



Select Committee on the European Union

Energy and Environment Sub-Committee

Corrected oral evidence: Brexit: food security

Wednesday 28 February 2018

10.30 am

Watch the meeting

Members present: Lord Teverson (The Chairman); Lord Curry of Kirkharle; Viscount Hanworth; Lord Krebs; Duke of Montrose; Lord Rooker; Lord Selkirk of Douglas; Baroness Sheehan.

Evidence Session No. 2

Heard in Public

Questions 12 - 24

Witnesses

[I](#): George Eustice MP, Minister of State, Department for Environment, Food and Rural Affairs; Deborah Hankins, Deputy Director, Food Chain Policy Directorate, Defra; Matthew Waite, Deputy Director, EU Exit and Trade Analysis Team, Defra.

Examination of witnesses

George Eustice MP, Deborah Hankins and Matthew Waite

Q12 The Chairman: Minister, may I welcome you and your colleagues? I will ask you to introduce yourselves for the webcast in a minute. May I remind Members to declare their interests if they have any? In case we get on to fisheries, I am a board member of the Marine Management Organisation. To remind everyone, we are being webcast. This is an open public meeting. We will be sending a transcript to our witnesses and if there is anything that you feel is wrongly recorded please do let us know. This session is around food security and all the issues around that. It follows a round table that we had between a month and six weeks ago with industry, consumers and the food processing industry to discuss this area. A number of the questions arose from that meeting. Could I ask you to briefly introduce yourself and your colleagues for the public who are listening, in whichever order you like?

George Eustice MP: I am the Minister for Agriculture, Food and Fisheries. On my right is Deborah Hankins, who is Deputy Director for Food Policy, and on my left is Matthew Waite, who is the Deputy Director for EU Exit and Trade Analysis.

The Chairman: Thank you. Perhaps we can start off with a straightforward question. In our round table we had a lot of hard messages about some of the difficulties there would be around food security, prices and availability following Brexit but this Committee is keen to get the upsides as well. Perhaps, Minister, you could go through some of the benefits that we would hope to see post-Brexit in the food area.

George Eustice MP: The key benefit for food and all the areas affected by Defra on leaving the European Union is the ability to design domestic policy that works for our industry. For me, that is the primary benefit. I know that there are a range of views when it comes to trade. On one hand you have economists who say that if you end up with no deal and MFN tariffs there will be huge rises in prices. On the other hand, you have economists who would say that we can shop around the world and have dramatic falls in prices. The most likely scenario is that food prices will not really change very much at all. We are likely to still have a free trade agreement with the European Union. Even if we did not, the analysis shows that the impact on food prices is quite marginal, within a few percentage points. That is before you take account of the freedom you would have even under WTO rules to have tariff rate suspensions, to set ATQs and to set and apply tariff at a lower rate than the bound tariff. The reality is that food prices are driven predominantly by energy prices and commodity prices around the world. They tend to track oil prices quite closely. That has always been the case and will continue to be the case whether we are in a customs union, out of a customs union or whatever type of free trade agreement we end up with.

The Chairman: Obviously we do not know the outcome of the

negotiations at the moment, but I was in Brussels last week in front of Mr Barnier and we had the staircase of the red lines and that slide and everything else, and the Canada Agreement came up. If it was a free trade agreement or Canada-plus, or whatever, have the Government looked at that particular outcome, which is a free trade agreement and probably one of the most comprehensive that the EU has done with a third country? Have you looked at that scenario and the benefits that might come out of it?

George Eustice MP: The Government have been doing lots of analysis in different areas, but if you had a free trade agreement and it was tariff free with limited friction at the borders you would not detect any significant difference in trade with the European Union.

Q13 **Lord Curry of Kirkharle:** On the effect on food prices of potential tariffs, you rightly say there is lots of speculation and everyone is expressing a view on what might or might not happen. I assume from your comment earlier that the Department has done some scenario planning if we are unable to agree on a dedicated customs union, whatever that means, and WTO rules apply—the various scenarios, plan B, plan C. Have the Department done that work on the potential impact on food prices?

