HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: Brexit: Agriculture, Trade and the repatriation of powers, HC 402

Tuesday 12 December 2017

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Watch the meeting

Members present: David T. C. Davies (Chair); Tonia Antoniazzi; Chris Davies; Glyn Davies; Paul Flynn; Ben Lake; Anna McMorrin.

Questions 93-179

Witnesses

I. John Davies, Deputy President, NFU Cymru, Huw Thomas, Political Adviser, NFU Cymru, Glyn Roberts, President, Farmers Union of Wales, and Dr Nick Fenwick, Head of Policy, Farmers Union of Wales.

Written evidence from witnesses:

- NFU Cymru

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Examination of witnesses

Witnesses: John Davies, Huw Thomas, Glyn Roberts and Dr Nick Fenwick.

Q93 **Chair:** Good afternoon, Messrs Roberts, Fenwick, Davies and Thomas. Thank you for coming on the Welsh Affairs Select Committee this afternoon. Before I begin, I wondered if anyone wanted to declare any interests.

Glyn Davies: I think I should. Well, I am a sort of a farmer, in that I used to be one but I don't keep any livestock now so, just to be on the safe side, I will declare an interest.

Chair: That is absolutely noted. Gentlemen, we all know each other quite well and have had many meetings previously, so perhaps I could just go straight into questions. We are doing an inquiry, obviously, into the potential challenges and opportunities of Brexit on agriculture in Wales and I will start off with Mr Paul Flynn.

Q94 **Paul Flynn:** Could you tell us what the contribution of farming in Wales is to the Welsh economy?

John Davies: Well, thank you for that question. Obviously we are proud to produce Welsh food and we are proud to be part of an industry that contributes £6.2 billion to the Welsh economy, in terms of food and farming.

Q95 **Paul Flynn:** What percentage is that to the Welsh economy? It is less than 1%.

John Davies: Nearly 20% of the Welsh economy, the food and farming industry in terms of—

Q96 **Paul Flynn:** No, I understand the figure is less than 1% of GVA, the Welsh gross value added.

John Davies: I think we would contest those figures, based on the latest food report for Welsh farming.

Q97 **Paul Flynn:** What would you suggest the figure is as a percentage?

Chair: Would the FU like to—

Glyn Roberts: *(in Welsh)* Do you have translation equipment?

Chair: *(in Welsh)* I'm very sorry but unfortunately we can't do this in Welsh. *(continued in English)* I hope that is all right. I am sorry about that. It may well change one day but for now—

Glyn Roberts: Okay. First of all, can I thank you for the opportunity first and can I just explain to Paul Flynn? I am sure that this is not the first time that I have been explaining to Paul Flynn, because he did come to our area where I took the advantage of showing him the value of agriculture, not only for food but for the environment, the infrastructure, the culture and the Welsh language and everything. At the end of day £60 million is being spent from agriculture to the health and welfare of animals; £350 million on animal feed per year; £128 million each year for machinery; £75 million on contractors for our farms, and the Welsh farms employ both 54,000 people and another 222,000 people in the supply chain itself. According to the University of Kent, a further 22,500 people in non-agricultural jobs are supported by the CAP. To put that in perspective, the average income for the average farm in Wales was £25 grand but the average money that was paid to the economy was £100 grand, so that to me shows how valuable agriculture is. We have to speak about the values as well, and agriculture is the highest industry that reflects and keeps the Welsh language, because 30% of the farms, farmers and people that work on farms are speaking Welsh. That is a lot higher; possibly triple the average of the other industries in Wales.

Q98 **Paul Flynn:** You end up with a strong argument I believe, the strongest argument and the one that many of us would agree with. It has been recognised in Europe for countries where the character of the country, the ancient life of the country is in its purest form, is among rural communities, and this applies throughout the EU.

If I take you up, Glyn, and say I have very happy memories of when contributed to a television programme that I wanted called "In Search of a Poor Farmer", and it turned out to be called "Flynn versus Glyn", when it actually appeared. But I am very grateful for the wonderful visit to your farm, the delightful village and the life in the school there, some very happy memories of coming together.

But if we just take one of your figures, you suggested that there are 54,000 people working in farming in Wales. The DEFRA figure we have is 41,629, and that does not include just farmers but it includes farmers' partners and spouses. Now, if we want to measure the number of steelworkers by also including their spouses, wives and husbands, as steelworkers it is a nonsense, surely, isn't it? Why on earth should your figure be bolstered up by that?

Glyn Roberts: The thing is that there are lots of wives, if you call it like that, and the children within the farming industry—

Paul Flynn: Yes, but they are not I mean if you are measuring the number of farmers—

Glyn Roberts: —who are helping on the farms but personally not getting any money for helping on the farms.

Q99 **Paul Flynn:** Could you explain? We know what happened in New Zealand in 1984-85, there is a RAND report today that gives a very depressing picture of what is likely to happen post-Brexit. There is going to be economic collapse, in almost any scenario it is going to happen. We are facing a situation like New Zealand in 1984. Could you justify that 40% of the money we will get back from the cheque, if it comes back, should be given to an industry that only produces 1% to the economy? Does that make any sense? If there is a crisis, and we have to look to the health service, I mean already 190% of it has been spent—the money that is coming back—according to two Government Ministers. Isn't there a crisis ahead for farming?

Glyn Roberts: There could be a crisis in agriculture. We have to make sure that we minimise or mitigate as much as we can in terms of that.

Just going back to your question about New Zealand, I think the concept of agriculture in New Zealand is totally different to the concept in Wales because if, for instance, we adopt the New Zealand type of farming in North Wales, well, all the community will die. The average farm in New Zealand is possibly 2,000 to 3,000 sheep, where the average in Wales is about 70 sheep, so if you have 70 sheep the welfare of that animal is much better if we keep 2,000 or 3,000 sheep.

Q100 **Paul Flynn:** I think it has been suggested on one Committee that there is going to be a collapse of 80% in meat exports from Britain, post-Brexit, and that one of the few ways of deal with this is to increase the value of exports of, say, Welsh lamb by exporting more of them on the hoof rather than on the hook and there is a view of Government on this. Would you find it acceptable if there was a large increase in the number of live animals exported from Britain to Europe or the Middle East or China?

Glyn Roberts: At the moment now there are not a lot of live exports. Most of them are on the hook, yes. The problem is we don't know the situation with regards to tariffs. If we had a big tariff on our lambs, the lambs that will be exported live could go without any tariffs but the ones on the hooks will incur a tariff.

Paul Flynn: Just a final one. We have limited amount of time. One final point, some of the forecasts are we are having a big increase in imports of food products from abroad, including from America, which would include food that has an excessive amount of chemicals in them. There is one kind of beef from America that is known as pink slime beef, which is permissible there. There is meat that has been irradiated, antibiotic saturated, lower welfare standards, lower hygiene standards, what would be your reaction to that, the possibility of British meat being displaced here by American meat?

Glyn Roberts: Let me finish that. As a union we have always asked for equivalency, to make sure that every food that is coming in is on the same par as our own meat because it is not fair to import a lower standard on our red meat. If you look back there, possibly because we were in the EU, they did stop some of that type of meat coming over but, allegedly, the UK did vote for it to come in to get cheap food cost.

John Davies: In our transition period there is a desire for us to remain part of the EU Customs Union, and that will regulate the standards. We are pleased and we are proud of the standards that we produce our meat to. They are some of the highest environmental standards and the highest welfare standards in the world and, obviously, we look to maintain those and make sure that those are recognised, going forward, and that we are not subject to products from other parts of the world that aren't of those equal standards and that they are properly labelled going forward. That is very, very important.

