



Environment, Food and Rural Affairs Committee

Oral evidence: Brexit – Trade in Food, HC 348 Wednesday 6 December 2017

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Written evidence from witnesses:

- [Sustain \(BRT0039\)](#) Panel 1
- [Which? \(BRT0071\)](#) Panel 1
- [British Retail Consortium \(BRT0061\)](#) Panel 2
- [Food and Drink Federation \(BRT0063\)](#) Panel 2

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

Questions 386 – 526

Panel 1

Witnesses: **Sue Davies**, Strategic Policy Adviser, Which?; **Kath Dalmeny**, Chief Executive, Sustain; **Tim Martin**, Founder and Chairman, JD Wetherspoon, gave evidence.

Q386 **Chair:** Good afternoon. Thank you very much.

Tim Martin: Sorry I am late.

Q387 **Chair:** That is alright. Do not worry. We were very intrigued with your manifesto on the beer mat. You have all done one now. We are all good. We may have been more successful as a party if we had put our manifesto on a beer mat. I had better not comment further on that.

You are very much welcome. We are naturally doing an inquiry into Brexit, food and farming. Today we are looking at the consumer angle and what may be the effects of leaving the European Union, both positive and negative. We will have some interesting views from you across the panel. Starting with Sue, can you please introduce yourselves, and then we will kick off?

Sue Davies: Hello. Good afternoon. I am Sue Davies. I am Strategic Policy Adviser at Which?, the consumer organisation.

Kath Dalmeny: My name is Kath Dalmeny. I am Chief Executive of Sustain, which is an alliance of not-for-profit organisations across a very wide range of issues interested in food farming and fishing for health and sustainability.

Tim Martin: I am Tim Martin, Chairman of Wetherspoon, a pub company.

Q388 Chair: What should the Government priorities be in establishing a trading arrangement after Brexit? That is a fairly broad question there. Tim, you have some fairly strong views on these matters. You can lead off.

Tim Martin: Cutting to the chase, particularly where food and drink is concerned, we as a country should decide to eliminate tariffs on food, which we are entitled to do under World Trade Organisation rules. The EU at the moment has quite high tariffs on non-EU food imports. If Parliament decides to eliminate those tariffs, under World Trade Organisation rules, they are also eliminated for the EU or they continue to have no tariffs. The problem is the CBI, the BRC and the Chairman of Sainsbury's, for example, in the last few weeks have said that if we do not have a deal with the EU, then we will revert to World Trade Organisation rules and that means the current EU tariffs for non-EU countries will apply. That is not true but most people, including MPs I have spoken to, believe that is true. It is possible for Parliament to reduce food prices in the UK if we have no deal. If we have a deal, a transitional deal, food tariffs will continue to apply.

Q389 Chair: I understand where you are coming from. If we left without a deal and the EU decided to impose tariffs on our exports of food into the EU, you would still say that we as a country should not level any tariffs on their food coming into us?

Tim Martin: Yes. It is counterintuitive but, particularly with food, it is the right thing to do. You can apply a lot of moral pressure on them to say that we should have a free trade agreement. We had this debate nearly 200 years ago, I was reading last night, and it was the same dilemma. The Prime Minister at the time said, "We want cheap food even if other countries do not want to have the cheapest food". They have done this in New Zealand, Singapore and Hong Kong, and Australia to a certain extent. They are very successful economies. There are tremendous income benefits for people in the country, and greater purchasing power, if we follow that route.

Q390 Chair: I can certainly agree with you that keeping prices down is good for consumers. What I am slightly concerned about is what you think will happen to farming if we were facing huge tariffs on exporting of food and they were not then replaced by the same tariffs on imported food, in particular on lamb. That is not a huge interest naturally for your direct business but that is the conundrum we have.

Tim Martin: For farmers, it has happened, for example, in New Zealand. They had exactly the same dilemma when we joined the EU. They have done extremely well. I am sure British farmers would. Businesses tend to be less efficient when they are protected by tariffs. Productivity would go up. It might be difficult for some—you cannot rule that out—but I believe British farmers would do well.

Q391 Chair: The only trouble is that New Zealand has the scale and the climate to produce sheep meat very cheaply. We may not have those economies of scale and also we do not have the same climate. In the end, we would all prefer a deal, would we not, so that we do not need to inflict tariffs on one another. I would personally be very

worried, if we were having tariffs inflicted upon us, if we were not imposing tariffs on imported food at the same rate, at least.

Tim Martin: Because we import so much food as a country, financially we become better off. Perhaps not everyone would be better off because we import far more than we export.

Q392 Sandy Martin: The agricultural industry in Britain was not in a particularly sound financial state prior to the First World War. Subsequent to the First World War, a system of subsidies and supports from the British Government helped to sustain British agriculture. British agriculture is in a far stronger state now than it was when we joined the European Union. Do you believe that British agriculture is worth sacrificing on the altar of cheap food for British people?

Tim Martin: That would not be the dichotomy you have. Providing large subsidies to landowners is inherently inefficient. The richest people get the most subsidies at the moment. There are ways of helping farmers and helping agriculture but the current EU way is not efficient or fair. Opening us up as a free trading nation in terms of food will produce a substantial amount of income for the country, which we can decide how to use and how to help the agricultural sector.

Sue Davies: Coming back to the point about what should be the priorities for future trade, from Which?'s point of view, we think that consumer interests need to be prioritised. We should be focusing on making sure that we have a safe, healthy, secure and affordable supply of food. One of the things that leaving the EU will mean is that we have the opportunity to redesign our food and farming policy. As we come out of the common agricultural policy, we can have a much more joined-up approach. For many years, it has tended to be that agricultural issues have been dealt with quite separately from issues around tackling obesity and the environmental impact, to a certain extent. We would like to see us having a much more joined-up approach. Our approach to trade policy should be seen in that context.

Prices and affordability are obviously an important issue. Which? has a bi-monthly consumer tracker. We have seen that concern about food prices has been steadily increasing as food prices have been going up because of the effect of currency exchange rates. Prices are important. We need to make sure we are careful about avoiding any shocks that will particularly impact consumers, given that food is a large proportion of people's expenditure. We think that prices need to be addressed hand in hand with standards. We have to be really careful that we are not undermining standards. Food safety is absolutely critical. We have seen that time and time again—the BSE crisis being the massive shock that it took us a long time to recover from, and more recently with horsemeat. If we compromise on standards, it will have an effect on consumers but also on the wider economy.

Q393 Chair: Have you given any sort of thought to making sure that there is security of supply, especially when it may be home-produced products. That is one concern I may have. If you are not directly supporting agriculture in any shape or form, production falls and then we are much more reliant on imports. Have you thought about that or not?

Sue Davies: It goes back to the discussion that you were just having about what would happen if we do not have a deal and the types of scenarios we are talking about. At the moment, 30% of what we eat is imported from the EU. That is particularly significant for the imports of certain categories of food. If you look at dairy products, Defra statistics show that

about 98% of imported dairy products are coming from the EU. There are opportunities for us to enhance British production where we can, but we obviously cannot produce everything here. If, in the sort of scenario you were just talking about, tariffs were imposed, that would have quite a big impact on consumers, given that so much food that we have at the moment does come from the EU. Under World Trade Organisation rules, unfortunately if tariffs are imposed between the UK and the EU, they have to be imposed everywhere. We do not see the scenario around cheaper prices that Tim was talking about.

It is really important that we address prices but also make sure that consumers continued to have a diverse choice so that we get what we want from British food and boost that as much as possible. Although we have expanded the seasons of certain types of fresh produce, for example, we cannot get everything all year round. We cannot get everything that we want. The EU is obviously geographically very close and is going to continue to be important. There will be opportunities to seek products from other countries but we have to be very careful where they have differing levels of standards. The US is an issue that is always talked about.

Q394 Chair: Can we leave it there? Other points will come through. The second of my questions, Kath, which we have really been talking about, is what the right balance is between the interests of consumers and those of producers and processors. That is what we are leading ourselves on to. Would you like to join the evidence, please?

Kath Dalmeny: Inspired by Tim Martin, we have done our own beer mat, to be succinct with you.

Tim Martin: That breaches our copyright.

Kath Dalmeny: I do not have a reach of 500,000 beer mats, but I do have 10 wonderful audience members here. I thought I would share them. They are 100 words. I think you managed yours in 99 so I have added, “Cheers” at the bottom, just to be a bit more cheerful.

Chair: Thank you. That was a really good idea.

Kath Dalmeny: I am very much going to echo what Sue said, by the way. We put down as our three points that British people deserve a reliable, affordable food supply, decently produced, and that is fair to people, food providers, animals and the environment. We need it well policed. That is the first point. The second is that farmers, fishers and food workers need to be able to make a decent living and to be treated fairly, at home and abroad. Thirdly—quite importantly for this inquiry—new trade deals must be made publicly in light of those aims and scrutinised by Parliament, so that we can be sure that those deals are made in our best interests, not just in the interests of big business. Hence, I add at the bottom, “Cheers”.

Q395 Chair: That is a very good answer, if I may say so. What else would you like to add to it?

Kath Dalmeny: I cannot help but come in on the cheap food question, because it is dominating public discourse at the moment. We work a lot on food poverty at Sustain. We work with local authorities, benefits agencies, citizens advice bureaus and all sorts of the people. The general calculation is that there are about 8.4 million people in the UK who struggle to afford to eat. Figures released this week seem to suggest that is going up.

Certainly, food bank use is suggesting that too— 300,000 more pensioners and 400,000 more children are going into poverty. Of course, I agree that if you are struggling to eat, cheap food sounds attractive but let us be absolutely clear: the cheap food comes at a cost and somebody has to pay somewhere along the line, usually the NHS, British taxpayers and farmers.

What those costs are, to be clear, is that if you get really cheap food that is not well policed, you have more food poisoning and you have horrible processing methods, such as irradiation or bleaching chickens at the end to clear up faeces on meat in poor production standards. You get disgusting working conditions, poor animal welfare and British farmers losing out who cannot compete on that basis. The cost, calculated by the University of Oxford, is that that costs £6 billion to the NHS from diet-related disease and £1.9 billion to the NHS from food-borne illness. There are costs. It is not cheap food. Cheap food is quite expensive. The British taxpayer also subsidises low wages through things like housing benefit. We need to be looking at a fairer system that distributes value better.

Q396 Chair: You are saying we need to be looking at it in the complete round.

Kath Dalmeny: We need to be looking at it in the round; otherwise, we will continue to be trying to fix the problems of those systems; just like Sue said, we will continue to be paying for the problems associated with cheap food, or exporting those problems to somewhere else. I will come in with my eggs at some point, when you wish, to explain that.

The Government's job is to do the balancing act for us and to make sure that that balancing act is played out in trade deals as well. At the moment, we have a sense that the British public is quite likely to be left out of that process. It is more than likely the British public will meet a closed door when trade is being negotiated, which says, "British public: keep out". These are two big issues.

Chair: Thank you very much. We have had some very good answers but can we please keep them a little bit shorter because we will never get through? We all want to get our points in.

Kath Dalmeny: I did try to get them on a beer mat.

Q397 Mrs Murray: Mr Martin, I am really glad you did not bring a supply of your beer mats as well but I am looking forward to seeing them when you open your new pub, just down from my constituency office.

Tim Martin: I will do anything to influence the Committee.

Chair: Can we expect one in all of our constituencies?

Q398 Mrs Murray: I have two questions. One of them is addressed to Mr Martin and the other is addressed to you, ladies. Mr Martin, you have cited examples where food will be cheaper after Brexit. You have said it will be 3.5% off the price of a Wetherspoon meal.

Tim Martin: 3.5 pence.

Q399 Mrs Murray: 0.5 pence off the cost off a pint. Can you explain your reasoning and how you came up with this figure please?

Tim Martin: We simply looked at all our supplies, found out the tariffs that apply on food that comes from outside of the EU, and then averaged it across all food, including food from the UK, et cetera. For example, there is not much on the bar. It is mostly the tariffs that apply on Australian, New Zealand and new world wines, which the EU charges. Most beer is produced in the UK.