George Eustice MP: The Government are doing their own analysis but there is also a lot of public work being done. The Resolution Foundation, for instance, did some modelling on what would happen in what you might call an extreme scenario where you come back to most-favoured-nation WTO rules and where the tariffs are applied. Under that extreme scenario, and it is an extreme scenario because you would have the freedom to change those tariffs if you wanted to, it shows that food prices might go up by about 4%. Their analysis also showed that if you did a complete Adam Smith unilateral liberalisation with the rest of the world, food prices might go down by about 1%. It is pretty marginal when you consider that in a typical year food prices will go up or down by between 5% and 10%. The reason for that is the mistake people often make on agriculture: they look at the headline tariffs and they say if you have a huge 60% tariff on this, food prices will go up 60%. That is not the case and that is why you need to look at models like the one that the Resolution Foundation did. What happens in practice is that in agriculture we have a system of Tariff Rate Quotas—TRQs—which is almost unique to the agricultural sector. That means that trade in agricultural products is already more liberal than most people realise. We have quite open markets around the world. Secondly, if you look at processed foods in particular, like a loaf of bread, the value of the wheat that goes into a loaf of bread is only about 9% of its value. The real cost of making bread is the machinery and the plant that you need to run a big factory and, more importantly, hundreds of delivery vans transporting this bulky bread product all over the country. The truth is that on bread prices a few pence on the price of diesel is likely to have far more impact than a few tariffs on wheat.

The Chairman: On the Tariff Rate Quotas, Minister: as we know, it is the one area where there was an agreement between the EU and the UK very

early on, and they should be congratulated for that, but when it got to the WTO it was rather problematic for quite a few large agricultural producing countries in the Southern Hemisphere and the United States. Could you update us on where we are with that?

George Eustice MP: We think that the sensible approach is to adopt a principle of technical rectification on these issues, not to open up multilateral negotiations all over the place, and to say "Let's take a reference period and look at where the TRQ was deployed". The UK takes a big share of a lot of those TRQs. If you look at things like New Zealand lamb or chicken from Thailand, it is mainly destined for the UK market. Let us look at historic use of the TRQs and then split them accordingly. There are other countries that may be thinking they could get a larger TRQ, so it is true that some of them are slightly sitting on their hands. They have not rushed to say, "Yes, fine", but nor have they rushed to say, "We definitely won't agree this". The way the WTO operates, and this happens every time that the EU has an accession Member State coming in, is they will put down a proposed schedule for TRQs. Often that is not certified or verified by the time the EU Member State accedes to the EU. There is a process where it sort of sits there and becomes a provisional TRQ that you work to and maybe after a decade or so it gets formalised and certified properly at the WTO. It is not essential to have unanimous agreement at the WTO for the approach that we are adopting but we will obviously be seeking to get their agreement.

The Chairman: So we are going to plough on regardless?

George Eustice MP: Our view is that we should adopt an approach that is technical rectification. We have set that out. We are inviting other countries to consider that closer to the time. If they have particular concerns around our methodology rather than the principle, we can go through any alternative methodology that they might be suggesting.

Lord Krebs: I declare two interests: I am an adviser to Marks & Spencer and Tesco. Minister, in your response to Lord Curry's question about the impact of a move to WTO arrangements on food prices, you essentially said that the impact would be in the margins—maybe a slight increase or maybe a slight decrease. Yet the industry—this is from the BRC, for example, and the chairman of Sainsbury's has also reported on their analysis—give a different complexion. They are saying that there is a lot of uncertainty but increases could be 5% to 29% for beef and 6% to 32% for Cheddar cheese I ask you the same question that I asked the Secretary of State when he appeared in front of us a little while ago: do you think the industry has this wrong? Are they just making up things to scare people? Why would it be in their interest to do that?

George Eustice MP: What I am saying is that the industry are quoting, and the BRC report is a good example, what the headline tariffs are on certain products. They have failed to take account of, in the way that people such as the Resolution Foundation have, the impact of those tariffs in a real-life scenario on retail prices. For these reasons that I have given—partly because we have Tariff Rate Quotas, partly because those

primary products or agricultural products make up a relatively small proportion of the overall retail value on many products—we do not think the evidence suggests that there will be much of an impact.

Lord Krebs: When the Chairman of Sainsbury's reported their estimate of about 10% increase that was not simply based on tariffs. That was an assessment of the overall impact. I wonder whether the chairman of Sainsbury's has it wrong.

George Eustice MP: I have not seen the Sainsbury's model but the model of the Resolution Foundation took account of the type of factors that we would expect them to take account of when looking at these issues.

The Chairman: Duke of Montrose, do you wish to come in on this item?

The Duke of Montrose: I declare my interest as a former farmer and recent President of the National Sheep Association. You are going to pick an historic year to look at TRQs and how they should be divided. They have not used the whole New Zealand sheep quota, so will you have to go back and pick a year where there was a full quota take-up?

George Eustice MP: You would pick a reference period—we have not settled on this yet but it might be four or five years—and you would look at the average across that period. Whether or not the full TRQ is used, you can still look at what was used and use that as a basis to apportion the TRQ.

The Duke of Montrose: They could object quite strongly if it means a large decrease.