Q101 **Tonia Antoniazzi:** The Treasury has given assurance that the current level of agricultural funding under the CAP Pillar 1 will be held up until 2022. What should happen after 2022? I don't mind who answers it. John?

John Davies: It is really important that we do value agriculture and food production going forward. We believe that we do deliver good value for money. The UK public expenditure is some £800 billion. Spend on agriculture in the UK at the moment is in the region of £3 billion. That is less than half of 1%, so obviously we look to some of those assurances that have been given in the past to maintain funding going forward. We believe food production is a very important strategic industry.

Chair: By the way, Glyn Davies, if you want to come in on any of this obviously you have a certain expertise in that area.

Glyn Davies: I may do. I wasn't planning to ask any questions really but I might be tempted at some stage.

Chair: I am sure you will be.

Q102 **Anna McMorrin:** We are looking at a new payment system possibly after we leave the European Union. If you were to reform the CAP system under a new British payment system, what key principles would you like to see incorporated? How would you like to see it developed, Glyn?

Glyn Roberts: First of all, we have to look at the values, where we are and where we want to be, and I think let us look at the resources that are available for us in agriculture that I more or less talked about when I was answering the questions from Paul Flynn. There are one or two other things that we would like to see within that because it is important that we have some kind of an overarching funding policy, and that should be based on a needs basis, allocated on a post-Brexit budget based upon the proportion of the region that is subjected either to handicap, climate, soil productivity, socioeconomic, because those things are important to look after.

We are looking for a cap on the money as well, as a union, because we believe that there should be a cap on the money that comes to agriculture. There is the possibility, talking within Government, of putting a cap on Pillar 1 but not on Pillar 2 but we would like to see a cap on Pillar 1 and Pillar 2. As well, stick to the rules for non-active farmers and charities because if people—charities and non-active farmers—will get the Pillar 2 equivalent without a cap they will have so much of a percentage of that.

John Davies: There are three strands that we would like to see a future agricultural policy based on, and those are: the environment, production and volatility. Obviously, the deal that we get going forward it will vary.

How much resource we need to put into volatility, for instance; if we have a particularly bad trade deal we would need to put more resource into volatility to ensure that there is an opportunity for people to change, adapt and evolve going forward.

Obviously, in Wales we have a very close relationship between the environment and productivity and we think there is a lot of opportunity there, going forward. We have to have some vision, some ambition for Welsh agriculture to lead the world. We have the opportunity to be the lowest carbon footprint producer of red meat, possibly. When we think back to the leaders in Welsh agriculture—Stapledon in Aberystwyth nearly 100 years ago—in terms of grassland production, in terms of pasture-based production, there are some real opportunities there for Welsh agriculture. Let's be a speedboat, not a super tanker.

Dr Fenwick: If you don't mind me adding to what has been said, it is also essential that we look at the entire supply chains, bearing in mind that farms are key links in supply chains. That can start in some contexts with your local vet, your local haulier and at the other end of the spectrum end up on the supermarket shelf. To some extent there has been a fixation with farm and rural development policy without enough attention being paid, first, to the role of those upstream suppliers, of which there are many thousands of businesses that depend on agriculture, whether fully or partially, and also the other end of the supply chain, which is: what Government does to ensure that food buyers, supermarkets and so on, pass a fair proportion of the money that they make from the consumer back to the farms because no farm wants to be supported. Let's be honest about it. The system has created a cheap food policy and we need to have a look at entire supply chains, but not only in terms of food that is being supplied but also in terms of carbon storage that is being supplied, the electricity production that is being supplied by farms, and so on. There is a long, long list of environmental goods.

Q103 **Anna McMorrin:** Thanks for that. At the moment, the CAP payments make up I think around 55% to 60% of some farmers' incomes, which is a huge amount. That potentially going is going to leave a lot of farms, farmers under quite considerable distress and worry and going under, as we have just discussed. Do you think that we should, therefore, differentiate where we make those payments, so that wealthy farmers don't get so much, for example? Where would you prioritise this? Would you prioritise it in terms of alleviating rural poverty, or would you prioritise it in terms of safeguarding our environment and putting an onus on to farmers to be the guardians of our environment and our landscape, which indeed you are and you have a lot of demands on you in order to do that—not quite enough I don't think—where would you see those priorities?

Dr Fenwick: Chairman, if I can come back to the description I gave earlier on about supply chains and the need to look at entire supply chains. Where there is a finite amount of money, as there always is, our belief is that we should be looking at all those supply chains. Where Government cannot intervene to make sure there isn't market failure, then they should intervene to address that market failure. As has already been said by our President, we have a cap in Wales, perhaps that wasn't stated explicitly enough. We have a cap on payments in Wales. There is no cap on payments in England. We have supported a cap on payments since 2008, since it was first raised under the CAP Health Check review. We have maintained that support and we are glad Wales has a cap. There is certainly scope for bringing that cap down but it should be applied to both Pillar 1 and Pillar 2 type payments.

There is a whole argument about where the cap should lie, but certainly it doesn't do any of us any favours when we hear the stories about the Dysons of this world claiming millions of pounds in payments. It needs to be targeted support to make up for market failure, and we would hope that Government post-Brexit will have more scope to look at addressing market failure further down the supply chain, more towards the consumer end.

Q104 **Anna McMorrin:** Would you agree then that, for example, those upland farmers who are perhaps struggling with costs and expenses and facilities would benefit more and also look after a great deal more of our landscape, potentially, with a great deal more acreage? Do you think they would deserve more enhancements, more payment than perhaps lowland farmers?

Dr Fenwick: Let me just finish the point. It is essential that we tread very, very carefully. As we have already said, these people are key links in very complex supply chains. There are tens of millions of pounds going to vets, hauliers. We have had a number of farm visits around Wales in the last 12 months, where we have invited on to those farms AMs, MPs and also the people that supply those farms, which are not agricultural businesses directly but they are builders, plumbers, agriculture merchants, et cetera. There are manifold more businesses that are reliant on agriculture, so it is essential that we look at the facts and figures rather than run off with principled ideas, and look at the actual economics of these farms. We also need to ensure that we don't run away with the idea that it is only upland farms that are badly off often. There are plenty of lowland farms that are also struggling, very much so.

John Davies: It is important that any farm, wherever it is situated in Wales, has the opportunity to contribute to environmental enhancement. That is something that is vital going forward, because I know that there are people on the coastal path and whatever that are keen to be involved, and in the highest levels of Wales as well, so it is important that every person and every farmer that wants to contribute to environmental enhancement has that opportunity.

If we look at win/win scenarios, we planted in excess of 10,000 trees and hedgerows over the last year or two. Not today because there is 12 inches of snow standing on our farm today in the foothills of the alpaidd, and it is really, really dangerous and obviously any safe working practices is not on with that. There were three people putting up fences, planting hedgerows and the likes on our Glastir scheme last week. It is not only those people who are working directly on farms, it is the people involved in supplying those materials as well. It is important to look at that study where we looked at every pound spent on agriculture, deliver £7.40 back to the rural economy, and that I believe is a figure that is really valuable in terms of discussions.

Glyn Roberts: We did talk about the hill farmer and the lower one. We tend to forget about there are lots of farmers in between those two and possibly those are the small family farms that need help as well as the other two categories, where it is not a blank sheet, just a line in the middle of highland and lowland. We have to look at that.

But can I reiterate—because I feel that it is the most important thing is within your answer—that we need to have a balance between environmental issues and production and that we look at the market failure on everything. That is whether this market failure is related to the supply of Welsh lamb, lapwings or a cap on storage. If we can look at a holistic view like that and look at the market failure of everything and channel the money towards helping the farmer, more a carrot than a stick approach.