Mrs Murray: Thank you very much. Ladies—

Q400 **Chair:** Hang on. We are not letting him off the hook yet. How do you get five pence off milk, because liquid milk is mainly produced in this country?

Tim Martin: I beg your pardon. We are on alcoholic drinks.

Chair: That is my mistake.

Sandy Martin: Wetherspoon is a pub chain, Chair.

Tim Martin: There is not a big demand for milk.

Q401 **Mrs Murray:** To Sue and Kath, you obviously have the opposite view to Mr Martin. In contrast, could you tell me why you think, under WTO rules, there will be stark food price increases in the UK? Can you explain how you got to your concerns please?

Kath Dalmeny: We have not made a statement on whether we have made our own calculations on food prices going up or down but we are taking a lead from many people in the industry who have all given us suggestions that they will go up. Many people, especially SMEs within the food industry, are already reporting considerable price rises.

Q402 **Mrs Murray:** In contrast, there are others who say it will go down, so why did you take the view that food prices will go up, as opposed to listening to other people who say they will go down?

Kath Dalmeny: We report the views of others based on their good estimates. I defer to my colleague, Sue, who knows about the WTO rules.

Sue Davies: There are so many uncertainties about what type of relationship we are going to have, but if we did revert to WTO rules, the way the WTO works if you do not have some kind of trade agreement, as I am sure you know, is that you have most-favoured-nation tariffs. If you impose or remove tariffs with one country or trading block, you have to do the same to everybody. At the moment, we are part of the EU schedule that sets out a range of tariffs. The UK has begun to negotiate along with the EU as to how we are separated within that schedule, in terms of what goes to the UK and what goes to the EU.

If you look at the tariffs that are in there, the BRC, as I am sure they will explain shortly, estimate that on average tariffs would be about 22% on food. That does not mean a 22% addition on prices. The UK Trade Policy Observatory did some modelling recently and they estimate the tariff on dairy is about 30%. Their conservative estimate would be that that would translate into about an 8% increase in actual food prices, not taking into account costs such as customs, border controls and currency exchange rates. As Tim has said, we have the option that we would not have to have tariffs imposed but if we did not impose tariffs with the EU, we would then not be able to impose tariffs with other countries.

Q403 Mrs Murray: You have based those calculations on the dairy tariff. You have not looked across the board and taken an average. You have quoted dairy. That is what you have based your assumptions on. Is that correct?

Sue Davies: No. Sorry, I obviously was not being very clear. The tariffs apply across a whole range of foods. They vary. The average, when you look at all foods, is about 22%. Some will be much smaller. Some do not have tariffs. Others will be much higher. Beef is about 60%, for example. That is the tariff, but it is very difficult to calculate with a tariff—with all the other things that might be impacting on food prices, including global commodity prices and currency fluctuations—what is passed on through the supply chain. I was using that one example that the UK Trade Policy Observatory looked at where you have a 30% tariff on dairy. It is a lot less in terms of the actual consumer price but they have said that would still be 8%. Obviously it is different for other foods. I wanted to highlight that it will be lower than the tariff but could still be a significant price increase.

Q404 Mrs Murray: If I could just be absolutely clear, you have used the dairy as an example. It is quite a high one but, if you used a different example, you would come out using an example that was much lower. Am I correct?

Sue Davies: Some would be lower and some would be higher.

Q405 Chair: You are saying it is an average, are you not?

Sue Davies: The average is 22%.

Chair: You are saying the average is 22%.

Sue Davies: I could have used beef, which would be higher. I was just quoting dairy because that is one where they had translated it through to the consumer price, which is incredibly difficult to do. I am certainly not trying to exaggerate the issue. At Which? we want to be completely neutral on this. I just want to illustrate that there is an issue that needs to be taken into account. If we did have tariffs on food prices, they would feed through into consumer prices. There is a lot of uncertainty because there are so many other factors that influence food prices, so it is very difficult to be categorical.

Chair: Please keep the answers much more succinct. We are not going to get through at this rate. They are very good answers but they have to be shorter.

Q406 Dr Johnson: You have said what the tariffs would be but can you clarify who decides what the tariffs are?

Sue Davies: It is a very complicated procedure. You have the World Trade Organisation. Countries have schedules that set out tariffs. Because we are part of the EU, there is an EU schedule that will have tariffs for everything from dairy, all different types of beef products broken down into loads of different types. There will also be tariff rate quotas, so how much lamb New Zealand is allowed to export into the EU. The challenge now is that we have that schedule. The EU and the UK have said to the World Trade Organisation members, who all have to agree to any changes to the schedule, that they are suggesting that we base that on supply quantities that were set about two years ago. It is something that the EU set that we are part of. We are now moving away from that and will have flexibility to change that, which will then have to be agreed by WTO members.

Q407 Dr Johnson: At the moment, the deals are set in conjunction with the EU and if we got a trade deal, we would be negotiating what those tariffs are going to be. If we have a no-deal scenario, are you saying that we could unilaterally decide what our tariffs are going to be and, therefore, they would not need to be 20%, 30% or 22%, or whatever they are estimated to be? They would be whatever we decided we wanted them to be. If food prices were going to go up and that is not what we wanted to happen, we could just lower them.

Sue Davies: Yes, exactly.

Q408 Dr Johnson: What food prices are going to be and whether they go up or down is in the hands of the British Government after we have left the EU.

Sue Davies: Yes. The counterbalance to that is, if we remove tariffs, what would be the impact on that balance between cheaper prices and standards.

Chair: You have to look at the effect on the producer as well, Caroline.

Dr Johnson: The choice will be in the democratic hands of the British Government and not somebody else.

Q409 Angela Smith: In response to what Caroline has just asked, surely the decision on tariffs also has to be party to what other states want to do as well. My other point is, Sue, you mentioned that so many other factors are involved in determining food prices; it is not just tariffs. If we leave the single market, we also face non-tariff barriers potentially with customs checks and so on. Has there been any assessment of the potential cost to consumer in terms of pricing in relation to the increased costs because of increased customs checks?

Sue Davies: Not that I am aware of. We can try to come back to you on that. There are very rough estimates on what would be added on but I do not know.

Kath Dalmeny: In fact, that is a massive gap in our knowledge. We were hoping that maybe these 58 sector analyses would have some commentary on the possible costs and impacts in terms of governance, the port authority stuff, the inspections and the capacity needed. At the moment, the trading standards and environmental health service—all of the people who keep our food safe—have been slashed by about half, over the last decade or so. They are already not keeping up with what they need to do, let alone any additional stuff that would need to happen as a result of new trading arrangements by whatever means. This is a cost I have not seen asked about. I have not seen it in the media and I have not seen it discussed properly in Parliament. It is coming up in little bubbles but it is not coherently being looked at.

Tim Martin: We buy around a third of our food from around the world. We inspect New Zealand lamb and prawns from China. We buy rice from various countries. We inspect once a year, and have agreements with all those factories and farms, and they have to comply with current UK rules. There would not be any extra bureaucracy as a result of the same food continuing to come in. It would be for MPs to decide whether you want to charge, in effect, taxes on those foods or not.

Q410 Chair: You do not see any benefit from having British food in Wetherspoon. You just think that the cheapest food you can get is right, do you?

Tim Martin: We buy a lot of food from the UK. There are certain things we specialise in: steaks, potatoes or whatever it might be. We buy them from the UK and would be happy to buy more.

Q411 Angela Smith: I like your pubs, by the way, because they do not play loud music. I really like them. I was not particularly referring to taxes but rather to the fact that a lot of food coming into the country is already processed and has been over the borders of member states a number of times. It is the checks on the standards; it is not the tax. It is the cost of the checking process.

Tim Martin: I do not think that New Zealand lamb and Australian wine, et cetera, that is already coming in would need more checks than there are now.

Q412 Angela Smith: No, but it is other foods where there would be an exposure to extra tax. I think it has to be conceded that there will be.

Tim Martin: It would be a bit like a car. Cars that come here from America now have to comply with our standards. If they start making cars in Thailand, they will have to comply. It would be the same principle in food. If you export food to the UK, you have to obey the local laws.

Q413 Chair: I suspect the most difficult one will be on animal welfare, hygiene controls and all those things have to be in place. The animal welfare issues are the ones that are perhaps more difficult.

Tim Martin: That is what we check now. As a company, we are under a legal obligation to check now.

Kath Dalmeny: I admire your confidence in that but the head of commerce for the United States said to the CBI a couple of weeks ago, “You will have to accept our standards or you will not get a trade deal”.

Tim Martin: He will not be able to, will he? It is up to the Government to decide about the standards.

Chair: That is what we will need to scrutinise very carefully. I agree.

Q414 David Simpson: How do you respond to the view that the possible high tariffs on imports could be seen as an opportunity for consumers to support British produce and buy seasonal goods?

Tim Martin: I do not think it is a very advisable policy to raise money for supporting seasonal food by taxing food. There is no VAT on food in supermarkets, for example. Left to your own devices, if you wanted to support some types of agriculture and seasonal foods, I do not think MPs would decide to put a tax on food. That would be my guess.

Kath Dalmeny: It is so difficult to respond when we do not yet know what kind of trading arrangements we will have. I do not want to end up speculating or just giving an opinion.

On the trajectory of the policy, it is incredibly important that we support British farming and it is of course about trading arrangements. There is more than that. For example, British farmers get roughly 11% of the price of what we pay at the till at the moment. There is plenty of scope for making that a bit more, or a massive amount more, and for British farmers

to have much more ability to deal with volatility and the kinds of weather challenges they deal with, and also basically make a decent living. A lot of farmers are living in virtual poverty. There are things that we could do now in terms of trading arrangements with large buyers—Wetherspoon sounds like it is doing a good job—like the big supermarkets. With the Groceries Code Adjudicator, it is entirely within our remit now to be able to extend protection to British farmers. That would be a fantastic move. It would signal that we are serious about supporting British farming.

What about public procurement and the purchase of British food in the public sector? At the moment, we have Government buying standards that specify minimum British standards of production, but, when we go and look and ask, it is not clear whether those standards are being met. Half of British hospitals are not necessarily complying with the standards. Schools have only been asked to do nutrition, not to buy British or sustainable. It is all very patchy. If we are serious about supporting British farming, we do it better.

Coming back to the cheap food thing, I have been looking recently at the WIC programme—Women, Infants and Children programme—in the States. What this does is it takes public money and gives it to people on a low income to be able to purchase fruit and vegetables and other healthy foods from farmers. It is a sort of state support for, in that case, American farming. It is huge amounts of money being diverted to help people on low income eat well but also help farmers at the same time.

There are others way to address inequalities in our society and healthy diets that make more sensible use of the money. In a way we get caught up in this “exactly what trading arrangement” stuff at our peril, because what I keep coming back to is that what we want to get out of this is decent British farming that supplies us with decent food, grown well, good animal welfare, safe, secure and affordable, and the stuff that we do import to have similar standards. We are trying to raise the standards of food production elsewhere too.

Sue Davies: We have to get the balance right. Price is obviously an important issue and people are concerned about food prices already. We do not want to have some kind of race to the bottom, where we are just allowing cheap imports, lowering standards and storing up problems for the future.

Q415 **Alan Brown:** Following on in terms of that balance, we have established the Government could choose to have low tariffs or have no tariffs, and clearly food prices would go down. We have heard in other evidence sessions that that could have a detrimental effect on the British farming community. Is there any way or any scenario where you can have reduced prices for consumers and protect the UK farming industry?

Chair: That relates to the point that you, Kath, were making earlier about whether we can squeeze more out of the retail price back to the farmer. That would be one way but it is about how we do it, because we have very powerful retailers in this country that naturally want to keep prices down and also want to maximise their profits—dare I say it? How do we deal with that one?