George Eustice MP: The issue that New Zealand has raised, an argument that I understand, is that there is potentially an opportunity cost in splitting the TRQ because you have two ring-fenced smaller TRQs rather than one single TRQ where they choose the market. Although I understand that argument, at the end of the day we need to find a way through this and a way of progressing. A sensible approach is to treat this as a technical rectification, and look at a reference period to split the TRQs. As you point out, farmers often express their concerns about New Zealand lamb and our ability to compete, but the reality at the moment is in recent years New Zealand have found that, long before they hit the ceiling of the tariff-free quota that they have, they are unable to compete with British producers in the British market and, therefore, seek other alternative more lucrative markets in the Middle East.

The Chairman: Do you wish to continue with your own question?

The Duke of Montrose: My own question has been partly covered already. If a free trade agreement with the EU is not in place when the UK leaves the EU, will you expect the UK to replicate the EU's WTO schedules? As far as I have seen, the Government have been telling us what these are. Do they wish to replicate them?

George Eustice MP: As Lord Teverson pointed out, the one area of trade where the EU has been keen to have an early discussion is on the approach on WTO schedules because from their point of view they would not want to be left with the whole lot, as it were, with the UK coming out. We have not really turned our attention to what we would do if there was no deal at all, but I think even if there was an agreement to disagree and therefore that we proceed at MFN rules, in that scenario we would probably agree as much that there should be some kind of technical rectification or splitting of the WTO schedule.

Q14 **Viscount Hanworth:** You asserted that Brexit will create limited friction at the borders, but what assessments have you made under the various scenarios of the additional customs and border checks that will need to be imposed on food imports? What additional resources will be needed at the ports and other entry points? Will those arrangements be in place in a timely manner?

George Eustice MP: There is a comprehensive piece of work being done across Government that Defra is involved with, looking at the future of border inspection posts and border controls. The reality is that our objective—and we have been very clear on this—is we want a comprehensive customs agreement that means you can have frictionless movement at the border. We believe it is possible to establish principles around mutual recognition that mean we can understand that, while our regulations may not be identical in certain areas, they are definitely equivalent and therefore, on a risk-based approach to border inspection, there is no need for us to inspect one another's products as they cross the border. That is our approach. I think it is a sensible approach. That is our offer to the European Union.

We are giving some consideration to what would be needed if there was no deal because we have to prepare for that as a contingency. There are around 25 designated points of entry for food and another 22 border inspection posts for animal products in particular. That is where some of the higher risk categories are. We are also giving consideration to what additional resources we might need to put on that if we were to put in place those border inspection posts. Even if there were no agreement and no formal deal, it would be open to the UK to unilaterally adopt a risk-based approach to its border inspection and to say that we are confident that the European Union is doing certain things properly and we are going to have a risk-based approach to border inspection. It would be in our gift to do as much or as little border inspection as we thought was required at that point.

Viscount Hanworth: We have had news that the Dutch have recruited a large number of additional customs officials and there is also the scenario, that we have heard about, of huge pile-ups at Dover. In spite of your optimism, you must surely plan for these contingencies. Can you enlighten us more about what contingency plans you have, because all that was predicated on your optimism about an agreement?

George Eustice MP: That is correct. There is a cross-border group looking at border inspection posts and what would be required. The contingency you describe is less one that would be created by the UK putting in place border inspections that couldn't be dealt with; it would be an issue, which I accept is beyond our control, of "What if the European Union had not put in place the necessary resources or measures in order to be able to process things properly?" What if, for instance, there was a competence issue on the other side of the channel and that caused disruption with travel arrangements? That is an issue. That is why I am reassured that France and the Netherlands and others are also planning for this and recruiting additional resources. I think we should welcome that.

Viscount Hanworth: Would it be fair to say that they are taking more contingency measures than we are?

George Eustice MP: No, it would not be fair to say that. I am absolutely confident that we will be ready to handle this. As I said, there is a cross-Government group looking at what additional resources we would need and what additional inspections we might need, but, as I also pointed out, it would be open to us initially to unilaterally say we are going to adopt a risk-based approach.

The Chairman: When you say risk-based, one of the key benefits of Brexit is increased biosecurity. What you are saying suggests to me that we are going to be a little more relaxed on biosecurity if we take that sort of approach. Is that not absolutely core, for all areas that Defra are involved in, to make sure that the border is really strong to meet those risks?

George Eustice MP: There are two things. What would we do if we came out without an agreement and had to stand things up quite quickly? In the early days, just as the principle of the EU Withdrawal Bill was that initially we bring all that EU law across and put it on to a UK statute, and over time where we believe there are areas we need to change Parliament is free to change those, so too with border inspection initially you would say, "Membership of the EU plus one? The risks are no different than membership of the EU minus one", so for an initial period we will adopt a risk-based approach. If months or several years down the line we decide that there are particular challenges with particular animal diseases, or more likely plant diseases, then we could put in place the necessary regulations to impose additional restrictions and have the checks to ensure they could be implemented as well.