Q105 **Anna McMorrin:** Perhaps what you are saying then is that, in times of lessened budget—which it will be—we won't be able to be in receipt of EU funds in a couple of years' time or after 2020, so do you think then that we should be producing less but better?

Glyn Roberts: There are two answers to that because if you look at it as clinically economic it could make sense, but the thing is if we do produce a lot less meat, milk and any other products that come from agriculture, are we in the position then that we could lose the critical balance? To me it is not only the farmer but it is the auctioneer, it is the abattoir, it is the butcher. I don't want to lose that critical mass not only for agriculture but for infrastructure or rural life in rural Wales as well.

John Davies: Any focus on efficiency going forward helps our productivity and we need to improve our productivity. We have gone down the productivity scale, and where we improve our productivity that actually contributes to the environment as well and lessens our footprint on the environment as well, so there are win/win scenarios here.

Dr Fenwick: We must be very careful, as the UK and also as Wales, not to walk into a situation whereby we reduce productivity and production and simply end up exporting production to areas that have far lower environmental standards, far lower human social standards, far lower animal welfare standards, which has happened in the past in terms of some of the products that are very popular among our population. We need to feed our population, because we effectively export our consciences to being out of sight, out of mind, and I don't think that is what the general public really want.

Anna McMorrin: Chair, just one last quick point.

Chair: Certainly, and then I am going to dive in with a quick one as well.

Q106 **Anna McMorrin:** Just to come in back on that, the thing is it is all going to be changing and what you seem to be suggesting is that we can have our cake and eat it or have our lamb and eat it, whatever. The farming industry is going to have to make some sort of compromise because there is going to be less money. There are going to have to be priorities that you are going to have to look at as an industry, as unions, to look at where we make those compromises. What you are saying is that this is a win/win situation. It is not a win/win situation at the moment.

John Davies: No. What I said was improvements to productivity and improvements to efficiency do contribute and lessen the environmental impact. I will give you a specific example. We use a high sugar grass, developed in Ben's constituency in Aberystwyth. That actually improves the live weight gain of our Welsh Black Cattle and it lessens the carbon footprint by some 20%. That is a proven study. That I believe is a win/win scenario. That is an improvement in productivity and a lower environmental impact. Those are the win/win scenarios that—

Anna McMorrin: That is just good business, though, isn't it?

Chair: I think we just gently have to move along a little bit. We are only on the third question. Tonia, did you have a very quick supplementary?

Q107 **Tonia Antoniazzi:** I just think we are talking about markets and improving the productivity. We need to be pushing, as politicians, for a commitment from the Government that Welsh beef, Welsh lamb, and Welsh produce is going on, is feeding our armed forces, is in our schools. We are feeding a nation. That is something I would like to push forward and I think we should be working on. Do you agree, Glyn?

Glyn Roberts: One of the first things I appreciated after the referendum that there could be the possibility to look at the procurement policies.

Tonia Antoniazzi: Yes, definitely.

Q108 **Chair:** Can I just ask you then, do you think we are too dependent on food imports at the moment and could we actually be selling our own nation more of our own food? Should we be doing that? Should we be looking to reduce food imports from the rest of the world?

John Davies: There is an opportunity here to look more at the value rather than the cost. Very often we look purely at the cost and, I think, if you look at the contribution in terms of value to the whole economy of Wales in a circular economy, there is a real opportunity.

Q109 **Chair:** Yes. But I think what you are also saying is that we should not be looking to necessarily prioritise cheap food here. We should be thinking about everything that is gone into the process. Is that a fair summary of what you said?

John Davies: The whole cost, yes.

Q110 **Chair:** I was also going to ask one other question, which is whether you think that in general the price that we pay for food overall, the price the consumer pays overall, is either too high, too low or about right?

John Davies: If you look at the cost of food to the household budget at the moment, it has never been at a lower level. Obviously we recognise that it is important that we produce food at an affordable cost but we believe that all costs, environmental impact and everything, should be taken into consideration—welfare and everything—so we welcome Tonia's contribution earlier in terms of all of that.

Q111 **Chair:** In other words, providing the extra money that hypothetically one might pay in a shop, we are going back to a British farmer to pay for higher environmental standards and higher animal welfare standards. You would not necessarily be concerned if there was a little bit of an extra cost on the food on that shelf? Is that a fair summary of what you are saying?

John Davies: What is important, if we do get exposed to those higher requirements, is that it is properly labelled, so that the consumer can make an informed choice. Because there will be food that is produced to different levels and different standards, so it is really, really important that we do have clear and consistent labelling.

Tonia Antoniazzi: A commitment to the labelling as well. That is a big thing.

Q112 **Glyn Davies:** It is linked to this issue. Clearly, there is a sum of money that has been coming in through CAP, which has supported the agriculture industry. The future of that after we leave the European Union will be decided by the British Government. The sum of money might be decided and, indeed, the way it is allocated might be decided. One of the things that climate change and the Paris agreement has driven across the world is more woodland, especially more broadleaf woodland. That is not economic. That can only happen with an element of subsidy. What would your view be of a transfer of money or a system of supporting broadleaf woodland, which was using up quite a bit of the released CAP money?

Dr Fenwick: There are already schemes, as you are aware, Glyn.

Glyn Davies: I am talking about a decent-sized scheme that makes a difference.

Dr Fenwick: There are already schemes under Pillar 2 that try to address that and there are certain obstacles to that. There is plenty of land that is appropriate for planting certain types of species, but there is also plenty of land that should not be planted because it would undermine its productive value. We need to bear that balance in mind.

There are also potentially opportunities for farmers to ensure that where land does end up being turned into commercial forestry we keep ownership of such ventures within the farming and local community rather than it ending up in the hands of private companies based in the City, effectively, which is what we saw at a huge level happening in the 1970s. We cannot go down that route again.

Q113 **Glyn Davies:** Irrespective of that, I think we would all agree that we do not want to see a repetition of the coniferous forests that we saw coming and people losing contact with it. I am talking about a different sort of concept where you have broadleaf woodland. To enter the scheme you would have to have access. It would go towards the anti-obesity agenda as well as the climate change agenda. It is quite a philosophical change, but I think it is quite a substantial change in the way the industry would be organised. I am not talking about 20 acres, I mean 300-acre woodlands, big proper woodlands.

Dr Fenwick: I do not think the FUW would necessarily support that at a local level because people get very worried when they see land that has been farmed by people for literally thousands of years disappearing under any kind of tree. There is also an environmental cost to that because when you take something that has been there for a long, long time and you replace it with a totally different habitat, there is an environmental impact that people do not appreciate.

On a smaller scale, as happens to some extent at the moment, that is the sort of thing that I would describe as an example of where Government need to make up for market failure. Currently, that sort of forest is not economically viable, scrub oak and that sort of thing, but it is viable from a carbon point of view. It is desirable from a carbon point of view, but there is an economic failure there. Government should make up for market failure because there is currently no viable market for that sort of enterprise, but it cannot be done on viable farmland.

Q114 **Chris Davies:** First, a couple of declarations. I am chair of the All-Party Parliamentary Group on Forestry, so I am going to finish off on Glyn's question in a moment. I should have declared at the start that I have a constituent sitting on the panel, Chairman. I am not sure if that is declarable or not, but I just thought I had better state that.

Chair: Fair enough.

Chris Davies: As far as forestry is concerned, are both organisations promoting forestry or is it something that you do not recommend to your members?