Tim Martin: Is it not true that if we are big food importers and there are currently tariffs that apply, which I think go to Brussels, we eliminate those tariffs and the food prices go down, the country gains in the sense that the income either comes in higher profits to the retailers or

lower food prices to consumers, depending how it all balances out? The country overall gains far more than farmers lose. That is how you would balance it out. You would try to organise and work out help and regimes for farmers from the money the country saves, in some way.

Q416 Alan Brown: Clearly at the moment we have the common agricultural policy that provides subsidies to farmers to keep food down. Are you arguing that the country will gain from lower food prices but the Government can then support the farmers to save business?

Tim Martin: There has been talk about, for example, the common agricultural policy. It is not an efficient policy. The tariffs are not good. Eventually, although we have committed to continue to support farmers at least until 2020 or 2022—I am not sure when—they can be helped in environmental and other ways. I do not specialise enough in that industry to know how exactly.

Kath Dalmeny: Can I bring the word “affordable” squarely into the conversation? We keep talking about cheap food to make it possible for people on a low income, and everyone, to afford good food. People cannot afford good food because they do not have enough money. A lot of it is also about the costs to them in terms of their housing, which is a spiralling cost, and their energy prices, which can be regulated because we have a regulator—and Ofgem have done some good work in looking at how they can address some of the problems with poverty, in order to enable people to lead a decent life. Of course, bringing food prices down is also helpful, to make sure we are not artificially inflating prices. If we have the priority of affordable food so that people can eat well, we look at a range of policy solutions, not just keeping on squeezing down the price, which then has a big impact on farming production, the environment, water quality, bees, pollinators and animal welfare throughout the supply chain.

Q417 Chair: If you just gave people extra money, good, but they may not choose to use that money to buy healthy food. It may be quite controversial, but are you thinking about a system where they would be given support in the way of vouchers to buy particular food, because otherwise what one person chooses to buy is quite different to what another person chooses to buy.

Kath Dalmeny: I will give three examples. The living wage does not keep track of inflation and it is not based on decent food, decent housing and decent energy. You need to be able to make a living wage that is linked to the cost of living. There is a real living wage and a minimum wage that is based on median income. That is one. Another is pensions that keep in line with inflation, so that people can afford the food. Another one is, as I mentioned, the WIC programme in America; that is actually done through a voucher system, to direct the money to make sure it is spent with the farmers. There are two policy intentions: to make good food affordable and to help the farmers.

Q418 Chair: In America, do they make sure that particular foods are bought or subsidised so that they are more accessible?

Kath Dalmeny: You can only spend the vouchers in certain ways. There is a scheme like it in the UK, which is called the Healthy Start voucher scheme with the Department of Health. There is a fantastic pilot programme going on with the Alexandra Rose Charities to extend that to be spent with smaller-scale producers and through markets, not just supermarkets, so that it is more accessible for different types of people. Once you get into the detail of these

things, you start to realise that there are a load of very good policy responses that are very creative and achieve the kind of things we want. What I would love to come back to you on is this idea of how we make it possible for there to be more transparency about the gate price for farm product.

At the moment, farmers, it seems to me, have no power and no ability to speak up, because they are often contractually not allowed to talk about their gate prices and also about their treatment within the supply chain, hence the need for the Groceries Code Adjudicator to be extended. If they have late cancellation of orders, dumping a product infield and cancellation of orders on the basis of spurious cosmetic standards, they have to bear the cost of that. There is nowhere to take that. That is also attacking their profitability.

Chair: That is a good answer but I think you have gone slightly beyond our question.

Q419 Dr Johnson: I was going to bring up the Healthy Start voucher scheme. We do have this in the UK. It is not universally taken up. Despite the fact it focuses on children, only 8% of children will eat their five a day, even with the ability for people on low incomes to get the Healthy Start vouchers. There is more to it than just cost. We need to make sure that people know that these things are available to them.

Kath Dalmeny: I commend to you a project called Peas Please being run by the Food Foundation, which is working with a lot of manufacturers and retailers to integrate fruit and vegetables into recipe dishes where people will often eat healthier food. I also commend Wetherspoon for having done that on their menu as well.

Q420 Paul Flynn: I feel slightly disarmed, having enjoyed Mr Martin's choice of records and particularly his choice of words at the weekend with a Dylan Thomas poem, so I shall not be my usual charming self. Having made a forecast, as many people did, on 23 June, that Brexit would mean four pence less to spend on your meal and pint in Wetherspoon, do you think that has similar credibility to the promise that £350 million a week would be sent to the National Health Service?

Chair: I do not think necessarily, Mr Martin, you said that, did you?

Tim Martin: No, I never did.

Chair: You can challenge him on what he does in his pub, but not necessarily on the £350 million.

Paul Flynn: I am trying to get a level of credibility on this.

Tim Martin: The level of credibility is that the cash savings you have, which emerged for most people well before the referendum, is around £200 million a week. Most people are agreed on that figure. You regain control over £150 million that is currently allocated by the EU. To the extent there is an extra cash surplus of £350 million, it is not true.

Q421 Paul Flynn: The evidence that we have is not of greater control but chaos with results and consequences determined by forces, such as the fact that migrant workers are not coming to this country now who we depend on—70% or 80%. We are going to have to let the food rot in the field and import food at a higher price. There is a whole range of evidence we have had since the EU referendum suggesting that things are going to be very different.

Tim Martin: It is open to this Parliament and MPs generally to have a sensible immigration policy that allows people to come and makes sure that goods are harvested. I am sure that is what will happen.

Q422 Paul Flynn: This is a repeat of “Desert Island Discs” because you mentioned that on there. Can I take the point that you did make? There was a disagreement in the panel; it was an interesting one. You were saying that one in every five pounds of subsidies that we give to millionaires and billionaires should be stopped and we should pay it to farmers who are in genuine need. How do we do that?

Tim Martin: It would be very difficult for me to come up with an effective tax regime for something as complex as that but the principle of the money being allocated as Parliament sees fit, not according to a common agricultural policy, which I do not think has a lot of credibility because it pays so much money to the very wealthiest people in the land, is a good one.

Chair: I would have thought you would agree with that, Paul.

Paul Flynn: Absolutely; of course. It is entirely sensible. To spend 40% of the money we are likely to get back—

Chair: Can we have one last question, Paul?

Q423 Paul Flynn: No, you cannot. One of the pieces of evidence we have had that is perhaps surprising is that because the Welsh lamb industry will be virtually destroyed by the price competition from New Zealand and Australia, the way to save it is to increase the price and value of Welsh lamb by exporting it on the hoof rather than on the hook, so that it suffers a long journey and the conditions in slaughterhouses in the Middle East and god knows where. Do you think this would have a very strong public reaction against it if there is increased suffering for EU livestock?

Kath Dalmeny: Over the past few weeks, one of the few issues that has really reached the public, and in the way that people have understood all of the complicated things that are being discussed in the Houses at the moment, is the animal welfare issue. It came out partly because of the repeal Bill discussions about animal sentience. That is a much more complicated legal issue, but the issue itself brought out the fact that people deeply care about animal welfare across all parties. This is not a political issue. It is an expression of unintended consequences. People do not want there to be bad unintended consequences—particularly within food, which is such a personal thing—about the quality, what we trust and what we are able to give to our children with confidence.

I brought two egg boxes on that basis. I promise not to go on too much. They are very high quality, craft items here. The US is the second biggest exporter of eggs in the world. They want to get into new markets. We have to make a decision soon. If we do secure a trade deal, we have been told by Wilbur Ross, head of commerce in the US, that we will have to accept US product standards if we want to do that. It is quite likely that this box, pretending to be a US box, will have a higher risk of salmonella than this box. In 1988, Edwina Currie made the unadvised comment about salmonella in eggs. We have been told in the last couple of months that we can eat dippy eggs and feed them with confidence to our toddlers because the British industry has invested in cleaning up the chicken system and making it more possible for everybody to feel confident that they can eat runny and raw eggs.

Similarly, twice as many antibiotics are used in chicken production in America than by British farmers, who, again, have invested a very great deal in cleaning up the system. They have not gone far enough yet but we are making progress on lots of things—partly as being part of the EU but partly because this is something we care about—and animal welfare is massively one of them. As I said earlier, if trade negotiators go into a room and make these kinds of decisions on our behalf, they need to know about food safety, they need to know about animal welfare and they need to know that we are watching—hence why public and parliamentary scrutiny is so badly needed.

Q424 Paul Flynn: This Committee is all about having weekly new horrors about what Brexit will mean. Can I quote back from you what you said in your evidence? You are saying that, if we do go into Brexit—I am hoping we will have a second referendum—you are talking about food coming from abroad, which there will be a great increase of, and it is going to be out of our control because it is subjected to American processes—

Kath Dalmeny: To be clear, I am not talking about Brexit. I am talking about new trade deals.

Q425 Paul Flynn: Okay, fine, but you talk about the problems of food coming from abroad, which includes problems of meat hygiene, as you have just explained, of the farm antibiotic use, which is gross in many countries, of irradiated meat and pink slime beef production. Could you describe the latter and what it means? People are already angry about chlorinated chicken. What will they think of this?

Kath Dalmeny: I am cautious of saying the term “pink slime” but luckily I think I am defended by parliamentary privilege in this room. In America, if you call it pink slime you could be prosecuted for it, because the pink slime industry does not like it being called that. It is the mechanically recovered meat that we have not accepted within the UK or EU for years, which is permissible in the US and has not been permissible in our membership of the EU. Again, we will have to decide whether we want that entering.

Tim Martin: There is nothing to stop Parliament, if we have a free trade deal, making it conditional upon complying with all existing regulations that apply in the UK today. It may mean there is no trade deal.

Q426 Chair: You are right, Tim, that that can be done, but it is making sure that it does happen when you are in the middle of a trade deal. Is it all going to be stopped because of the fact there is difference in egg production or poultry meat? You are absolutely right it can be done but it is our job to make sure that it is done and is not brushed under the carpet. This evidence is very useful. Sue, you want to make a point.

Sue Davies: To build on your point about food standards, a lot of the consumer research that we have done over the years shows that people think it is really important that we do have robust standards. An important part of that is making sure that we maintain the standards and do not trade those away as we are seeking new trade deals. Kath was talking about some of the differences with the US. If you look at the difference in food poisoning rates based on the estimates in the US versus here, one in six Americans get food poisoning. Based on the FSA estimates, it is about one in 66 here. They have real problems with food safety. We

obviously have things that still need to be improved but nowhere near on that scale. We need to be very careful that we do not take some of these things for granted.

In terms of the enforcement regime, as well, we will need to have tougher border controls. At the moment, the EU carries out inspections in third countries. We have to work out whether or not we are going to start duplicating that ourselves to make sure we have compliance. A lot of the issues that people care about are issues that are partly about safety but are also about standards and quality, so the kind of issues like whether you want beef reared using hormones or whether you think it is right to use hormones to increase the yield in dairy cows. Those are the sorts of things we need to make absolutely sure we do not compromise on. The Department for International Trade, in its White Paper on trade policy, talks about making sure that consumers, whatever their budgets, are able to have the types of choices that they want. We think that is really crucial, because sometimes the discussion about food prices assumes that it is okay and that we can just give away some of these things. We think it is absolutely essential that we do not compromise at all on the food standards.

Q427 Alan Brown: If there are no tariffs or lower tariffs, we will have cheaper imported foods coming in. You have expanded about standards and other risks. Sue, you were the one that did not get to answer previously. Is there any scenario that can be managed that somehow balances cheaper food imports and protecting the UK farming sector?

Sue Davies: It is important to look at where most of our food comes from at the moment. I said earlier that about 30% of what we eat comes from the EU. I think 49% is domestically produced. The next biggest blocks are America, Africa and Australasia, where there is about 4% of food from each of those, according to DEFRA figures. That shows how important it is to make sure that we have some kind of free trade deal and as frictionless trade as possible, so that we are not imposing costs in terms of additional border controls with the EU. Regardless, there are opportunities to seek deals and get potentially cheaper food from other countries as long as we are absolutely sure the standards are not going to be compromised. Regardless, the EU is going to continue to be an important trading partner whatever because some things we can get from other countries but some of those things are quite unique and geographically close, so they are going to continue to be important. If there were any costs there, that would quickly have an impact on the consumer.