Q15 **Lord Rooker:** I would like to convert everything that you have said in answer to all the questions, but instead of thinking about the EU as across the Channel, the country that is going to be most affected by Brexit is Ireland. Given the integrated nature of food production in Ireland, the island of Ireland has 16% of the world's infant formula market. Animal disease is an all-Ireland issue under the Good Friday Agreement, which is an international treaty, so there is no getting around that. The EU will not want Northern Ireland to be a back door into the EU.

How are you going to stop Northern Ireland being used as a back door - particularly in view of the fact that you want to relax biosecurity and other matters—for people to chuck the stuff into Northern Ireland under this Brexit arrangement, and it gets across the border effectively into the EU? How are you going to stop that?

George Eustice MP: The answer is that we put in place the type of customs agreement and customs arrangements that we are talking about and are keen to discuss with the EU and make progress on. A lot of the questions have been what happens if there is no agreement, but our very strong preference is that there will be an agreement. Making sure that we have a frictionless border between Northern Ireland and the Irish Republic is very high up our priorities. That is why it has been specifically addressed in documents and communiqués so far on this issue.

Lord Rooker: You said in answer to the previous questions that the potential of the UK on its own changing the rules that we have—whether it is tariffs, and I am not going down that route, whether it is issues relating to standards and biosecurity—is okay for the UK. But the UK is Northern Ireland. The EU is fully entitled to protect its borders. Its land border with Northern Ireland is a back-door route for lower standards and people cutting corners into the EU. How are you going to stop that?

George Eustice MP: The answer is that we would not be watering down standards. We are talking about strengthening and improving biosecurity. The one thing we have as an island, whether it is Great Britain or the island of Ireland, is a greater ability to stop certain diseases entering our country. That has always been the case. That is why, if there were a particular plant disease that we were concerned about that was going to wipe out English oaks across the whole country, we could take steps to ensure that that material did not come in.

Lord Rooker: And food imports?

George Eustice MP: We are very clear that we are not going to weaken our standards. The question was raised in the context of “Would we need to introduce lots of additional new checks on products coming from the European Union specifically?”, and I am saying it would be open to us at that point, if we chose to, to say we will have a risk-based approach to those imports on the basis that they are coming from the EU and the EU has regulations that are very similar to our own, and therefore we do not believe there would be a need to check those. That is different from the position with third countries. Obviously we would still have the checks as we do now with products coming from countries outside the European Union.

Lord Rooker: I am sorry to labour this point. It is the issue of the UK into the EU, not the EU into the UK, that I am talking about. Northern Ireland, which is a part of the UK, is a back door into the EU. It is that trade I am asking about. It is not produce that is coming in from the EU—ie, from the rest of the EU into the UK—it is materials that might leave the UK into the EU through the back door in Northern Ireland. That is the

issue. You have not addressed that.

George Eustice MP: I think I have because I have said the answer is to get an agreement. You could equally say the Irish Republic would be a back door into the UK. You could turn it whichever way you want. The truth is this is a very important border. There is a lot of integrated trade there and that is why we need a customs agreement and are keen to have a discussion on the customs agreement.

Lord Krebs: I must admit I am becoming more confused as the conversation goes on. I was hoping to get clarity. I heard you say things more or less in successive sentences in answer to Lord Rooker. The first was, on the one hand, we are certainly not going to lower standards—that we are probably going to increase them. I read in the *Times* today a consultation about enhanced labelling, for example. That looks as though we are going to have some divergence, so we will require some system for checking that the stuff that is coming in meets our new higher standards rather than the existing lower standards that the rest of the other 27 countries will adopt. Yet you are saying that we will probably not need any extra border checks because we are basically all the same—their standards are the same as ours. Those are two incompatible statements, so which is the one you believe is the future? Divergence, higher standards in the UK—therefore we need to check what is coming in to check that it complies with our higher standards—or we do not mind if it is lower standard, as we have what you call a risk-based approach, which we interpret as meaning we do not check it if it is coming from the other 27 countries?

George Eustice MP: I did address that earlier. There is a chronology here. In the context of us coming out without an agreement, which was the context of the earlier discussion, I said that it would be open to us if we wanted at that point, in that initial period, which could be months or years, to say we are going to have a risk-based approach. I am also saying that we would have the freedom to diverge at some point in the future. We are working on both of those. One is a contingency if there is no agreement—we have to be ready for that even though it is not our preference—and the other is, as a longer-term end state, what type of border inspection might we have. Some of that could be risk-based and some could be that if you were trying to see off a particular plant disease, for instance, you might on that basis have additional inspections for those products.