John Davies: I think it is one of a range of options, especially on small-scale mixed-species shelter belts planted across contours. There are some real benefits there that are not just economic: environmental, reduced run-off, and providing shelterbelts as well. We have done some work with Coed Cymru and other organisations in the past that has been really beneficial. When I started farming in my own name quite a few years ago now, 1986, 1987, somewhere there, we planted some and it has been a real pleasure to see how they have developed and their economic contribution as well as their environmental contribution to our business. There are opportunities there. Let us look at all the opportunities as they arise to provide a range of benefits.

Q115 **Chris Davies:** Before the FUW come in, in my constituency we have three reasonably sized sawmills and soft wood is vitally important to the future. Planting achievement is a lot less than it should be. With the changing CAP that we perceive coming, do you see it as an option in the future for your members?

Dr Fenwick: We are currently in discussions with Coed Cymru and we have had regular discussions with Confor to some extent triggered by the whole Brexit vote. We are also engaged in various committees where this is coming up quite regularly.

What we see is the need for a sensible approach. If there is going to be a sale of land towards forestry, it needs to be land that makes sense for the farmer and does not remove eligible farmland from farms. There is plenty of scope there; it is just that we need to make sure that things like environmental impact assessments do not shift the emphasis on to productive farmland or land that is inappropriate from an environmental perspective. There is certainly scope to do it and, as I said to start with, we need to ensure that ownership of that remains within Wales rather than ending up with giant companies on stock markets, et cetera.

Q116 **Chris Davies:** If I may jump on the end of Anna's question, could you give a practical example here, gentlemen? We seem to have a gentlemen panel. We are looking at a changed CAP whatever happens. We are hearing various rumours, whether from Wales, Scotland, certainly from the Secretary of State here in Westminster. A 500-acre scenario: 500 acres of open moorland, and a 500-acre mid-ranging farm producing—shall we keep the figures easy—500 ewes a year. When it comes to the next round of subsidy and the change in CAP, who should benefit the most?

Dr Fenwick: It should not be a competition between one or the other. We need to do a thorough analysis. We approached our Minister in Wales in probably January or February 2016 asking for a thorough, detailed analysis of the supply chain, not just farm income because we have an excellent farm income database through the farm business survey in Wales, as they have in England, but to do a thorough analysis of the economics of agriculture and the agricultural supply chains and other supply chains. We need to make sure that we have that data before rushing into any decisions based on simplistic ideas.

Q117 **Chris Davies:** With the greatest respect, Nick, somebody in a Department is going to have to sit there with a pen and make a decision. We know the country voted for Brexit a couple of years ago. We know constantly the CAP changes every five years. You have had plenty of thought to decide and there will be a decision, we are hearing. As we have already heard from the panel, it could be the money is going on environmental purposes. Therefore, would it be the 500-acre heathland that would benefit them more than the livestock production? I am asking your organisations: which do you think? We could probably go on for hours on this, but the Chairman will not allow it. Which do you think, in a small, simple answer, should benefit and how should that money be spent?

Dr Fenwick: I will not answer that question because I do not believe we should be robbing Peter to pay Paul. We should be recognising both for the different values they produce in terms of the different supply chains they are supplying and ensure that we get to somewhere sensible rather than rushing into a decision based on me making off-the-cuff comments during a committee like this, saying we should support this man or this man or this family or this family. Absolutely not.

One of the problems we have with Brexit is it is happening so quickly. The economic analyses need to be considered because it may be that superficially some might want to support that upland 500-acre moorland because of carbon and so on, but by doing so and taking money from the other farm, they collapse a number of important supply chains, which involve vets, hauliers, et cetera. For example, in Powys where your constituency is located, the proportion of people that are employed in agriculture and forestry is far, far higher than the rest of Wales. It is getting on for 20%, isn't it? You do not want to inadvertently suddenly put that 20% on the dole because you have made an off-the-cuff decision.

Q118 **Chris Davies:** The point I am getting at, and John I am sure will jump in here, is that both farming organisations have been asked for some time to recommend to Government what that CAP should look like in the years to come. Therefore, somebody is going to have to make this decision in time to come. I would have hoped that both organisations would have been quite a way forward in recommending to Government where that split should be.

John Davies: We have produced a number of papers here as our vision for the future of farming based on those three strands that I said earlier. Absolutely crucial to that is to ensure that it is the person who is taking the business risk, the active farmer, who gets the support. I think that chimed with some of the FUW's evidence earlier. There is a range of benefits that we supply and obviously food production is absolutely vital to that. That can be interwoven with environmental contribution across the piece. I think it is really important that we undertake a proper impact assessment and that we make those decisions based on proper research going forward.

We are clear in what our asks are for the future. We have started on the road. We welcome the fact that we are on the road to a tariff-free trade agreement hopefully in the future, and it is really important that we take forward this based on evidence and proper impact assessments.

Q119 **Chris Davies:** I am sure both organisations would confirm that even though we may be going down an environmental route in time to come, we must not take our eye off the ball, that livestock production is still paramount.

Dr Fenwick: Yes, absolutely. We also need to bear in mind that only in relatively recent weeks have we had some understanding of how our WTO allocations are being split between Europe and the UK. Some of the decisions about future policies cannot be made until those are agreed by the 164—or however many it is—other WTO members. It is not that simple.

Q120 **Chris Davies:** Before the Chairman tells me off because I have not even asked the questions I was supposed to ask—sorry, it was very interesting—do you think, quickly, that we have seen an overreliance on CAP in Welsh agriculture in years gone by?

John Davies: It will be absolutely great if the market delivered a fair return, and that is obviously our ambition going forward. To deliver that, we need to ensure that Welsh food is properly branded and gets the fair return that it wants. We all want a fair price going forward for what we produce and, as I have said earlier, that is across a range of products.

Q121 **Chris Davies:** But a lot of our farmers would not survive without the CAP payments?

John Davies: Anna mentioned the figure of 55% there earlier. I think that is the UK figure or the English figure. I think Wales is closer to 80%, so obviously we want to see a bigger return, a bigger share of that coming from the marketplace.

Q122 **Chair:** Any last word on that?

Glyn Roberts: It is always going back to the market failure. The CAP is there because of the market failure and it is there because of the symptoms of the policies that we have as well.

Q123 **Chris Davies:** Before Paul Flynn jumps in and asks this, do you think the CAP has stifled innovation in the sector?

Chair: A very quick yes or no will do to that because I have to bring in Tonia Antoniazzi.

Glyn Roberts: I think innovation is already happening because, going back to what John was saying, IBERS has done lots of work in creating a better grass with high sugar content and the daily live-weight gain of the animal. All of that is a part of the jigsaw. We did talk about the trees with the CAP on footprint and things like that, but I think efficiency always equals CAP on emissions. If we can be more efficient, there would be less CAP on emissions.

Chair: Gentlemen and ladies on the Committee, I think we will have to be a bit more speedy in our questions and answers now, although I may have to break my own rule in a minute. Can I call Ben Lake next?

Q124 **Ben Lake:** Yes. I think everybody is agreed that there would be a need for some sort of a UK-wide common framework post-Brexit and in particular to the transition deal. I just wondered whether you had any thought as to how you envisage these kinds of frameworks being formulated, what mechanisms or forums for which you expect them to be agreed.

Glyn Roberts: If I can start, we have said that what we are looking for as a union is a British framework, and a British framework is nothing different to what we had before when we had the CAP, which was an EU framework. We do need the framework because if we do not get a framework and some kind of discipline and restraint, one country possibly could put a £500 subsidy on a cow when the other country would not do it, so there would be a distortion in the market straight away. We have to be disciplined. For example, 60% of our lamb is going on the trade link, so we have to have a British framework.