Tim Martin: If you put high tariffs up outside to non-EU countries and no tariffs within the EU, it will create a higher level of trade and imports from within the EU than it otherwise would be. If there were no tariffs anywhere, the EU percentage of food would go down and the rest of the world would probably go up—New Zealand, Australia and so on.

Q428 Chair: We are not allowed to do that under WTO rules, are we? You either have to have a tariff or no tariff.

Tim Martin: You are tariff-free for everyone but if they are all tariff-free it will rise from outside of the EU.

Chair: I see. That is looking at a utopia, probably, which we may not necessarily get.

Kath Dalmeny: If you guys could use your report to clarify the actual WTO situation authoritatively, that would be marvellous, because there is an awful lot of throwing around of opinions.

Chair: I think you are absolutely right there. We will do our very best to make that point.

Q429 **Sandy Martin:** If Mr Martin is right and we have cheaper imports of food, primarily from countries outside of the EU, what change in business model do you think that produces in this country and others, but primarily producers in this country? Presumably, if we are having cheaper imports that will mean there will be an adjustment in where people buy the food from.

Kath Dalmeny: Many of my colleague organisations are reporting a likely loss of small-scale farming.

Q430 **Sandy Martin:** When you say a loss, you mean complete cessation.

Kath Dalmeny: Yes. There will be some people who manage to make something work but it seems highly likely—unless we make an explicit effort to maintain a diversity of farming, which would have benefits not in a romantic way but in terms of diversity of landscape, management to biodiversity, management of different types of food production and importantly opportunities for new entrants to farming who cannot necessarily move into big units straightaway; that is part of our whole farming policy together. That is the kind of language I am hearing from people like the Campaign to Protect Rural England—CPRE—and farming organisations. They cannot see how that would work unless it is explicitly supported by a policy to have a diverse farming future.

Of course everybody will be encouraged to do some of the smaller things they can do to try to make things better, such as farm diversification, and things that have been going on for years. Of course, that has to happen to help people to make an income not just from the food. There will be a lot of discussion, as we know, over the course of the next year about how subsidies are reframed within the new arrangements. There are some promising ideas around, with people who are doing more environmental benefits, such as managing food plains and managing biodiversity. All that sort of stuff could be rewarded by public money. That does help with income.

There is some discussion I have had with Members of Parliament as well about looking backwards at policy pre-cap and saying, “We managed things like volatility through deficit payments through evening out price volatility”, because farmers are up against it in lots of different ways. If we want there to be a diverse farming industry in this country, we will need to look at various things.

Chair: We are dealing a lot with trade policy. The problem with trying to keep prices up is that the WTO very often says that this is distorting world trade prices. If you can stick to this today, in another inquiry, when we follow the Agriculture Bill, we will be looking at that.

Kath Dalmeny: The smaller farmers that we speak with, who are doing better and have ridden through things like crashes and all that, have some proportion, or all, of their trading

through some form of direct sales. They are able to control more of the market and they have less of this power imbalance.

In the early 2000s, post foot-and-mouth, which was like a smaller-scale version the disruption that we are going to be going through now, there was a lot of public investment in the public sector food procurement initiative, helping people into the market and helping people win contracts. I do not see that happening now. It would be very helpful if there was more of that explicit support.

Chair: Sue.

Sue Davies: Sorry, I have lost track.

Sandy Martin: To be fair, Chair, it was about the producers. I do not think we really need to ask Sue.

Sue Davies: To make a general point, we have to compete on high standards. The UK going down a cheap food route, trying to compete with cheap imports, is not going to benefit anybody. Going back to the point I made at the start, we have to think about what some of the wider challenges are with food policy. We have two-thirds of the population overweight or obese. We have diet-related disease.

Q431 **Sandy Martin:** If I might interrupt, Ms Davies, we have talked about that already, but if we do have cheaper food imports, which seems quite a likely scenario, would you agree that there might be something to be said for food producers in this country looking for more niche markets, such as the sorts of organic or other niche markets that Ms Dalmeny has already mentioned?

Sue Davies: We need diversity. People want diversity and choice. From the research we have done, people still expect to buy mainstream products that are UK produced and that are British products. It is not just that higher-end market where people are looking to buy British. We need to make sure that we get that balance right.

Chair: Some people will want to buy and be able to have cheaper food one way or the other. It is better that it is produced to a good standard here than necessarily imported. If you drive all our production in one particular direction, Sandy, you will find all imported food may come in from the intensive sector but could be under much poorer conditions than here. It is a debate that we could have all day.

Q432 **David Simpson:** As a business owner looking at the bottom line, if there is a choice between buying cheap food abroad, where food standards possibly are not as high as ours, and UK-produced food, as an organisation what would you choose?

Tim Martin: It is a desperately difficult question to answer because it is difficult to decide what exactly the standards are. The standards are supposed to apply to everyone. For example, we decided to move to British steaks. Previously we got some from South America. That entailed a food price rise but because there was widespread consumer demand for British and Irish steaks, which is where we get them from now, our sales went up. If the Consumers' Association or other organisations can make a pitch to the public, which is accepted by them, that is very helpful for the farming sector.

Q433 **Chair:** You are led by consumer demand.

Tim Martin: To an extent. Consumers are not stupid. It has to be something genuinely good, which they think steaks are.

Q434 **David Simpson:** Do you believe that, from the consumer's point of view, they are willing to pay a bit more for the right product?

Tim Martin: In general terms, yes. Our philosophy is EIBIC—every item best in class. I am sorry that is a bit corny, but that is what we try to do.

Chair: You get your punters through the door, so you have to make sure they are happy.

Tim Martin: They know what they want.

Chair: And what they are getting.

Q435 **Dr Johnson:** You are saying that consumers know what they want and they certainly like choice, but do they always know what they are getting? How explicit are your menus on the origin of where your steaks have come from or where your lamb has come from? Do you say this is British produce, or do you tell them where it comes from?

Tim Martin: We give a lot more information than anyone else, including the calories per meal, for example.

Q436 **Dr Johnson:** Do you talk about the origin? Particularly after we have gone through Brexit, if people are making a choice based on food standards—that they do not want chicken that has been in chlorine or whatever they would like to avoid—when they go to a supermarket, it is labelled as such; when they go to a butchers, they know where it has come from. When you go out for a meal or go to one of your pubs to eat, how much information are you going to provide to them so that they can make an informed choice on what they eat?

Tim Martin: We are happy to provide as much information as people want. That is generally calories, units of alcohol, et cetera. We want to provide the information that people want.

Q437 **Dr Johnson:** You are happy to provide the information to people on where the food comes from.

Tim Martin: The origins of food, yes.

Kath Dalmeny: I will use meat as an example. I am interested in where cheap imported meat might end up, and whether or not people would know they are eating it. That is a very important question.

Q438 **Chair:** Very much in processed food, I suspect.

Kath Dalmeny: Absolutely. I would characterise the three ways all of us buy and eat food as being either to buy it in the supermarket and eat it at home, where people will generally make a choice on provenance, country of origin and that sort of thing, and also possibly the processing method if it is on the label, which is rare; another one is when we buy it when we are out in a café or canteen, so eating out of the home in a restaurant; or we get served it up in school or hospital, where you will not get any information at all.

I understand that Andrew Opie is giving evidence from the British Retail Consortium next, which is brilliant because a colleague of mine in the BRC has said that they have done quite a lot of analysis of all this tariff stuff, so hopefully they can help you with it, and also some of the ideas from the sector about where they might consider using the alternative product that might come in if it is cheaper. I do a lot of work with the food service sector particularly, and I would say that you will not generally know where it is from. A few nice people might, who might think that is part of a brand on the high street to be able to do that, or they might not. At the moment, that is not governed by any labelling requirements at all. The further you get from the point of production, the less impact you get.

Chair: That is something we could do a lot more on in the future, provided there is a political will to do it.

Kath Dalmeny: I am using America not as a stalking horse but as an example. In the trade arrangements we have seen, like TTIP and CETA, that was ruled out. They do not want those kinds of things on the label.

Q439 **Alan Brown:** Back to Tim, there was a reference to the bottom line. As a businessman, you have estimated the cost of a pint in Wetherspoon to come down half a pence, which clearly is not a unit that is in use anymore. What is the risk of big organisations swallowing up these savings, so the profits become even better and the consumer does not see the predicted windfall?

Tim Martin: There can be dangers in that respect. In the pub, the restaurant and probably now the supermarket industry as well, the level of competition is so high that unless you provide things at reasonable prices, your sales suffer. That definitely does work. If you try charging more at Tesco, which they did for a decade and a half, you find Aldi and Lidl come in and sell at a lower price. “Competition” is the short answer.

Q440 **Chair:** The beauty of Aldi and Lidl is that they still pay the farmer a reasonable price and they take less as they go through the shop. There are ways, if we can change the amount that each part takes from the primary producer; if the retailer is not taking too much, there could still be a reasonable price to the consumer, can there not?

Tim Martin: Absolutely. They sell very good British ale in their stores, which is there as a result of competition and customer demand, for example.

Q441 **Dr Johnson:** Sustain has said that it would be an advantage for the UK to stay as close as possible to EU food standards. You said that maintenance of the same or similar arrangements would help to deal with issues of cost, safety, quality, certainty, consumer confidence and smother trade relationships. Equally, we want to be in a position to set our own standards, which may be in some cases higher than the EU. Why do you think it is so important that we have the same standards? We do not have the same standards as many other countries that we trade with. Why should we have the same standards as that particular “country”?

Kath Dalmeny: Yes, I can see that. Generally, when standards start to diverge then costs start to accrue in tracking the differences between the products. What kind of paperwork will have to be provided? What kind of proof of certification or standard-setting will there have to be, and also what kind of inspection regimes, particularly at borders? A very large proportion of our food crosses a border at some point. You made the point earlier.

It has not been assessed, so I am not trying to put a particular cost on it. Again, I do not want to speculate on that because there should be people like the observatory that you mentioned making an assessment for us and more questions in Parliament about how exactly that might stack up with different trading arrangements. That comment partly came from a representative of a small food traders' association, who basically said, using this wonderful phrase, "We are like water in a puddle. We fit this shape really well".

Smaller traders particularly, who are most of the food industry in this country, are well adapted to the system as it is. They do not have extra staff for doing assessments and research into different standards. They are not like the big retailers who have staff allocated to this stuff. They go with the system that is there. They are very well fitted to it at the moment. It would take an enormous amount of cost for them to change. He was predicting that many would go under, because they have already been pared to the bone by food costs, by austerity and by people not being able to spend extra money on food. I took from him a sense that it is doing well in that system as it is. To change it is a massive leap of a puddle into a brand new hole than then has to find a new way of being.

Sue Davies: Can I respond more from a consumer protection point of view? We should have a system that best protects UK consumers. The system we have in place is generally fit for purpose. It has evolved in response to various food scares over the years. The general framework and principles in place for food legislation and the responsibilities and how that all works are sensible. It is difficult to see how it could be changed. It is a question of tweaking. There are opportunities to go beyond that and make it better in some areas, like some aspects of labelling, such as country-of-origin labelling; there is scope to improve that and expand on that.

One of the big issues is, as I mentioned before, about the enforcement and how we make sure we have effective food controls, which will be more challenging potentially if we are going to have more complex trading arrangements. A lot of the resources at local authority level are under strain at the moment. As we develop a new approach to trade, we need to make sure we are looking at enforcement as well.

Tim Martin: It is almost always of benefit to take an existing system you have now, which works perfectly well—I agree with that, though it no doubt has its faults—and to make incremental changes that people feel are necessary; that is much more efficient than going for the big-bang approach and starting everything afresh.

