, we have a lot to profit, particularly from trading outside the EU. That is definitely an area where we can continue to add value and really drive our sector. There is a lot out there for us to do. On top of that, there is a lot of European regulation that we look forward to streamlining and rationalising to something that is better targeted to the United Kingdom, and to the pig production in the United Kingdom. For a long time, we have been on the receiving end of various regulations that have penalised our sector.

Q382 Dr Johnson: Going back to the issue of labelling, when we go into a supermarket to buy meat, we can tell where it is from because it is labelled; it may have the red tractor sign that we have discussed; it says where it has come from. If you go into a restaurant to eat, that is rarely the case. The catering sector is one area in hospitality where you might find cheap imports. Would you welcome, on a voluntary basis, the catering and restaurant sector stating on its menus where its products have come from, so that we know? For example, my two-year-old son's favourite food in the whole world is sausages. When I feed him a sausage at home, I know it has come from the local butcher—it is a Lincolnshire sausage—or at the very least, if it has come from the supermarket, it is British pork. If I take him out for lunch, I have no idea where the pork has come from. It would be good if our restaurants and our hospitality industry were labelling their menus and stating that their products were British meat.

Andrew Saunders: There is some good and bad within that, in the context that there are some significant people in the food service sector who are extremely clear with their labelling. If you take one of the largest, McDonald's, it is extremely clear on what it does and where it sources its product from.

Dr Johnson: There are no sausages.

Chair: It is British and Irish, is it not?

Andrew Saunders: It is supporting British agriculture massively and taking the higher welfare UK pig meat. There are places that do it and support it.

Q383 Dr Johnson: Yes, but not widely enough, perhaps.

Andrew Saunders: Yes, probably not widely enough. The pig sector would welcome that. We should give more credit to the ones that are doing a good job and perhaps be a bit more pressing with those that are more elusive in terms of what they are sourcing. Generally speaking, the further you go into that sector, the more likely it is, as a generality, for the standards to decline. That is a bit of a broad, sweeping statement but, generally speaking, in retail it is clear where labelling is. Retailers' brands are very much protecting themselves there in terms of what their sourcing is. McDonald's is a classic example that does a good job.

Peter Allan: There are some practical issues about having labels on menus and overcomplicating a menu in the food service sector. There are some practical issues. Nevertheless, as Andrew says, there are some progressive food service QSRs making real statements of intent. I would look to the hospitality industry. I would include the

government offices within that, because the Government do not support buying British in the first place. As a statement of intent, that might be industry-changing.

Q384 Chair: We are getting better, but we have a long way to go on procurement.

Richard Griffiths: It comes back to the question of confidence that we started with. We have heard that industry needs some confidence to invest beyond Brexit. As has been mentioned, public procurement is a fantastic way for government to show confidence in British food production by backing British food. Hopefully, that would knock on into wider food service as well.

Q385 Chair: We will certainly add that to the evidence, thank you. We talked quite a bit about the availability of labour. What we would like from you is some data, in writing, on the effect on rearing the poultry, looking after them and processing them. The amount of imported labour that comes from outside the United Kingdom from the EU would be useful. We will probably do another short inquiry at some stage on the availability of labour. Those figures would be useful not only for this inquiry, but for any future one we might carry out.

Edward Barker: The Migration Advisory Committee recently ran an open call for evidence. We have surveyed the membership on that, and it has been very interesting.

Chair: Is it the same for poultry?

Peter Allan: Yes, we are happy to provide evidence.

Chair: That would be very useful. Gentlemen, that was some very good evidence. Thank you very much. It was most appreciated and we will add this to our inquiry. Thank you again for attending and giving your time this afternoon.