Huw Thomas: Our thinking around a common framework is probably at a fairly early stage at the moment. I think we could see perhaps a bit of a pick and mix in terms of how common frameworks might work depending on what the matter is. If it is something of the highest order, the first order, it might need a legislative basis. Other things could probably be achieved via memoranda of understanding between the devolved Governments and the UK Government. We should be looking towards memoranda wherever we can get them because I think that accommodates and respects devolution better than perhaps a heavy-handed legislative approach.

We recognise the need for common frameworks. I think they will be essential going forward and there is a fairly wide consensus that they are needed. We see them needed for, as was said, avoiding setting up an internal UK market but also looking to prospective trade deals. We have to have common standards within the UK in order to form the basis of a trade agreement with a third country. There are strong drivers for having them. We would say that they need to respect the devolution settlement and they need to be arrived at by a common consent.

Glyn Roberts: One other thing I think is important as well is that we should have a ring-fenced budget area.

Q125 **Ben Lake:** Briefly, it might be useful to put on record some of the areas in which you believe common frameworks may be necessary, just speaking generally.

Dr Fenwick: There are two real layers, at least two real layers. First, there is the financial framework. We know that the more flexibility has been introduced to the CAP to create financial framework—pillar transfers, for example, and prior to that voluntary modulation—the more divergence occurs between different countries. It is something that we objected to in 2006 when voluntary modulation was proposed. It is not something to do with Brexit; this is something the FUW has held fast on for more than 10 years. That flexibility introduces divergence and that divergence potentially can distort markets. There is a real worry here that that flexibility, irrespective of what you are allowed to do underneath that, straight away without those firm rules at a higher level you are into very sticky territory. We need relatively rigid rules on setting boundaries as to how much money should be going into what we currently refer to as pillars.

Then, underneath that, we do need regulatory frameworks. At the very lowest level, it has to be WTO compliant. For example, what would happen if a certain region or nation within the UK decided it was going to implement a regime and sail very close to the wind as regards WTO rules? That would lock the whole of the UK down potentially.

Q126 **Chair:** Can I clarify something here? I think what you are suggesting is that we need a framework organisation probably at the United Kingdom level basically doing what the European Union does at the moment. Is that a fair summary?

Huw Thomas: Yes, because I think we are about to lose those EU-level governance structures, aren't we? We need to replace them with something.

Q127 **Chair:** We replace that EU governance structure with a UK-based one doing similar things, but obviously allowing the nation states a certain amount of latitude as is the case now?

Huw Thomas: Yes.

Q128 **Glyn Davies:** Can I come in on that? This is one of the key issues in terms of the whole Brexit debate and how it impacts on agriculture. We can see the logic, can't we, of maintaining the British single market and not having distortions? Are we really saying that in an age of devolution and the movement towards devolution—and we are seeing the issue with the number of Assembly Members today. That is the way it is going. The devolved authorities are becoming more and more powerful. Are we not envisaging those devolved authorities at all deciding what may be best for them? It will cause distortions to the market, but I think we are being a little bit optimistic if we think they are not going to turn up and say, "This is going to benefit us". They are going to object. Don't you think they might object to constraints on their freedom to take decisions that they see as being right for their devolved country?

Dr Fenwick: People seem to think that this is some sort of new debate or a new proposal to restrain Wales or Scotland or England. It is not at all. This is what has happened under the CAP for decades, since devolution. The CAP has restrained us. It sets a degree of freedom over how you implement your payment regime and if you go over certain thresholds that is not allowed. You have a degree of freedom but you have a threshold and you cannot go over that threshold.

Q129 **Chair:** Is that a fair comment, Mr Davies or Mr Thomas? I think you were trying to get in there.

Huw Thomas: We have had 20 years of devolution. Within the latitude that is permitted by the CAP, there have been some distinct decisions taken in Wales. I cannot see why common frameworks could not accommodate some latitude for the devolved Administrations. There is a political consensus that there need to be common frameworks and I think politicians will respect that. They can reach common agreements. Whether that is memoranda of understanding between different Administrations as to what they will or will not do, these things can be achieved within the current arrangements.

Glyn Roberts: I think we have to have a framework and there will be some flexibility within that framework. Another thing that is important is that we have a balance of power within the people that will do the policy.

Q130 **Chris Davies:** This is a question for NFU. Scenario modelling by the AHDB and the NFU has shown that the lamb and beef sectors are potentially two of the most vulnerable sectors post-Brexit. How did you reach that conclusion and how would you propose mitigating this risk?

John Davies: We did some detailed work on this based on the possible outcome from WTO scenarios. If we look at the tariff on boneless beef, for instance, that is at 65%. If we look at fresh chilled boneless sheep meat, for instance, that is at 51%. Given that the vast majority of our exports go to Europe in terms of the sheep meat regime, in excess of 90%, it is really important that we do have a tariff-free access to that. Obviously, competition creates price and once you remove competition from the marketplace, that friction then could with the best economists result in a 30%-plus drop in the value of sheep meat. That is the AHDB figure.

Q131 **Chris Davies:** Okay. I will come to FUW in a second with the same question on this. How could public procurement in this country benefit that risk?

John Davies: Obviously, it was pleasing to see our British troops sail in British ships built in our British shipyards, built with British steel. That is really pleasing to see that. We support that. It would be really good if we could have some of our troops fed on British food as well, and there is real opportunity in terms of the health service, schools and hospitals. We could benefit from delivering some good, healthy products into those establishments. There are some opportunities there and it would be excellent to be able to avail ourselves of those.

Q132 **Chris Davies:** While we have been part of the EU, our hands have been tied, so you would like to see those hands untied so we can sell more to this country?

Huw Thomas: It is a potential Brexit dividend, the move to greater use of domestic product in public procurement contracts.

Q133 **Chris Davies:** Does the FUW agree?

Glyn Roberts: Yes. I still think it is important within the procurement we have to realise the potential. There is potential there, but the potential has to be realistic because the people are our customers and we have to lead by example in this type of thing.

Q134 **Chair:** May I clarify something you said, Mr Davies, there? Obviously, you are concerned that if we go to a WTO scenario, then the impact of tariffs on lamb exports is going to be quite damaging. It will increase the price of lamb on the continent and, therefore, make our lamb less competitive and reduce wages and incomes for farmers. That is correct, isn't it?

John Davies: That is correct, yes.

Q135 **Chair:** That is because we export around £288 million worth of lamb to the EU and we only import around £25 million worth, according to this. We export a lot more lamb than we import.

John Davies: That is correct.

Q136 **Chair:** But with beef it is the other way round. We export around £22.9 million worth of beef and we import £142.9 million worth, most of which comes I think from Eire. Why do we face the same problem with beef as we do with lamb?

John Davies: I guess with beef the danger is that we are subject to imports from the Mercosur countries. Under WTO rules, there is a ruling that you cannot stop imports from those countries if we were to enter into a—

Q137 **Chair:** But those would be subject to a tariff.

John Davies: Yes, but their costs of production, because their systems of production are so completely different, picking up on—

Q138 **Chair:** They can already export to the EU, can't they?

John Davies: No, there is a very small tonnage that is allowed from Mercosur countries at the present time.

Q139 **Chair:** Tax free, but surely they can already export to the EU if they want to with tariffs?

John Davies: Mercosur, yes, with tariffs.

Q140 **Chair:** They would be in exactly the same position post-Brexit?

John Davies: Only if we decided to impose a tariff on them. Under the WTO rules they would be—

Q141 **Chair:** Of course, but if we, as we put it, crash out without a deal, then we would impose WTO tariffs just as they would be imposed on us.

John Davies: Under WTO rules, those tariffs are fairly low.