Q442 **Angela Smith:** I wanted to ask Sue to explore very briefly your comments, which you have just repeated, that enforcement may be more difficult post Brexit, depending on how Brexit goes. Could you illustrate that a little bit more clearly? Are you talking about pressures on trading standards or the Food Standards Agency? I would imagine both. Have you thought through any possible remedies?

Sue Davies: It depends very much on what kind of relationship we have and where we have to put border controls in place. If we have to start doing import and export checks, which we do not have to do at the moment, that will involve a lot more resources, because we do not do that with the EU at the moment. If we are reporting products from different countries that have different standards to us, how are we making sure that we are ensuring they are compliant?

Chair: How we check those.

Sue Davies: At the moment, the checks take place where a product comes into the EU. That could be Rotterdam or Felixstowe. There are issues about that and issues about capacity, which are resolvable. One of the challenges is that, along with consumer enforcement more generally, there have been a lot of cuts in resources to trading standards and environmental health. A lot of people, whenever we talk to consumers, assume that those checks are in place, but there is a lot of pressure on the system. This is an opportunity to make it really fit for purpose and modernise it so that it is working really well.

Q443 **John Grogan:** I wanted to ask about labelling but we have probably done that. I will refer to that in a second. I am a hopeless Remainer but I must say I have been impressed by the clarity of Tim's evidence. I want to press you a little bit, Kath and Sue, on your stance. Are you saying we have to maintain the tariffs, as they are, to the outside world and the EU in order to maintain standards in animal welfare? Are we in danger of being hopelessly protectionist? In your list of costs that you mentioned at the beginning—obesity was one of them, and all sorts of things—you did not mention, for example, the poorer nations of the world who cannot export to our nation. Surely a mixture of very good labelling, high quality food standards and things and anti-obesity programmes do not entail high tariffs. Are you really in favour of maintaining tariffs for all these reasons, or can they not be addressed in other ways? Are you in danger of being hopelessly protectionist?

Kath Dalmeny: It is really welcome that you have mentioned the least developed countries, because it is one of the most welcome parts of the debate.

John Grogan: You did not, so I did.

Kath Dalmeny: It is absolutely on our minds. Our beer mat says, "Fair for producers at home and abroad". The fact that least developed nations have been recognised within the trade discussions so far as maintaining that favoured access to our market is absolutely welcome, because we should not be allowing all of this change to jump on the very people who are meeting—

Q444 **John Grogan:** Are you in favour of maintaining the tariffs at the moment in order to exclude all these people who have dodgy food and encourage obesity?

Kath Dalmeny: I declare myself not as a tariffs expert, by any means. I am suggesting that standards need to be maintained.

Q445 **John Grogan:** That can be done without maintaining the tariffs. We can have a farmers' support policy to support farmers and so on. I want to be absolutely clear because you did appear to be very protectionist.

Sue Davies: I am sorry that you misinterpreted that. We are not saying that we want to have tariffs at all because it will hit consumers quite hard. At the moment, we have free trade with the EU. They are our big trading partner, and the priority is to make sure we do not have tariffs there. If we do then remove tariffs with other countries, we need to be very careful about what the consequences are. Standards absolutely have to be there.

Q446 **John Grogan:** Some of these countries have standards as high as us—New Zealand and so on.

Sue Davies: You have to see it in the context. If that led to a lowering of standards or led to them having to give a lot more farm support, then consumers might not be paying through the tariffs but through the farm support. You need to look at it in the round to make sure that we are getting the best approach. It is about affordability but it is also about making sure that we are not compromising on standards. I know that is not a clear-cut answer but it is so complex that it is not that clear.

Q447 John Grogan: Are you not taking a bit too much weight on your shoulders with all of this? There are complex issues here of balancing how much farmers get? That is down to Parliament. You are here to support consumers. Sure; quality is an issue. I am all for labelling, because some people might, out of different personal choice, weigh things slightly different.

Kath Dalmeny: British consumers do not only care about price; they care about the countryside, animal welfare and farmers.

Q448 John Grogan: True, but are you not taking a little bit too much weight on your shoulders? You did appear to begin by defending the current tariff regime. I am glad to see that you are not now. It would be perfectly possible for Britain to devise their own. Norway, for example, is still in the internal market but not for the purposes of agriculture.

Kath Dalmeny: It is very kind of you to worry about weight on shoulders but that is what we have done. We have put ourselves in a disrupted space in which we must take that weight on our shoulders.

John Grogan: I thought there might be some paternalism in your approach. Perhaps I was being very unfair. Thank you.

Q449 Julian Sturdy: Apologies for being slightly late. I wanted to touch on food labelling, if I could. I am sorry if some of this has been brought up before. Do you feel there is an opportunity, coming out of Europe, to extend the food labelling regime, i.e. more country-of-origin labelling on to processed foods, which we cannot do now, being members of the EU, but we could devise our own scheme?

Chair: Yes, Kath talked about the fact that is very difficult to know where processed food come from. Do you have any smart ideas? I have also been going on for years about processed food. They always argue that if they had to put a whole list of labels of where everything came from, the label would be too long. You could do it with a barcode. How do you solve that one?

Kath Dalmeny: We have worked on labelling for as long as I can remember.

Sue Davies: In the research we have done, people always want to know about origin information. They are always really interested. It tends to be the processed meat and dairy products that people want more information on. There are voluntary guidelines in place at the moment. Some companies do that; not all of them do it. That is definitely an area where we could give people clearer information.

Julian Sturdy: We could do more outside the EU to make that clearer.

Chair: We could make those guidelines compulsory, I suppose, if we wanted to.

Kath Dalmeny: Yes. It is more complex than simply having country-of-origin labelling. On processed food, the rules say it is the last point of major transformation that you say is the country of origin. I do not want to get into technical detail on this. Once again, we need to be clear about the purpose. We need to give consumers good information so they can use their money well to support the kind of food and production they want.

Sue Davies: That is not as a substitute for the standards, because you do not want to give people the origin on the basis that therefore you can know you are not buying hormone-treated beef. You need to make sure you have those standards as well as the consumer information, not as a trade-off.

Kath Dalmeny: It is also very important that, in the context of the agricultural policy that will be being devised over the next year or so, we also look at how producers prove the good stuff they have been doing on animal welfare and on the environment, in order to qualify for subsidy, but also are able to communicate that to the consumers well and in a way that can be trusted. Unfortunately, there tends to be lots of copycat labelling.

Q450 **Julian Sturdy:** I entirely agree on that point. Quite often, on processed food, you see, “Processed in the EU”. We know that the standards—certainly welfare standards—in certain countries are not to our standards in the UK.

Kath Dalmeny: You will not see antibiotic use on the label either, for example.

Q451 **Julian Sturdy:** We do not know where in the EU that product has come from; all you know is that it has been processed in the EU. It is trying to get more clarity over that.

Sue Davies: Definitely. It does not help anybody if it is so broad.

Kath Dalmeny: There are definitely opportunities there.

Q452 **Julian Sturdy:** Tim, the hospitality industry has been targeted a little bit, with people saying that it should be doing more on food labelling. Do you think there is the opportunity there?

Tim Martin: Yes. There is a lot more labelling now than there ever was but there is definitely scope for more if that is felt to be desirable and to the benefit of the public.

Q453 **Julian Sturdy:** It was touched on previously, and I apologise to the Committee if it has already been talked about, but we could probably do more in the public sector as well. There is very little food labelling there. Do you think Government should be doing more on that? Should they be practising what they are preaching, which they are probably not at the moment?

Tim Martin: It has to be yes, really. If everyone else does it then the public sector should do it as well.

Q454 **Julian Sturdy:** You would expect the public sector to be doing exactly what you are having to do in the hospitality industry and in other areas.

Tim Martin: I cannot for a second see why not.

Q455 **Chair:** Tim, if I go into a Wetherspoon and I ask you where every individual meat product and thing they are serving up is from, could you tell me exactly where it has

come from?

Tim Martin: No.

Chair: I thought you were going to fall in my trap then.

Tim Martin: I have been down that road before. I have periodically checked, and I can tell you that we do have roast chicken from the UK, spinach from the UK, potatoes from the UK and I know that our cod comes from the North Atlantic.

Kath Dalmeny: You make an incredibly important point. We are doing a review of all of the major food service companies for the source of their fish at the moment, to look at where it is coming from, whether it is sustainable and whether it has been assessed for sustainability. Some people are doing really well. These are really big companies. Some are not. This is a critically important matter for the future. Everybody has been watching *Blue Planet 2*. We are concerned about the future of fish sustainability. No one has really mentioned fish yet. The public sector does define sustainable fish in a really good way; hats off. The Government buying standards do define sustainable fish rather well. At the moment, those buyers cannot confidently buy British fish because the fishermen themselves do not have the money to do the data collection and the proof of meeting the sustainability.

Q456 Chair: It is not only about the sustainability; it is also making sure, if it is cod, you are actually eating cod as well. That is another issue.

Kath Dalmeny: Particularly in food service, people have not been going to check. In the supermarket sector, especially on sustainable fish, there has been much more progress on that. It is still not absolutely brilliant, by any means. In the food service sector, it has been an issue that some people laugh at and say it is about 10 years behind the retail sector. We all then laugh and say that it is actually 20 or 30 years behind the retail sector in terms of cleaning up that supply so that people can, with confidence, think that what they are purchasing is supporting sustainable fisheries.

Q457 Angela Smith: I know that the labelling issue is really very complex and not simple. For instance, if you go into welfare standards and start talking about stunning, not stunning and antibiotics—before you know it, there is a great big long list and the consumer is not going to read a word. What do you think of the potential application of new technologies, such as apps on phones, so that consumers can take out what they want from the label more easily?

Kath Dalmeny: I have seen many over the years and I am impressed by some of them. An app is only as good as how many people download it on to their phone and use it. What I am more interested in is the certification bodies that encompass the kinds of criteria into a simple consumer label. They have to prove what they are doing.

Q458 Chair: Like an assurance scheme label, if you like.

Kath Dalmeny: Exactly. People need something they can trust. Yes, you need to be able to look through that to all the detail, because trust is based on really good traceability.

Q459 Angela Smith: There are so many assurances that consumers are looking for now; surely it is in danger of being lost on a small label?

Kath Dalmeny: When you look at the fantastic work that companies like Asda have done to look at what their consumers want from the packet, they want to know they can trust it. They believe that a large brand like Asda has done the piece on trust to bring into the supermarket and say, “Yes, I trust that that has happened”.

Q460 **Angela Smith:** I would quickly like Which?’s word on that, because this is your area.

Sue Davies: There is a role for apps and that kind of information for additional information, to give you that when you are particularly interested in the way the animal is reared or whatever. You need the basic information on the label, however, to make the choice. Some things are way too complex for seeing it on the label. You need somebody to have already decided and set the standards before, on things like animal welfare. You do not want to be making judgments based on labelling about certain things like that where it is really difficult to know what the meaning is.

Kath Dalmeny: It is also important that the standards for those labelling is kept within a public discussion. In America—again, just because I know quite a lot about the American system and antibiotics—there is quite a lot of “antibiotic-free” labelling. It is not that helpful because the animals on which they have used antibiotics get taken out of the supply chain and put somewhere else. It is not stopping antibiotics. We need to be clear about what we are trying to achieve with that labelling and what we are signifying.

Q461 **Dr Johnson:** I wondered why you brought the egg boxes.

Kath Dalmeny: Were you not here when I used the egg boxes?

Dr Johnson: No.

Kath Dalmeny: I was making a comparison being salmonella rates in US eggs and British eggs, following a lot of work from the industry, and also a comparison between twice as much antibiotic use per animal in the States as in the UK, the industry having done a lot of good work. We have not gone quite far enough yet. I discussed whether we are asking our producers to therefore compete with those if we take Wilbur Ross’s guidance, as head of commerce of the US, that we should adopt US product standards. When we bring that across, what do we have to accept at the same time? That is a quick summary.