Q16 **The Duke of Montrose:** On the question of disease, historically our existing controls have allowed certain animal diseases and more recently plant diseases in. As part of the Government's policy, they wish to increase the health and welfare of plants and animals. Do you not see that you are going to have to step up ways of controlling what comes into the country?

George Eustice MP: Possibly, and the group are looking at that issue. I do not think it needs to be done immediately. We have to do two things. First, we have to work on getting that customs agreement and free trade

agreement with the European Union, which is a priority for all of us—them and us. Secondly, we have to have contingency plans for what happens if it is not possible to get an agreement, so we have to have an approach that we would adopt in such a scenario, even though it is not our preferred scenario. Finally, in the longer term we need to look at the opportunities to strengthen biosecurity and what would be the border inspection post requirements for that. We have a group of people who are giving consideration to that longer-term objective.

The Chairman: On the customs area, the reason it is particularly important regarding food is because a lot of our food imports are perishable, they have a shelf life and a lot of them come in from our nearest producers, which are in Europe. I want to quote Andrew Opie from the British Retail Consortium in our round-table discussion. He said, "First, to give the Committee an idea of scale, I was with a retailer yesterday who told me that they had 51 lorry journeys on one day in the run-up to Christmas just of the citrus fruit from Spain. Another told me that they had 9,000 lorry journeys every year from Spain and that all of them go through the channel ports because that is the most successful way to do it". That was the idea of scale. It seems, it's not your Department's area but the HMRC, that there is huge scepticism about being able to get customs documentation in any sense of order to deal with this scale of issue. Is Defra pushing the Treasury on this, because the Government track record on these systems is not great? Is Defra pushing to make sure that we are ready for this? This is whether we have no deal or a free trade deal. If we are outside the Customs Union this is reality.

George Eustice MP: There are a number of things. In addition to the work that is being done on border inspection posts and points of entry and what additional resources might be needed for inspection, we have a number of projects looking at what IT systems might be needed. We currently use the EU TRACES system and are considering what we might need to replace that when we leave the European Union. This is obviously a Treasury lead, but I think customs have a system called CHIEF, which is a domestic system. That covers imports coming from third countries at the moment. They will be giving some consideration as to whether that would have the capacity and scope to upscale to deal with any additional customs work that would come if the EU were to become a third country as well. That work is going on. I do not know whether Matthew has anything to add to that but it is a recognised issue. There is a domestic IT system that already does that work and the key question there—as with some of these things, and we are looking at all of our systems—is whether we can increase the capacity to cope with the increased workload. We are doing that on a range of IT systems.

The Chairman: Between now and the end of the transition period, which will be either the end of 2020 or March 2021, we are not going to have much chance of getting those in operation. If Mr Waite would like to reassure us we would be delighted to hear it.

Matthew Waite: My understanding is that the CHIEF system handles about 55 million declarations a year at the moment and it has capacity to go up to about 100 million. Alongside that, HMRC are working on the Customs Declaration Service.

The Chairman: In our evidence the number went from 55 and was expected to go up to 255,000.

Matthew Waite: The Customs Declaration Service, which is the new system that would take the place of CHIEF, is designed to deal with up to 300 million declarations a year. That is in process at the moment but is due to come on in January 2019, so it is in advance of the end of the implementation period and to run concurrent with the CHIEF system as well, so that there is some measure of confidence in the two systems running side by side to give confidence in the final system as well. There are plans in place to try this new system in advance of the end of the implementation period.

The Chairman: If I were running a risk management system I would have that in my top right-hand red box.

Matthew Waite: The briefing note says that it is the top priority for the Government for HMRC.

George Eustice MP: I am sure it is very high on the agenda for Treasury Ministers.

The Chairman: And you are keeping an eye on them.

George Eustice MP: Yes, there is a cross-Government group looking at all of these issues.

Q17 **Lord Selkirk of Douglas:** The Minister has already answered to a very large extent the question which I first wanted to ask, which was related to whether as a matter of policy we may need to increase food production following Brexit.. If so, and this is asking the question on a hypothetical basis, what assessment has been made of the impact in an upward direction of producing more food? The second question is: do you anticipate using farm subsidies to incentivise increased food production?

George Eustice MP: Yesterday we published our Command Paper on future agriculture policy, which is going to be the consultation that we use to shape our approach to an Agriculture Bill that is forthcoming in this Session. We are very clear that we believe the cornerstone of a future policy should be a system of incentives and rewards to reward farmers for delivery of public goods. We also set out a range of measures to support farmers to become competitive and support production. For instance, we talked about investment in research and development to improve productivity. We talked about possible grants or financial instruments to support investment on farms to re-equip farms to enable them to produce food. There is a dimension of that Command Paper that is very much around producing food.