Q142 **Chair:** Yes, but those are the same tariffs that the EU currently imposes on Mercosur countries.

John Davies: Okay, if you consider the striploin price at the present time from Uruguay, it is 50% below the EU value.

Q143 **Chair:** The point I am making is that at present any beef that is imported from a Mercosur country pays a tariff if it comes into the EU, as you put it rather a high tariff, a WTO tariff. Therefore, if Britain decides to opt for a WTO-style tariff, then we would impose exactly the same tariff as we do at the moment.

John Davies: I note with interest where Dr Fox is travelling at the present time and I note the desire to have a free trade deal with many countries in the world, and that is a concern.

Q144 **Chair:** I absolutely agree, but we would have the right to impose exactly the same tariff on Mercosur imports as is imposed from the EU at the moment. We would have that right, wouldn't we? You see, what I am getting at here is I totally understand why lamb farmers are concerned that there will be a tariff on lamb that it has exported and that, therefore, it would become uneconomic. I completely get that and I completely agree from a personal standpoint, but I do not understand how you can be making the same argument about beef because we are importing far more beef than we are exporting. I have been looking at the Irish newspapers. The narrative there is that they are extremely concerned about the impact on their farms, but surely it would be a bonus for British beef farmers because there will be less beef coming in from abroad and that beef that comes in is going to be more expensive.

John Davies: We look with interest on the agreement, paragraphs 49 and 50, that was agreed by the Prime Minister last week. Obviously, we note that there will be no hard boundary between the island of Ireland and the UK. I think the likelihood of tariffs being imposed on the major import that is coming into the UK market at the moment from Eire is unlikely. I think the game is moving on, possibly, Chairman.

Q145 **Chair:** We all know each other and get on very well, and I will come to the FUW in a minute. The point I am making to you is that there is a slight inconsistency here. What about pork, for example? That is coming in mainly from Denmark, isn't it?

John Davies: Yes.

Q146 **Chair:** We are importing far more pork than we export, £560 million worth to £135 million. Surely there would be a huge benefit to pork farmers. The point I am making is that you have concentrated on the potential impact to lamb farmers of a WTO scenario, but you have not said anything about the potential benefit that this will surely bring to beef, dairy and pig farmers. It cannot be bad news for everyone. There are challenges there, but what is bad news for some farmers is going to be good news for others. Is that not correct?

John Davies: The pig sector you are absolutely right, there is an opportunity there, but the pig sector in Wales is very much smaller than the red meat sector. That is the reason that—

Q147 **Chair:** My figures are UK ones, but yes. But for beef there is going to be an opportunity.

John Davies: If the Government decided to impose similar tariffs, yes, and Ireland is particularly worried about this. We had Joe Healy, the IFA president, to speak at our conference just a few weeks ago and they are particularly worried about this.

Q148 **Chair:** Finally, to the NFU, your report, the "Backing British" report, which I have a copy of here, goes through three different scenarios: business as usual, World Trade Organisation with tariffs, and free trade with us not imposing tariffs. Under the first two, either the business as usual or the WTO with 100% payments, as they are now, in other words, no change to the overall amount of subsidy or payments, virtually every part of the agricultural sector, including lamb—and this did surprise me—is as well off or better off than it is under the current arrangement. It is not affected. This is based on page 7 of your own report.

John Davies: I would believe that under the business as usual scenario that that is true, but under the second scenario, I do not believe that is the case.

Q149 **Chair:** The World Trade Organization plus 100% direct payment, I will give you a chance to have a look for it, because it does surprise me as well, I have to admit. But it appears to me that it is not affected by it, providing the payments are at 100% of what they are at the moment. I will let you have a look for that—it is at page 7—because I was surprised at that, that you can be that positive about it. This was your report and it was produced before the referendum, when you were advising people to vote to stay in. If you are saying that lamb farmers would not be any worse off providing we have 100% of the payments, even under a WTO scenario, I would be interested to know how you came by that. But I will perhaps invite the FUW to comment on that.

Dr Fenwick: I just welcome the fact that you are looking at this sort of data. The NFU has produced an excellent report. The FAPRI—Food Agricultural Policy Research Institute—in Belfast has also produced a fantastic report looking at different scenarios. There are only so many scenarios that can be looked at in a model, but it is important that they are considered. AHDB has also done some excellent work, looking at three different scenarios again. We hope to see the results of some Wales-specific modelling also supported by AHDB that should come out in probably February. Again, it is so important that we look at all this data. The one thing that is such—

Q150 **Chair:** What about my general point though, which is that if we are importing more food that we export, then overall, if we go to a WTO scenario with tariffs, there has to be an opportunity to do exactly what I think you have all called for, which is to promote higher-value British food?

Dr Fenwick: Absolutely. If there is an opportunity there, we absolutely need to take it. I think one of the problems that we have potentially—and I am not saying you are wrong with regard to any particular commodity—is that we are not talking about widgets that either go here or go here or we are importing or exporting. We are talking about products that are split up and different parts of them are sent to different places. Sometimes the cost of processing can be paid for by the export of a commodity that we do not really use here, but they do use in Europe or potentially they use in one of the countries that Europe has a trade deal with, so we export it to there. We have to recognise the dangers or possible dangers of breaking up complex supply chains.

Q151 **Chair:** You see, this is another report. Dairy UK is not here at the moment, but for many years I have listened to Dairy UK and the NFU and FUW all talking about the low price of milk, which is a fair comment; I have heard it from dairy farmers as well. Many people have said that milk should be at a higher price, we should be willing to pay a premium for milk. This is a point that has been made many times by the unions and yet here is Dairy UK saying, "A rise in domestic prices for milk would be destructive of domestic demand and result in increased consumption of dairy substitutes under Brexit in trade". It seems to me that Dairy UK is trying to find anything it possibly can that is wrong with Brexit, even though it, the NFU and the FUW have all called for exactly what they are complaining about as a possible problem, a rise in the price of milk.

Dr Fenwick: I am not here to defend Dairy UK.

Q152 **Chair:** No, I know, and they are not here either. But you have called for an increase in milk prices and you said so earlier on, because I threw that question in. You would like to see food increased in price, providing it goes to the farmers and it results in better environmental and animal welfare standards. You said yes, yet here is Dairy UK saying, "No, that is a bad idea".

Dr Fenwick: You have to also bear in mind there is a difference between calling for an increase in price received by farmers and an increase in food prices per se. We have to accept the proportion of household income spent on food is, on average, a tiny fraction of what it was 50 years ago, but you put that to one side. There is a big difference between an increase in food prices and an increase in the proportion of money that is collected that side of the farm gate by the likes of the supermarkets and so on and making sure that they give a fairer proportion of it back to farmers. There is huge volatility in terms of milk prices and they go up and down. As you know, at times that causes huge, huge problems, but on the whole it does appear that there are some positive outcomes possibly for dairy farmers, notwithstanding things like supply chains being broken up, but that is about 12% to 15% of Welsh farmers.

Chair: The Committee here will sack me if I carry on with this.

Q153 **Chris Davies:** It was good, very interesting. Dr Fenwick, can I just confirm basically what you said, that the majority of what you said has related to farming per se—pre-Brexit and it will be post-Brexit—and there will always be that volatility and there will always be that complaint that the supermarkets are taking far more than they should? Isn't that correct?

Dr Fenwick: Unless things change. We would certainly like to see a higher proportion of—we want to fix supply chains and this is—

Q154 **Chris Davies:** What I am trying to say is what you have just described is not because of Brexit, it has always been there.

Dr Fenwick: Yes, but we are exposed to increased volatility, notwithstanding the fact that on a daily basis what might come out of Brexit seems to change.