Chair: It has been a very lively session, which we were expecting. I thank you very much. It has been a very good session. You have not come to a big fight but we have had some very good debates and good information for our inquiry. Thank you very much.

Panel 2

Witnesses: **Andrew Opie**, Director of Food and Sustainability, British Retail Consortium; **David Thomson**, CEO, FDF Scotland, Food and Drink Federation, gave evidence.

Q462 **Chair:** Thank you, gentlemen. I am sorry to keep you waiting. It is very good to have you here. Starting with Andrew, please introduce yourself, then David, and we will get straight on with business.

Andrew Opie: Good afternoon. Andrew Opie; I am Director of Food and Sustainability at the British Retail Consortium.

David Thomson: Good afternoon. I am David Thomson. I am Chief Executive of Food and Drink Federation Scotland but I also support the FDF's UK EU exit committee as well.

Q463 **Chair:** What trade policy objectives should Defra and the UK Government establish in order to achieve a balance between the interest of food consumers, food producers and processors? That is a very simple question to start off with.

Andrew Opie: There are two things that we have to achieve for consumers on trade. The first is to get a tariff-free trade deal with the EU. The second is to get as close as possible to frictionless trade between the EU and the UK. Once we have achieved that, we can start looking at trade deals outside the EU.

David Thomson: From our perspective, I would very much echo that. The first thing is to get the EU trade deal right. That is £12 billion of the £20 billion of exports that we have, and an enormous amount of imports as well: 70% of our imports come from the EU. The second element is around the custom procedures, the non-tariff barriers and some of the things that you were talking about earlier on, in terms of the physical inspection of food and so on.

Q464 **Chair:** I do not know if we have a question directly on customs regulations or not. I am particularly interested in that, because if we are not part of the customs union, how do you physically see getting a lorry-load of meat, vegetables, tractors or cars? How do you see that working?

David Thomson: It is difficult. There are two elements. The first is in the customs procedure itself. If you have a plant or an animal product, it needs to be physically checked if it goes beyond the EU's borders. You do not check everyone but you need a physical check of that. That requires a lorry to stop, it requires someone to look in the lorry, it requires the paperwork to be checked, it requires the lorry to go back in the line and it requires the lorry to go on to the train or on to the boat, or across the border between Ireland and Northern Ireland. All of that is something that is currently in play with countries outside the European Union when it comes in. All of that can be a delay. That can be a delay of a couple of minutes or it can be a delay of hours, hours and hours. Particularly when you have perishable products, there is a significant concern from businesses that that would be an issue.

Q465 **Chair:** I do not know whether it could work, but take where you go and drive on to a bridge, where you have paid the tariff so you automatically go through and it scans you and knows you have already paid. Is there a system where, if it was agreed with individual countries and those particular countries are meeting those requirements, those lorries could drive straight through and on, with only certain ones checked to make sure? Otherwise, as far as I can see, if you have to say, "We are going to stop

everything; it is a customs border”, surely we just will not get things through, will we?

David Thomson: Yes, but under the current regime, when you are outside of the EU, you would need to do that, because that is the same as applies for every other country. If we came to a trade deal that allowed some more frictionless elements to remain in play, that is the kind of thing that both Andrew and I would prioritise as part of the future.

Andrew Opie: David has absolutely summed up the problem there, but the pinch-points are ports where we are currently importing a lot of produce from Ireland and within the EU across the Channel, where there just is not the infrastructure to be able to do those kinds of checks at the moment. We have the added problem of that, plus the fact that these are very short-life, perishable products, because that is how we built our supply chains. They are not things that can allow vehicles to stop for any time without that starting to affect the availability of products on the shelves themselves.

David Thomson: Just to add one point, that is not just on the British side of the ports; that is on the European side as well.

Q466 Angela Smith: David, this is particularly for you. What are the key challenges facing food processers outside if we leave the single market?

David Thomson: There are lots. If you go past the major issues that we will have around workforce and others, which I am sure have been highlighted in lots of places, a large amount of what we produce comes from the UK but a large amount of what goes into those recipes comes from outwith the UK, and most of it comes from Europe. As soon as you apply tariffs or as soon as you apply some of the issues that we have talked about in terms of trade coming across the border for an import to make a product in the UK, then you begin to see some of the issues. There will be extra costs in the supply chain, extra paperwork in the supply chain and additional issues, for a much larger percentage of food than we currently have to worry about.

In addition, there are a number of products that have bits of what they do made in different countries and then are altogether assembled either in the UK or in the EU. I am sure we will touch on rules of origin and things later on, but all that has an impact on where you can sell your food, the tariffs that apply to it and the various taxes and so on.

Q467 Angela Smith: There is also the cost of going back over the border repeatedly, presumably. This is not food, but I am aware from the chemicals industry that a bottle of fabric conditioner, in the process of being manufactured, crosses the border of member states four to six times. What are the most vulnerable sectors in relation to this process, in terms of regulatory equivalence, border checks and tariffs? What are the most vulnerable sectors in food and drink?

David Thomson: It would not be unrealistic to say that all will be affected somehow, but obviously what you are talking about are the sectors like meat, fruit and vegetables, sugars, confectionary and beverages. All of those are probably most affected by tariffs.

Angela Smith: Many of our staple products.

David Thomson: Yes. Absolutely

Q468 Angela Smith: What about bread products?

David Thomson: Not so much. Maybe Andrew can talk a little bit more about that but a lot of that is manufactured within the UK, to UK standards, for the UK market.

Q469 Angela Smith: I am very much in favour of staying in the single market; I want to make that clear once again. If we leave, what do the Government need to do to improve the resilience of the food and drink sector, or the most vulnerable sectors?

David Thomson: The most effective thing that the Government can do is establish zero-zero tariffs with the European Union. That is the most effective thing it could do, at least in the short term, so that businesses can stabilise until they understand what the new trading regime will be.

The other thing is about regulatory equivalence or convergence. The whole point of Brexit is to make sure that we can make our own rules in the UK, but without mutual recognition of those standards between the UK and EU, there is an enormous amount of additional work that businesses will have to do, in particular to export into the EU. You spent a lot of the last session talking about imports, but obviously exporting of food and drink is £20 billion; £12 billion of that goes into the EU.

Q470 Angela Smith: The importing and exporting to Ireland, in particular, is very significant.

David Thomson: Yes. That is hugely significant for Northern Ireland and the Republic of Ireland, and for the UK as well.

Q471 Angela Smith: I want to ask this question and if you cannot answer, that is fine. Are there any particular third countries that you think should be prioritised for a free trade deal?

David Thomson: There are two things. The first and most important thing is about the current third countries that the European Union already has a free trade agreement with. Places such as South Korea are quite important to a number of our members. The rolling over of those current EU free trade deals for the UK is probably our number one priority. There are a number of those that are already extant.

Angela Smith: Perhaps we could be given a list.

David Thomson: Yes, we can send you a list.

Andrew Opie: All of our data is based on actual supply chain data supplied by our own members. We have been looking exactly at this point. About 10% of our trade comes through bilaterals, so deals that the EU has with third countries. The most important by far is South Africa for food—wines, fruit and things like that. Other countries are in there. Peru is quite important for us. Chile is quite important. When you get to Iceland, their exports of fish are so important to us. We would be happy to supply the Committee with a list of those products. We are about to publish those.

Q472 Chair: The trouble with these deals is that if you take New Zealand lamb, we were going to park up the deal that came from New Zealand and say, “We will have 30% of it”, because that is what we traditionally had—70% of it goes back to the rest of the EU. WTO members then immediately said that they wanted to renegotiate this.

Taking the deal that Europe has with Peru or wherever, if Peru decides when we leave that they do not want to carry on with deal—they may be quite happy to carry on—I suspect they can object, can they?

David Thomson: Under WTO rules, yes, they can. That is something that is there. This is the tariff rate quota issue, which is the number of tons of product that are allowed into the EU before high levels of tariff are applied. There are 124 tariff rate quotas for imports in the EU, all of them agriculture and food.

Andrew Opie: I think it is true. The other problem is the sheer logistics of translating. The EU has in the region of 80 free trade agreements with other countries. Translating all of these over by potentially March 2019 is the sheer volume to get through, let alone the potential for countries to say, “This is a problem”. Prioritising the countries is really important, because we can say to Government, “Get these done first at least, because these are going to make the biggest difference to consumers in 2019.”

Q473 **Chair:** You think Government have to prioritise which ones.

Andrew Opie: Absolutely.

Q474 **Angela Smith:** It is really refreshing to hear that countries such as South Korea and Peru are important, because we constantly talk about the US. The US is important nevertheless. Do you think it is possible for us to get a free trade agreement with the US that does not include agriculture, based on your experience and knowledge of the industries that you represent?

David Thomson: It remains a possibility because it is all a part of a negotiation. It is difficult to say. What we do know is that the US are very interested in talking to us about agriculture and food.

Angela Smith: That is interesting. A willingness on our side but maybe not necessarily on theirs.

Chair: Everybody talks about a great free trade deal. Yes, we can get them, but it is a two-way deal. We want a good deal but so do they.

David Thomson: Any deal is not just about food. It is about a wide range of other things. One of the things we are really keen on, which maybe the Committee can help us with, is in the prioritisation of food and drink in any of these deals.

Chair: You are pushing at the right door here, at this particular Committee, I can assure you.

Q475 **Sandy Martin:** It is entirely possible, in negotiating free trade or a trade agreement with another country, that the Government might choose to trade food off against another sector that it might consider more important.

David Thomson: That is one of our major concerns when you consider that food and drink is the biggest manufacturing industry in the UK.

Q476 **Sandy Martin:** I want to ask something in connection with some of the questions that Angela Smith was asking you. I visited the Birds Eye plant in Lowestoft. Birds Eye is a major multinational co-operation. They do beef burgers in Lowestoft for the

entire European market. They do fish fingers in Germany.

Angela Smith: They used to make them in Grimsby.

Sandy Martin: Not anymore. The fish products are all done in Germany for the entire European market. The lasagne and other Italian-type ready meals are all done in Verona for the entire European market. What likelihood do you think there is, given difficulties with standards, border checks and so on and so forth, that a company like Birds Eye will just up sticks and move their entire operation from Lowestoft to another European Union country?

David Thomson: I cannot speak for Birds Eye, of course. We ask the companies that we represent this. None of them has indicated that that is one of the things they are considering at the moment. A lot of this depends on the deal that is struck.

Chair: What we are is a very big market. A lot of business is done here. If we can get the rules right, I do not think we are going to lose too many businesses. It is about getting those rules right so that they can trade reasonably freely. Do not worry. As far as food and drink is concerned, we will be right behind you. Have no fear on that one.

Q477 **Alan Brown:** You have made it clear that the number one priority is to get a free trade deal with the EU. You will also be aware that in Parliament there seems to be an ever-growing voice saying, “A no-deal will be fine. We are not happy with how negotiations are going. A no-deal will be fine”. What would be the impact on food retailers and processors be of trading with the EU based on World Trade Organisation rules and associated tariffs?

Andrew Opie: As I said earlier, on the analysis we have done, if you look at the imports we have, three quarters of the food we sell in retailers is produced here in the UK. That means that 25% is imported, of which about 80% is imported from the EU. The vast majority comes from the EU. The average tariff, we calculate, based on the types of products that our members import, is 22%. If we were to go to WTO tariffs, which the EU currently use with their most favoured nations, that would have a big impact in terms of the price for consumers, because there is no headroom in terms of not adding that on to the price if people have to pay that to import.

Q478 **Chair:** Let us get this clear. It is 22% on about a quarter. It is not 22% across the whole.

Andrew Opie: Absolutely.

Q479 **Chair:** Are you saying that it is a 5% increase, or is that trying to be too clever with the figures?