To your former question, do I see Brexit as requiring us to have a particular view about how much food we are producing? My view has always been that people often confuse self-sufficiency, as a measure, with food security. They are different issues. There is a linkage but they are different. Food security depends partly on having a wide mix of domestically produced food but it also depends on open markets and trade around the world. It is not true to say that just by increasing your self-sufficiency by 5% or 10% you necessarily improve your food security. Given that our aim is to have open trade and a free trade agreement with the European Union, I do not particularly see that it needs us to try to have a view on moving self-sufficiency one way or the other. It has remained relatively stable for the last 15 years. It is down on where it was at the peak of the EU subsidies in the late 1980s when there were a lot of production subsidies and lots of distortions in the market, but it has been relatively stable since. The right thing to target is to have a productive, profitable, competitive food and farming industry. Targeting self-sufficiency as a measure is a bit like a sort of prices and incomes policy of the 1970s. In the end they worked out that if you target money supply you can deal with inflation. It is a similar thing here; our target should be to have a vibrant, profitable farming industry and we will have the level of self-sufficiency that we need.

The Chairman: I think our question was partly prompted by your colleague Mr [Chris] Grayling's [MP] intervention when he said that it might be an opportunity for us to grow more. I do not know whether that was an informed comment.

George Eustice MP: During the referendum campaign the NFU commissioned a piece of work from a Dutch university. That showed that if you had—it is all hypothetical—an MFN scenario that would dampen EU imports into the UK, you would have a firming up of farm-gate prices in many sectors, notably in beef and the vegetable sector and top fruit and soft fruit, and in response to that you would probably see an increase in domestic production. If you had tariffs over time you would probably see an increase in domestic production but that is not our objective. As I keep saying, we want to have a comprehensive free trade agreement and a customs agreement with it.

Lord Curry of Kirkharle: It was remiss of me not to declare my interests earlier. They are all listed in the Register but I have a farm in Northumberland and am Trustee of Clinton Devon Estates and have others listed. The issue of self-sufficiency versus food security is a tricky one. I have had to try to answer that question several times myself and have taken a similar stance to yourself, particularly in 2002 when I was working on the Report [of the Policy Commission on the Future of Farming and Food]. I resisted very strongly then pressure from other groups to state a figure that we should be aiming at for self-sufficiency because it was declining. Despite your assurance, it does appear to be declining. NFU calculated two years ago that we would run out of food on 12 August—we might have to shoot grouse to feed ourselves—and now it is down to about the beginning of August. The level of production may be

static but our population is rising so the percentage of self-sufficiency is declining. It seems that in a fairly volatile world where food supplies could be disrupted for whatever reason—whether it is climate change or terrorism or whatever—to have a reasonable level of home-produced food is common sense. Our retailers and food processors should be and are aware of that. In certain categories of food that we produce—it is very difficult to state a figure because we have plenty of grain, we rear lots of lamb—particularly in fresh produce and vegetables and fruit our level of production has continued to decline. Our pig production has declined. There are opportunities within specific categories to improve our level of production, particularly when we are encouraging consumers to eat five-a-day or more of fruit and vegetables, where we could target the kind of support that you mentioned to encourage greater investment by producers to produce more. Do you envisage that?

George Eustice MP: Yes and our Command Paper sets out precisely these sorts of suggestions. We have discussed, for instance, the idea of research and development syndicates where a group of people in, say, the veg sector might come together, and draw down some Government match funding to support R&D to tackle a particular technical challenge. If you were to do what I described earlier and have grants to help farmers to invest or Government support to help them form collaborative groups, either for marketing or for production and R&D, that would be open to the fruit sector as well. We have seen a recovery in top-fruit production—it has been growing in recent years—and soft fruit has been a particular success in the last 10 to 15 years as well. These sectors have been doing well. They have been traditionally unsubsidised but they are very market-focused and some of our most innovative farmers are in these sectors.

I also agree with you and you make a very good point on food security. It happens on a number of levels. Is there a global food security challenge? I would say yes in that we have a rising world population and, if you look at all of the modelling in terms of climate change, water scarcity in some areas is going to be what bites first. Having access to agricultural land with access to water is probably going to be strategically important for the world. The UK has a responsibility to do its part to help feed the world given that we come from a temperate zone. There will be parts of the world where it will become more challenging.

Lord Selkirk of Douglas: May I ask a bit more about research? What role does Defra have? Does it fund some of the research programmes that help co-ordinate or does it take a lead in these matters?

George Eustice MP: Yes, it does. In recent years we have had the Agritech Strategy Fund. That was a £160 million fund and we ran a series of bids for catalyst projects. These were to support joint industry and university projects to fund research in a very wide range of areas. We are giving thought now to what will replace that fund. Our Command Paper talks about the possibility of research and development syndicates where there could be some Government match funding to support industry-led

research so that it is more applied. We also have the AHDB, which in some sectors commissions a lot of research, particularly in cereals and potatoes. Some of the sectors that have been most successful are where you have integrated supply chains, such as the sugar-beet industry where they have, through Associated British Foods and British Sugar, made available a lot of money for R&D and genetic improvement in particular, and that has been a big driver of productivity in that sector.