Q155 **Chris Davies:** I agree with that, but what this inquiry is on is how agriculture will be affected by Brexit. That situation has always been there, what you have just described. It is not because of Brexit, it is in there anyway.

Dr Fenwick: But let's not forget that membership of the CAP, whether you like it or not, has cushioned us from world price volatility and that is the case for a whole range of commodities. It has cushioned us from those extreme effects, for example, in 2008 when you saw huge food price volatility as well.

Chris Davies: I still do not think you have answered my question, but I know the Chairman wants to move on.

Chair: I think we had better move on.

Q156 **Paul Flynn:** To move from the world of manic optimism, which is compulsory in the Chairman's party at the moment, to a world of reality, 90% of red meat from Wales is bought by EU countries, other than Britain. It is a huge market that is going to disappear/collapse. We know that already because of the decision on Brexit, that other European countries are buying their lamb from Romania and from Spain at the moment. The idea that there are not going to be tariffs is fanciful. Every objective report, including the one that you did, says that we are better off with the status quo, the RAND report today and the ones here. Why on earth aren't you following up on your sensible arguments to say that we must remain and be campaigning to save the farming industry from a certain slump by having a second referendum?

Chair: Perhaps we can come back to that quickly afterwards, but yes, Anna.

Q157 **Anna McMorrin:** My question follows on quite neatly from Paul Flynn's. If the UK does not have a trade deal in place or any trade deals in place by the day of Brexit, one option may be to adopt the EU common customs tariff. What impact do you think this will have on Welsh beef and Welsh lamb?

John Davies: We have been clear and consistent: at least for the period of transition, and that transition lasts until there is a better deal on the table, we should remain in the customs union arrangement.

Chair: That is great. Thank you for that short and concise answer.

Glyn Roberts: I was going to say, I think we want a free trade deal with Europe if we can and a customs union. We have asked for that from the beginning and the transition period.

Can I just reply to one or two things that the Chairman addressed? One thing possibly that is not quite recognised here is the importance of the specific agriculture that is in Wales. You cannot compare beef and pigs, but in Wales, the icon of Wales is the Welsh lamb and 65% of farmers in Wales still produce the lamb, so lamb is of paramount importance to Wales.

Chair: I do agree, yes.

Q158 **Anna McMorrin:** Just to follow up on your answer there, so during the transition process, to stay in the customs union, how long do you see that transition process?

John Davies: Until there is a better deal on the table.

Q159 **Anna McMorrin:** Not a fixed term then, so as long as you get trade deals?

John Davies: We do not believe that you go into any negotiation with one hand behind your back, so we do not believe in time limits on that.

Dr Fenwick: Yes, we have said exactly the same as the union. From the outset, we were very disappointed that the hard Brexit line was taken at a relatively early stage. We did not support the sending of the Article 50 letter when it was. We appreciate there were political aspects to the timing of when that letter was sent, but we felt that it effectively lost us an element of our negotiating position. Since then we have seen some very positive developments in terms of discussions and edging in the right direction, but we have, since the outset, supported a lengthy transition whereby we stay in the customs union and the single market until, as John says, we know that we are going to get something better. Two years goes very, very quickly.

Q160 **Anna McMorrin:** Why aren't you lobbying to stay in the single market and the customs union?

John Davies: We are.

Dr Fenwick: We are. Since the day of the referendum.

Anna McMorrin: As a permanent position?

Q161 **Chair:** Access to the single market or in the single market, because they are slightly different, aren't they?

Dr Fenwick: As a union, we supported staying in the EU. Our population, the majority of it, voted to go out of the EU. There is a difference between the EU and the customs union and the single market. There are three different things. The next default position for the FUW is that we should remain in the single market and the customs union.

Q162 **Anna McMorrin:** Are your members agreeing with that?

Dr Fenwick: We had a number of people who brought resolutions at a local level to their counties and many years ago it has come to our council, but consistently either at a local level or at a council level it has been rejected; the notion that we should come out of the EU has been rejected by a democratic process.

Q163 **Chair:** We cannot stay in the single market and be in the EU though, can we? That has been made quite clear. We can have access to the single market, but we could not be in the single market and part of it, because that is one of the whole bases of being in the EU.

Dr Fenwick: I think that depends on your interpretation and what you approach the EU with as a proposal. If you start with a hard line, saying, "No deal is better than a bad deal" then—

Q164 **Chair:** If you were a farmer going in to buy a new combine harvester from a dealership, would you advise them to say, "I need a new combine harvester and I am not going to leave here until you sell me one, no matter how bad the deal is"? I will just float that thought, because the point is you cannot, surely. You have all negotiated, as I have in a different world. You cannot go into a negotiation on the basis of, "I am going to stay here until you give me a deal, even though I know you do not want to give me the deal that I am asking for". The EU do not want us to leave, so why on earth would they give us a deal if we took that attitude?

John Davies: I think I would go in there, have a haggle and say, "We are not going to leave this room until we have a good deal that is good for both of us. I want to buy a combine, you want to sell a combine. Let's have a good deal".

Q165 **Chair:** But they do not want to sell a combine. That is the problem, they do not want to sell the combine.

John Davies: He is in the business of selling combines, so if he has a combine, he wants to sell it.

Q166 **Tonia Antoniazzi:** New Zealand can annually import 283,000 tonnes of mutton and lamb tariff-free into the EU. What quota system would you wish to see in place for Welsh lamb after we leave the EU?

John Davies: For Welsh lamb or New Zealand lamb, sorry?

Tonia Antoniazzi: It says Welsh lamb here.

Chair: New Zealand could annually export 283,000 tonnes of lamb.

John Davies: TRQ, that is tariff-rate quota, so really important that this is divided up in a reasonable and fair way. Obviously the EU position is at the present—and I think we have made some good movement on this just lately—that it is divided in the way that it has been used over the last three years. However, we have missed a trick here, because what they have done, they have taken the total quota figure and not the used figure. The used figure is lower, because the bone is processed out of it and there are many more cuts now, whereas it used to be a whole carcass and now it comes through in a range of cuts. That is why New Zealand have not fulfilled their quota for the last few years, but it is important that TRQ is based on the figure used. That is quite significantly lower than the total quota. There is good progress being made there and we look forward to moving forward there.

There are opportunities in the way that is on a seasonal base, because there is a way for New Zealand and Welsh farmers to work together in terms of complementing each other, in terms of seasonality, which we presently do not do. I think at the present time there is too much conflict there.

Q167 **Ben Lake:** I was just going to raise that point, Chair, that when we look at other markets potentially in the intangible future, the seasonality of TRQ, which I think is something that perhaps should be explored and pressed further. You have already touched upon it, but perhaps if you just elaborate. I know for lamb and New Zealand it is a good example because, as you say, we can work together. Are there any other examples that come to mind?

Dr Fenwick: We, for many years, highlighted to the Commission the adequacy of coefficients that are used for bone in/bone out and the way in which they are outdated, therefore there is scope to look at those as well. But this whole issue does emphasise how there is another layer of complexity, which again we would say needs time to go through, because in the same week that we notified the World Trade Organisation of the fact that the EU and the UK had reached a deal on how to split TRQs and so on, I think the letter had already been sent by Canada, Australia and another five countries objecting to that deal, saying it broke WTO rules. That is a higher level of negotiation at a global level that we are going through at the moment.

John Davies: I think there are opportunities to work together possibly in product innovation as well. New Zealand are significantly better than us in terms of product innovation and there would be opportunities to really work together there. In terms of access to the Chinese market, they are able to sell some of their lower-value cuts at a much better price, to get a better carcass balance, because they have access to that market. In the future, if we can access that market, it will be highly beneficial to our lamb sector.