Andrew Opie: That is trying to be too clever. We do not know what the domestic market will do. We have done some analysis on four products. I do not know if the Committee has seen it. We have looked at broccoli, cheese and beef. Cheese and beef are particularly good examples because we import about 20% from EU countries, mainly Ireland. There is a very high tariff on those products. What we do not know is, if tariffs are also applied in Europe, whether, for our current producers here who are also exporting to the EU, their product will come back on to the UK market. If they can carry on exporting or they lose production, those

remaining see the extra price that the Irish exporters, for example, are paying and raise their price to it. It is too simple just to say that it is 22% over that.

The other reason it is too simple is because a lot of those products are seasonal. They come in at certain times of the year. We deliberately chose the broccoli example because our producers here have great arrangements where they import from Spain and Portugal, all part of the same system for 24/7 delivery. At certain times of the year, such as the winter, when we are importing broccoli, there is no broccoli here. If you want broccoli, you are going to have to pay the tariff on it. The tariff is not huge on broccoli or vegetables—it is about 10% or something like that—but that will add 10% to the cost. Not only do we not know what our domestic producers are going to do, but we also have to take seasonal variations into account. If you think at the moment food price inflation is running at just over 2%—and people are very concerned about that—it reached 11% or 12% at the real peak in 2008, and at that point, the Government themselves were really starting to bear down on food inflation, because they realised the impact, you start to see the scale. This is a country that is used to long periods of food deflation, not inflation. At a time when wages are stagnant, this is really going to hit lower-income consumers.

Chair: We have been spending much less of our income, over the years, on food. That has started to go up again, has it not, but it is still relatively low?

Andrew Opie: Yes.

Chair: That is a very good point.

Q480 **Alan Brown:** Tariffs are a concern. Given the amount that is imported from the EU, in terms of the industry overall, what would your view be in terms of the least worst option if, say, the UK Government opted not to apply import tariffs but still have tariffs on exports? Would that be better or worse overall?

Andrew Opie: For consumers, it might get us through in the short term, but what we need to remember is our production or our sales, really, are predicated on UK production. We top it up with imports and give customers more choice by importing. That is great to have, and the system works really well. However, our producers export: about a third of lamb is exported; we export cheese, beef and processed products. If it starts to hit those producers, that is hitting the core of our own production here, and therefore, in the medium and long term, that is not a sustainable option. You have to keep the investment in the core supply chain, which is the UK. Yes, we could set our tariffs at zero, if we want, when we go to the WTO and give our schedule. That will probably insulate consumers in the immediate term, but that is not a sustainable way to look at our food security.

Chair: You think that in the long term they will pay for it.

David Thomson: Just to build on that, what I am really interested in is the effect in exports. The growth in the food industry in the UK will come from exporting. It will come from exporting to Europe, and to other countries as we make new deals. If we were not to have that zero tariff or that frictionless trade replicated, that makes it much harder and more costly to export. That means that your products are priced out of any market.

Q481 **Alan Brown:** Andrew, you mentioned you looked at four food products just to see what the tariffs would be. Is there a wider analysis on what the potential threat to the

industry overall could be in terms of jobs that are relying on these exports?

Andrew Opie: No, I do not know. I know the Committee has heard from producers before we have given evidence to you. It would be for organisations like AHDB to do more of the crunching on that. We can only really look at the import products and the prices that we are selling here.

David Thomson: I understand that AHDB has done a series of Brexit reports that show the impact on different sectors. I would point you to those as a really useful source of that kind of information.

Q482 David Simpson: What new terms are agriculture exporters, such as Australia and New Zealand, likely to seek in negotiations over UK tariff quotas?

David Thomson: The obvious thing is to sell more to us. You are seeing that, as the Chairman mentioned, in terms of the World Trade Organisation and their attempt to split the TRQ with the UK. There are two things there. First, there is volume. We want to sell more. Number two, there is flexibility. If we cannot sell enough in the UK, we want to sell it in the rest of Europe. This new system will not allow us to do that. They want to sell stuff where people want to buy in the EU. If I was them, the first thing I would be asking is, “Can I sell you some more, in order to support that flexibility that I used to have across the whole of Europe but now I only have with 27 countries?” which is the argument they are going to be making.

Andrew Opie: It is interesting that New Zealand does not currently use all of its lamb TRQ, whereas Australia is right on the headroom of it because it is quite small compared to New Zealand. In volume terms, it is massively different. There may be a difference in potential between Australia and New Zealand going forward.

Q483 David Simpson: Is most of Australian lamb used for processing like mutton? It is not the same as New Zealand. Would that be right?

Andrew Opie: I do not know. As this Committee has heard many times, we have a particular part of the lamb we are particularly interested in.

Q484 David Simpson: What UK interests should the Government seek to protect when negotiating UK specific quotas? What do they need to narrow in on?

Andrew Opie: As you are probably aware, we have agreed principle terms with NFU and FDF around the general approach Government should take to food trade deals going forward. They should be balancing the interests of consumers and producers when they are looking at trade deals. That is the thing we would look for going forward. On TRQs, we have agreed with the NFU that we should certainly maintain the access we have at the moment. That is what we have been talking to the Government about. The Government have worked out the last three years’ worth of consumption, looking at that as the potential UK split. There is a slight problem with that, in that some meat that comes via Rotterdam is then split into consignments in the EU. The figures are not always accurate. We are looking to maintain the TRQs we have at the moment. We would like that to be confirmed reasonably quickly so people can make sure contracts are in place, particularly for 2019 onwards.

Q485 David Simpson: Most of the trade deals we will negotiate, if we take America for example, will be bilateral agreements.

Andrew Opie: Absolutely. Presumably, at some point, the tariff rate quotas for Australia and New Zealand will slip away because we will have a trade deal with them. Therefore, the need for the tariff rate quotas would disappear because we would have a different trade deal with them.

David Thomson: One thing that was covered in the last session a little is to talk about the regulatory equivalence elements. We have talked a lot about standards this afternoon. We would want to make sure that our producers' standards were not undercut by those importing.

Q486 **Chair:** Go back to the New Zealand lamb. We have an agreement with Europe for a certain amount of lamb, 300,000 tonnes I think, and 70,000 to 80,000 tonnes comes into this country. When we are trying to split that up and take part of it, because the Australians do not get much access to the European market, even if we have an agreement with New Zealand to split this quota up, can Australia still object to it and stop that happening?

Andrew Opie: Our understanding from the discussions with Government is they cannot stop that immediately, but could bring a challenge to the WTO.

Chair: They would have to bring it as a challenge.

Andrew Opie: Exactly. We would continue to have access to the New Zealand quota, which is reassuring because we want to be able to go forward, but they could potentially bring a challenge. That might slip away at some point if we do a trade deal with Australia and New Zealand.

Q487 **Chair:** Otherwise you would be held entirely to ransom by other countries in the WTO who are saying, "Okay, you are trying to split this quota up with New Zealand. Now is our great chance to get ours in." They can still challenge it, but we could still do a deal with New Zealand and they would have to challenge it through WTO.

David Thomson: From my understanding of WTO, you can then trade on that basis until it is challenged and until the case is delivered.

Q488 **Chair:** I imagine that takes some time, as well.

David Thomson: Yes, years.

Andrew Opie: The bilaterals are interesting. South Africa, for example, might be looking for a reduction. There are controls on citrus black spot to keep it out of the EU, in Spain and places like that where they produce citrus. One of the arguments that will probably be made, if it has not already, by the South Africans is to ask why we would need those controls to bring it into the UK if it is not going into the EU.

Q489 **Chair:** We have no citrus fruit ourselves.

Andrew Opie: Exactly. Is that sustainable for them?

Chair: Life has never been less complicated, has it?

Q490 **Julian Sturdy:** That is a very interesting point at the end. I do not think Europe would be too keen on that happening, would it?

Andrew Opie: That is why Europe is concerned about borders between the UK and the EU, so the UK does not become a landing pad for products that end up in the EU.

Q491 **Julian Sturdy:** That leads on to my question. What are the main barriers the UK could face when negotiating a free trade agreement that covers agriculture with the EU? These are going to be some of the issues.

Andrew Opie: Absolutely. It is the control of products here. David, I do not know whether you can talk about origin.

David Thomson: It is the control of products. The biggest concern we hear is around using the UK as a place to pass stuff off into the rest of the EU. Frictionless trade is almost impossible in those circumstances, because everything will need to be checked as part of that. That is probably the biggest element. Rules of origin, as was talked about earlier on, are often about the place where the last major change was made. Does that apply to something you bring into the UK, ship to the EU and then finish off there, or vice versa? All of these are complications that we do not have at the moment.

Q492 **Julian Sturdy:** Citrus fruit coming from South Africa is a very good example of that.

Andrew Opie: We do not produce it here yet.

Q493 **Julian Sturdy:** When we are looking to get trade deals outside the EU, maybe with the US, South Africa and New Zealand, what do you see being the issues facing agriculture? If we get a deal with the EU, going back to the point you made about citrus fruit in South Africa, and then we are in the process of getting a deal with South Africa, could the EU object at that point?

Andrew Opie: That is not in my remit.

Q494 **Chair:** That is what a politician would say is well above my pay grade. Do you want to have a stab at it?

Andrew Opie: No, I do not.

Chair: Can I encourage you?

Andrew Opie: No, you cannot.

Q495 **Julian Sturdy:** What are going to be the issues regarding agriculture outside the EU?

Andrew Opie: We have heard some of the points before. Our view, which we have expressed openly, is that consumers should be at the heart of future trade deals. Trade, we believe, can really benefit consumers. We have seen that from global trade. We feel, ironically, that the advantages in future trade lie more in non-food than in food, because of where we import from. That is where we would expect there to be a balance between the interests of producers and consumers.

Q496 **Julian Sturdy:** There are going to be opportunities. You could use whisky as a classic example. Is that an area where there could be opportunities for us?

Andrew Opie: I am going to defer on exports.

David Thomson: Whisky, of course, is very well regulated and looked after in legislation. As part of the World Trade Organisation, it has a zero tariff anyway. It does not have the same complexity other food has. If you were to look at some of the food elements in new deals, as well as balancing the consumer and the higher standards, there are opportunities for exporting and importing here for food businesses. As I have said earlier, these things about trade flows, ingredients, raw materials and finished goods are important, but we need to make sure the standards are maintained all the way through, including with the other country we are dealing with.

Q497 Angela Smith: On that point, regulatory equivalence and maintenance of standards is really important. Do you think realistically, given your experience of food processing, it is possible to do that in a trade deal with the US? Its standards are quite significantly lower in some ways.

David Thomson: In the pieces of work I have done with other countries, yes, it is a given, in particular in meat, fish and so on, that you have to accept the other country's standards. That often means the other country will send inspectors to meat plants and other plants to make sure what we are seeing in the UK legislation, or European legislation as implemented in the UK, is equivalent to theirs. It is a given. It would be one of the things you would insist upon as part of the deal, so it is possible. Whether they would be willing to do that is a different thing.

Q498 Angela Smith: This is where TTIP proved to be a problem.

David Thomson: Yes.

Angela Smith: I think we can read what we want from that.

Q499 Chair: Under WTO rules, we would not be able to stop imports due to food standard issues. The EU is currently in a challenge with the US over WTO rules on chlorinated chicken. Could we technically sign a deal with America and then fight it through the WTO in a challenge?

David Thomson: If you signed a specific deal, it would have specific clauses and circumstances, rather than under the WTO.

Q500 Chair: This is one they would see coming, I would imagine.

David Thomson: Yes.

Q501 Julian Sturdy: How important is it for food processors to maintain the regulatory convergence? A lot has been talked about this recently. It is obviously going to be a big, big issue.

David Thomson: It is a big issue because it is a set of standards. If you are a multinational company, in particular a European multinational, you want to maintain the same sets of standards where you are. If I can use a meat processor as an illustration, if there is no deal and we go to third country status with the European Union, that meat processor will have to apply to be on a list of approved meat processors. Then they will have to wait on a veterinary inspection. They will have to wait on the outcome of that veterinary inspection, and, in order to do that from the third country, they will have to have a veterinary inspection every year or so from Europe, which would need to prioritise that meat plant above all the other meat plants in the world it wanted to go and visit to make sure it was there. Without regulatory

convergence, you create all sorts of problems like that in terms of where we are exporting. That is 60% of our total food and drinks export. That is a significant additional cost to businesses.