The Chairman: Let us move on to one of the other areas of potential constraint. Lord Krebs.

Q18 Lord Krebs: I want to pick up on a theme that has been widely discussed and which I am sure you are familiar with. This is the reliance of the agricultural and horticultural sectors and the food manufacturing sector and hospitality sector on labour from other EU countries. Post-Brexit, many in the industry worry about labour shortages. I wonder what the current thinking is in your Department on how we are going to meet the potential labour shortages in production, manufacturing and retail and hospitality.

George Eustice MP: The Secretary of State, Rt Hon Michael Gove MP, addressed this issue head-on at his speech at the NFU conference. This is obviously a Home Office lead, but we are both at official and ministerial level working closely with our Home Office colleagues. They have commissioned the Migration Advisory Committee to do a comprehensive piece of work on what our policy on migration should be after we leave the EU. Until we leave, and probably during any transition period, there will be free movement of people as we have now. Thereafter, we need to consider what our approach will be. Probably we would have some kind of work permitting system where we would allow in the numbers of people we need for particular sectors. That is a very detailed piece of work that the MAC are looking at.

In addition, we have had lots of representations from the industry about the possibility of a future SAWS scheme after we leave the EU. That is a Seasonal Agricultural Workers Scheme that ran from 1945 until 2013. We are also giving some consideration to what type of scheme we might have in that space for temporary seasonal labour as well. The challenge is that it varies from sector to sector. In horticulture there is a need predominantly for seasonal agricultural workers. In other sectors, particularly meat and fish processing, there is quite high dependency on permanent staff from Eastern European countries at the moment. If you were to look at the other end of the scale at a chocolate factory, such as Bournville and Cadbury, you would find that the workforce is predominantly UK-based. It does depend on the sector. There are quite wide variances from, say, an abattoir or a fish processor to a chocolate manufacturer in terms of their dependency on overseas labour.

Lord Krebs: There is work-in-progress, a review. What assurance are you giving to the industry at the moment to say, "Don't worry, this is all going to be sorted out"? That is what they want to hear. They do not want to hear that you have asked some committee to set up a review.

Are you able to give any definite reassurance?

George Eustice MP: The reassurance I can give is that while we are in the European Union free movement of people continues. For the time being they can access the labour that they need, albeit I accept that it is increasingly quite a tight labour market across the UK. Thereafter, we are absolutely giving consideration first to a Seasonal Agricultural Workers Scheme that might come after we leave the European Union and what the design of that might be, and the MAC are working on that now. They had a consultation that closed in October, so their work is quite advanced. That will conclude in a timely fashion so that we are able to put in place the necessary policies once we leave the European Union. We recognise, and Rt Hon Michael Gove MP made this clear in his speech to the NFU, that when it comes to our needs for migration it is not just the brightest and the best, to use the term that is often bandied around—the highly skilled surgeons or rocket scientists—it is also the case that in some sectors we need labour that some people would describe as unskilled. There is another factor here that we are looking closely at, and which I know the MAC will consider as well, which is the potential for improved mechanisation in some sectors to try to reduce dependency on labour and improve productivity. There is evidence that in some sectors the availability of relatively low-cost labour has meant that there has been less attention given to investment in processes or in machinery that might save time and labour and improve productivity.

The Chairman: When we did our Brexit:agriculture Report, which I am sure you gave evidence to last year, when we had the formal Government response it effectively dismissed a new SAWS scheme. It was very iffy about it and said it was not considering it at the time. Is that a change?

George Eustice MP: That was in the context of pressure last year to open a SAWS scheme immediately for this year, but we are very much thinking about all of these issues, including future seasonal agricultural labour in the context of leaving the EU.

The Chairman: I am sure we welcome the change. Coming back to Lord Krebs's question, is this not an issue now? This is not just a post-Brexit issue; this is a now issue, is it not? You and I know that down in Cornwall there are reports of scaling back production because of lack of labour; I know producers down there who are. Is this not an urgent issue rather than a post-Brexit issue?

George Eustice MP: It varies and it depends on the time of year. A lot of those big agri-businesses are in my constituency, so I know them. I get different accounts depending on the time of year when the pressure for labour is there. I have spoken to some of the daffodil producers, who are very big in west Cornwall, who are expanding their production and need an additional 1,500 people. They tell me that they are very confident that at that time of year, early in January, they are able through working in Bulgaria, which is a large country with a large population, to secure all of their labour needs from Bulgaria and Romania

in particular. If you were to talk to a soft-fruit producer, whose peak demand for labour is in June, July and August, you get a slightly different story because the competition at that point for seasonal labour is much higher and they report that even with existing free movement of people they are finding it harder to fill those places, but not impossible.