Q168 **Chair:** At the moment, the lambing season, it can be as early as January—December even—going through to April, can't it? If we use different breeds, could we extend that further and then reduce our dependence on lamb coming in?

Glyn Roberts: The thing is the cost. Some of the better land in Wales could do it, but the majority, 80% of Wales, is in the LFA so I do not think there is a lot of potential there because of the economics of the whole thing.

Dr Fenwick: Yes. The argument is similar to saying, "Maybe if we extend our tourist season right around into the winter so that people go swimming more in the winter" but of course—

Q169 **Chair:** The sheep have less choice than tourists.

Dr Fenwick: Yes, but they also starve in the snow and so on.

Paul Flynn: It sounds as if you are really planning, which is the right attitude, I think: the best prospect is to encourage people to swim in our lakes in the winter.

Q170 **Chris Davies:** Just finishing off on the New Zealand agreement, if I remember correctly, the initial New Zealand agreement was fixed with us and agreed with us back in about the 1950s and we took it into Europe when we joined the common market, as we did in those days. By what you were saying then, John, that we will hive part of it off to various other countries, are we coming out of Brexit better off than we went in with that New Zealand agreement?

John Davies: I think we will need to look at that carefully. There will be opportunities. It just depends how the final negotiation lands, I guess, doesn't it? Let us have an open opinion on that. We have started down the road. We know where our final destination is, but let us—

Q171 **Chris Davies:** You are saying we have started positively down the road, is that correct? Am I correct in assuming that?

John Davies: We are heartened. If they get to the situation where it is the TRQ on product used, not total quota, that will be beneficial.

Dr Fenwick: The worst-case scenario would be to do what they are pushing for, which is to be able to switch their quota. That is what they and other countries are arguing for, which is to be able to have a fixed quota for the whole of the EU and the UK and then to use it as they wish, so if the exchange rate is in a certain direction, they can switch their supply to the UK, but it all comes within an umbrella quota. That would be absolutely unacceptable.

Q172 **Chris Davies:** Since the country voted for Brexit, and the country did vote for Brexit, we have constantly heard of worst-case scenarios. Nobody really seems to be embracing the positivity that could be out there, certainly with the press. I hope we will all look at the positivity and the opportunities rather than the worst-case scenario constantly.

To move on to the final point, as we know, 14 food products from Wales have been granted special status by the EU protected food name scheme, including Welsh lamb and Welsh beef, lamb in particular. What impact do you think this has had on exporting of such products? Could you also touch on food labelling as well, how important that is to our sector?

Glyn Roberts: In regard to the Welsh lamb, the PGI status of Welsh lamb and Welsh beef is of paramount importance. The PGI status on Welsh lamb is really important in terms of exporting to France and more particularly to Italy. In Italy, for instance, the procurement for schools in Italy, they have to have a PGI status lamb or a lamb that has been reared without any chemicals at all.

John Davies: PGI, prior geographical indicator, is a thing that is recognised throughout Europe. Obviously there are parts of Europe such as Italy and France that really do focus on the value of the production system and the production area. Welsh lamb has benefited greatly through the PGI status in the past. Obviously going forward we have to look at who is granting that status and whether it will be possible for us to access it. I think we do need to have a plan B possibly where we use equivalence to ensure that our products from Wales are properly recognised and that the standards meet all of the present PGI status, because they may charge us more for it than the value it can deliver back. I think we are looking for equivalence if that is precluded. Obviously that is all part of the negotiations going forward. It is a recognised brand, it is an iconic brand and obviously we would very much like to maintain it, if possible.

Going forward, in terms of country of origin labelling, it is really important we get this right. This is a real opportunity. Too often we have seen things with a very minor final process put on them and it has been put, "Product of Wales" or "Product of the UK", "Produced in the UK" and that is something that I believe we need to tighten up on.

Q173 **Chris Davies:** How would we tighten up on that? What would be your recommendation?

John Davies: I think we need mandatory country of origin labelling.

Q174 **Chris Davies:** Where the animal was bred and raised?

John Davies: Bred, fed.

Huw Thomas: Or the most substantial processing took place, yes, rather than just the packaging or the finalising, yes.

Q175 **Chris Davies:** FUW, you would agree?

Glyn Roberts: Perhaps with the PGI status, because the PGI status of Welsh lamb is to say that it has been reared and born in Wales and has been killed in Wales or been killed in an authorised abattoir that has been up to standard.

Q176 **Chris Davies:** Just one last one to finish on, Chairman, if we may. It is more about our domestic market here in mainland Britain. We have, sadly, seen red meat sales fall and continue to fall, but it does not have anything to do with Brexit, it is just our own domestic market. What are your recommendations, from both organisations? What can we do to see that start to rise again, rather than continue to fall?

John Davies: We have to innovate more effectively, we have to provide meal-time solutions to the customer that are ready in less than quarter of an hour. We have not done that particularly well. We need to change and evolve. The Sunday roast proves less of a family occasion to what it has been the past. People carry out very busy lives and there is a real opportunity there going forward and we need to make sure we deliver what the consumer wants, so I think we have to sharpen our act up a bit there. We need to put some resource into innovation and providing what the consumer wants.

Glyn Roberts: But going back to PGI status as well, unfortunately the PGI status does not mean as much within Britain as it does within Europe. But within that context, I feel that we have to change possibly the culture of food, because the culture of food is much more important on the Continent. If we want to sell the PGI, the best lamb possible, we have to change the culture and improve the culture of food in Britain as well.

Q177 **Chris Davies:** For our own domestic market?

Glyn Roberts: Yes, and helping with regard to education as well, because I think it starts at education and how to cook and how to do the food.

Chair: Thank you very much. I did not see anyone wanting to get in on the last question. We have overrun.

Q178 **Paul Flynn:** Just a final word. Gentlemen, Welsh MPs want to see every Welsh industry prosper, but I think there is a degree of unreality in your answers today and there is a certain crisis ahead that you have not faced up to. Obviously the use of meat, the consumption of meat has gone down. That is a generational thing. It is also an environmental thing because producing meat is bad for the environment. I think this will continue, but having spoken on another committee and asked them, “What will happen to Welsh lamb when New Zealand and Australian lamb come into the market freely?” the answer was that Welsh lamb would be slaughtered. It was not meant as a joke. With all the other crises ahead—

Chair: Everyone wants the last word.

Paul Flynn: —you seem to be excessively optimistic about it. I believe that unless we sense that we are going to go over a cliff with Brexit and we should be doing something to stop it, we are going to have serious problems for your industries.

Dr Fenwick: Chairman, if I can respond and just say we are well aware of the dangers and we have been acutely aware of them since long before the Brexit vote. Long before the legislation for the referendum even went through, we were well aware of those potential dangers, especially in an extreme Brexit scenario. We look to people like yourselves, who are in political power, to listen to us, listen to the arguments we are making and try to stop those worst-case scenarios.

Q179 **Chair:** We might want to leave it there, because I think we are just being a bit political now. Mr Davies, have the last word.

John Davies: I think Welsh farmers will change, evolve and adapt, as they have in the past, in the future. We need to ensure that we provide a reasonably level playing field to do that. If we can rely on each and every Member of Parliament to ensure that, there is a bright future.

Glyn Roberts: Thank you for this meeting. I welcome the developments in Brexit that have happened in the negotiations lately and I am sure we will have to come back to this type of thing when the small print has come out. Thank you very much for the meeting. It was well worth coming.

Chair: Thank you very much indeed. Diolch yn fawr iawn am ddod.