Q502 Julian Sturdy: How easy do you think it will be to get it?

David Thomson: It depends. There is process and there is politics in all of this. The process is quite often reasonably simple; the politics are devilishly fiendish.

Q503 Julian Sturdy: Say we look to improve our standards—this has been talked about by the Secretary of State—and we take our standards to the next level, over and above what the EU standards are, where would that leave us?

David Thomson: The EU would need to accept that they were at least equivalent to the EU standards. If they did, we would be okay. There is no guarantee, even if we could prove they were higher, they would politically accept that.

Q504 Julian Sturdy: Could they use the fact that we are trying to improve things as an excuse to say that they do not accept that?

David Thomson: They would say it is a different system and they therefore need to check it.

Q505 Chair: They could stop imports.

Julian Sturdy: That is what I am trying to get at.

Andrew Opie: We are more domestically focused. We need to be careful about raising regulations to a certain point simply for the sake of it, but you may not always be able to pass the value of that on to consumers. The last thing we want to do is look at a higher tier of regulation that is not valuable to the consumer. The vast amount of UK produce still comes on to the UK market. The regulations set by the Government apply to all UK producers, so we need to be sure the farmers and processors are going to get the added value for that when they sell it on the market.

Q506 Angela Smith: On exactly that point, Andrew, what evidence is there to demonstrate whether provenance and standards fare more successfully in terms of consumer buying decisions than cost and brand loyalty?

Andrew Opie: That is the conundrum facing every retailer, trying to get exactly that value equation right between price, quality and provenance. At the moment, if you look at those three elements, it is skewed slightly more towards price than it was five years ago. It is therefore harder to sell some of the areas like provenance into that equation and get the same value, because consumers are under pressure and price pressure at the moment. It is a “watch out” that we have to be careful.

Q507 Chair: Especially if they saw prices rise.

Angela Smith: They are going up.

Andrew Opie: Yes, exactly, we are seeing that at the moment. It is a “watch out”. We need to be careful that, if we talk about regulation for our own domestic producers here, we are sure they are going to get the added value for consumers on the market.

The final thing to say is that regulation is the baseline for most food companies. Most food companies go above and beyond, because regulation does not cover everything. It does not

cover some of the ethical areas. It does not cover all the environmental areas. It does not cover some of the sustainable sourcing areas, all of which consumers still want when they come into a supermarket to buy the produce, but they are not necessarily regulated.

Q508 Chair: There is a cost implication to production as well.

Andrew Opie: Absolutely. We have to always put the consumer at the heart of all these debates. That would be our plea. When you talk about regulation or standards, always put the consumer first.

Q509 David Simpson: How important is it for food processors and retailers that there is frictionless trade between Northern Ireland and the Republic of Ireland, taking into consideration what has happened this week?

Chair: It is not controversial this week.

David Simpson: Absolutely not, it is very straightforward.

David Thomson: I can give a two-word answer: incredibly important.

David Simpson: We would agree: get it right.

Q510 Chair: Taking it a little further, I can see Northern Ireland's perspective where it does not want a different deal for Northern Ireland than the rest of the United Kingdom. We also need to get those lorries and food in and out. What is the magic solution? You two today can solve the political conundrum for the Prime Minister and whole of the Government if you can give us a smart way of getting that food in and out between the Republic and Northern Ireland. How do we do it? Come on.

David Simpson: If you give the wrong answer, you will wreck it.

David Thomson: To go back to the first things that Andrew and I said about what is important for us, it is about as frictionless as possible and small or zero tariffs in at least the transition period, but as low tariffs as possible. That is it. As soon as you have any divergence, it becomes very complicated.

Q511 Chair: To my point about getting a lorry physically across the border, how do we get to a situation where the Republic of Ireland, Northern Ireland and the rest of the United Kingdom recognise each other's standards, so the standards are the same? If we are not part of the customs union, how do we get that lorry-load of meat, milk or cheese through the border without having a border post?

David Thomson: It is really difficult. The nature of trade between the Republic of Ireland and Northern Ireland is such that it is not all big lorries that are amenable to border posts. It is not six roads; it is many hundreds of roads. Our colleague in the Northern Ireland Food and Drink Association, Michael Bell, is deeply concerned about a black market and crime, as well as the simple things of trying to run a business.

Q512 Angela Smith: In your written evidence, David—I am interested to get a quick response on this—in paragraph 11, you said, "FDF has offered to convene a joint industry-Government task force to tackle the specific border challenges for food and drink". Have the Government taken up that suggestion?

David Thomson: No.

Q513 Angela Smith: No response?

David Thomson: No response, as I understand it at the moment.

Q514 Angela Smith: How long ago was it that you asked?

David Thomson: I do not know. I can check and I will let you know.

Q515 Angela Smith: They have not taken up that offer.

David Thomson: No. We work very closely with IBEC, which is the Irish equivalent of the FDF, with Michael Bell and the Northern Ireland Food and Drink Association, and a number of our businesses across the UK Northern Ireland and the Republic of Ireland. We have lots of expertise.

Q516 Chair: You are ready to help.

David Thomson: Yes, absolutely, as are the farmers.

Andrew Opie: That has hit the nail on the head. One of the biggest problems we have seen is that you have three or four agencies involved in this. You have HMRC, potentially FSA to do the checks, border controls to check immigration, so you need them all to be joined up. You have the other issue about whether the IT system is going to work when it is launched. You need that co-ordination.

Angela Smith: It is a nightmare.

Q517 Chair: We were not too good with the basic farm payment, let alone making sure all these systems work. You are so right. The other point you are making to Angela's question is that we are not really asking you for enough advice. We are not asking the companies on the ground. In the end, not only does it have to be a political fix or political agreement; it has to be able to work physically. That is sometimes what the Government across Department find it more and more difficult to achieve.

Andrew Opie: That is exactly right. We are having quite constructive conversations with the individual organisations, whether HMRC or FSA, but we are not seeing them all in the same room at the same time, to understand how we can all work together and what practical experience we can give. There are different ways. We have talked about mutual recognition. We might do some of the checks away from the borders, for example. We might do it through authorised premises if it is the SPS checks. How would these things work for big businesses, to ease the flow through the border? There are some good solutions.

Q518 David Simpson: One of the issues, of course, is the number of crossings there are in Northern Ireland. Secondly, there were some proposals put forward that SMEs and other larger companies would be exempt because of reputation, and possibly 2% of those will be checked. The other issue we are trying to address at the minute is that, for the large pharmaceutical companies I have in my area of Upper Bann, such as Almac doing cancer research, those vehicles and seals cannot be broken. There has to be an exemption for those coming back and forth both ways. There are ways around it. I think what you are saying is, if everybody sits in one room and looks at it, including the industry, they can say, "This is a practical solution. We have done it from nineteen-twenty-whatever. It is nonsense to think that we cannot manage it now". It is a common sense approach.

David Thomson: That offer remains, not just for the Northern Ireland border, but for lots of these issues.

Q519 Dr Johnson: We have talked a lot about food prices and how they may or may not change. There seems to be a lot of uncertainty about that. It may be that some things go up and some things go down. That seems the most likely to me. We heard from Tim Martin earlier that he calculated the estimated reduction in prices of food and drink at his restaurants and pubs. The BRC said that prices will go up and estimated quite high tariffs on food. If prices go up on specific products, what can the retailers do to ensure that that is not passed on to consumers without passing their discomfort on to farmers?

Andrew Opie: Very little. We already have the most efficient supply chain going. You are adding a cost. For beef, it could be 40% to 50% on the price of beef that is imported from Ireland. These are substantial tariffs. There is no room. The margins through the chain, for David's members, farmers and retailers, are small. They are not big. These are such big prices. These are not things that are going to be absorbed easily.

Q520 Chair: They would more or less go directly to consumers.

Andrew Opie: It is difficult. The reason we cannot say what prices might look like in 2019, if there is a hard Brexit, is that we do not know what other issues might influence food prices. If there is an oil price jump, for example, that will have an impact. Currency changes, which we have already seen post the referendum, have had an impact. We cannot say definitively, but when everybody is working to single digit margins and you are talking about 40% to 50% beef tariffs, that is a substantial increase on the price we are going to see.

Q521 Dr Johnson: That presumes that farmers in the UK do not then up their production. There is potentially an opportunity.

Andrew Opie: They could do that. That is what our report showed: what the maximum price would be, if beef producers here also raised production. The problem with that is that consumers will not necessarily swallow that. They will switch out of beef into another product that is cheaper. Chicken would probably be one. All our fresh chicken is produced here in the UK. We do not pay tariffs on that. We would probably see a downturn from beef into other proteins, which is what tends to happen when one protein price goes up.

Q522 Chair: Lower tariffs could have a detrimental effect on the UK farming industry. Are there any scenarios where the UK farming industry can be protected while reducing prices to consumers? That is very similar to Caroline's question. What magic solutions are there? Farmers can have a great deal and consumers can have cheaper food. How is it going to work?

David Thomson: I would not want to speak for farmers. At the moment, my colleagues in the National Farmers' Union of Scotland have a logo that says "change". No matter what happens, farming will have to change, I would imagine. There will be a new regime, whatever the UK's agricultural policy is. That means there will be different dynamics within the farming industry, as well as the dynamics within the market, as Andrew said. We should not be talking about protecting. We should be talking about supporting and nourishing our growth in farming.



Chair: We will probably deal with that in the inquiry we will be doing into the agriculture Bill. We will look at the support as well. Thank you for that answer.

Q523 Sandy Martin: That is a little glib, I have to say. If you look at Welsh sheep farming, given the preponderance of Welsh sheep meat that goes into the rest of Europe, if Europe puts tariffs on Welsh sheep meat and if the agricultural support payments from the EU dry up, there is no way the Welsh sheep farming industry is going to survive. There will be sectors of British agriculture, which tend to be geographic sectors, that will just die. It is not that they will be able to move into another form of agriculture. They will have to either go on the dole or find a job working in a supermarket.

David Thomson: It certainly was not my intention to be glib; it was my intention not to answer for the farmers. I am very well aware of the Welsh lamb industry. The Scottish lamb industry will also be affected if there are tariffs on exports in a significant way. You cannot just alter to a different product, because the farming land is not right.

Q524 Sandy Martin: In the worst-case scenario, we could have not only Europe placing tariffs on our meat being exported to Europe, but also tariff-free meat coming in from New Zealand and Australia, undercutting any production we could do in this country.

David Thomson: Absolutely.

Q525 Chair: I have said before to the Secretary of State that it is a perfect storm, if you get the extra New Zealand lamb in and cannot get the exports to France. That would be the death knell. We have covered a lot of this, but how will retailers aim to improve their labelling to help consumers make informed choices about the food they buy, whether UK produced or foreign imports? I do not know if there is anything else you want to add to that.

Andrew Opie: Chair, as you will know, because I have raised this with the Committee a number of times, we signed the agreement with Jim Paice. Remember Jim Paice, the Minister? This is how far we are going back. That agreement, I think in 2010, was signed with retailers and food companies. All of the retailers are following that guidance, which means we go much further in terms of labelling on processed products, particularly where they are British. Where customers want British, we will give a lot more information, country of origin; we not use imagery of British flags if the meat or the dairy in the product does not come from here. There is great guidance that was drawn up with Defra. We just need more engagement across the whole food sector, but the food retailers are doing it. You can see it in your supermarkets.

Q526 Chair: Are you absolutely certain your retailers are not hiding imported meat and products in their processed meals?

Andrew Opie: Of course not. We are labelling clearly and go well above the regulations.

Chair: We will pursue that with you another day, and we will make sure we hold your feet to the fire on that one. Gentlemen, I thank you very much for, again, a very lively session. Thank you for very succinct answers to very complex questions. Your evidence will be very useful as we put our inquiry and report together. Thank you very much.