The Chairman: Are you being robust with the Home Office? Historically, the Home Office does not tend to be very sympathetic with what you say, quite rightly, about it not being just the greatest and the best and the Nobel laureates—it is people who have very important manual skills. Is Defra being robust about this with the Home Office?

George Eustice MP: The industry bring concerns to us and we make sure that the Home Office are aware of those. We all know how Government works around this table. We have discussions and we reach a consensus.

The Chairman: Lord Rooker wants to come in and I also have Baroness Sheehan and then Lord Curry. I need to make progress.

Lord Rooker: On future negotiations on SAWS, there was a time when we had people coming in from 131 countries based on the higher education processes around the world. It was only really abandoned with the onset of Romania and Bulgaria. That was the trigger for abandoning SAWS and I was involved ministerially. I want to ask you about the full-time people. I presume you have been to meat-cutting plants?

George Eustice MP: Yes.

Lord Rooker: They are very highly mechanised. There are a lot less of them because they are highly mechanised. Some of these plants have 95% non-British staff and it is rare sometimes to hear English spoken. Is it the presumption of the Government to replace the staff in such places with home-grown people—jobs for British people? Is that part of the presumption of Brexit? Otherwise, I cannot see why there is a free-movement issue of people coming for full-time jobs. I am not talking about seasonal jobs but people will live here and form relationships here because they have full-time occupation. We are not talking about a transient population. What is the presumption of the Government? Is the intention to leave the status quo and allow the free movement, or is it to change the nature of these jobs so that they are taken by British people? I am talking about basic jobs. I am not talking about the 97% of vets in the abattoirs who are from the EU, because they are professionally qualified. I am talking about the workers in the cutting plants on the lines and all the issues in these highly mechanised places. What is the presumption of the Government about the staff there?

George Eustice MP: It is neither one nor the other. It is to strike a balance in these areas. There may be some factories where investment in new equipment and new technology could reduce their need for overseas labour. That in turn may lead to openings for more skilled labour and we may be able to support staff who come from the UK through an

apprenticeship to be able to take jobs they are currently not taking. Equally, it may be, which is why the MAC is looking at this, that you still need to have some labour from overseas countries coming here to help fill gaps. As everyone knows, and it is a good problem to have, we have a tight labour market at the moment. Unemployment is at its lowest level since the early 1970s and that is why we recognise there is a need for some labour from overseas, and that is what the MAC are looking at. It is a mixture of those things. I mentioned earlier the daffodil grower who said he had no issues recruiting the 1,500 or so Bulgarians that he needed for the expansion they were planning. In a lot of these agri-businesses, even at a supervisory level or management level—irrigation managers and the like—increasingly some of those are from Eastern European countries. He made the point that 20 years ago a lot of farmers' sons on smaller farms stopped the business themselves and joined management roles in some of these large agri-businesses, and when they retire there is not another generation of farmers' sons coming along—people who are used to working hard and know what they are doing and who can play those management roles. What some of the more progressive people in the industry are saying is there should be a quid pro quo here. Yes, we will always need access to some overseas labour, particularly when it comes to seasonal labour, but the industry could, if it challenged itself, do more to build career structures for those irrigation managers, agronomists and middle-management staff within their businesses. We are keen to support them in doing that.

Q19 Lord Curry of Kirkharle: I was hosting a meeting last night with the Head of Economics from the German Embassy as the Ambassador has not been replaced. We talked about the issue of productivity and why it is that Germany appears to have a higher level of productivity than we have. It came on to the issue of skills and how we are developing people. His view was that they are better at recruiting people, making the sector more appealing and attractive, and their use of apprenticeships and developing people partly through academic education and partly through working in the sector itself is what they are doing well. I think that is probably true. Our apprenticeship scheme appears to be floundering. Perhaps I am being negative but it has not been the success so far that we hoped it would be. It is not just about meeting the immediate demands of seasonal labour through a SAWS scheme, it is building capacity for the future which is what you were saying that we need to do as a sector. You and I have talked a lot about skills but I do not think we are getting this right by way of developing people and making our sector as attractive as it should be.

George Eustice MP: I know that the AHDB is also very focused on this issue at the moment. As a sector, our apprenticeship policy has been successful. We have many more people taking apprenticeships at the moment, choosing that as a career option. We have done a lot of work to get much more employer engagement and leadership in those apprenticeships so that they are more employer-focused. At the moment, colleagues in the Department for Education are working on a number of specific frameworks for individual industries to try to strengthen the

credibility of apprenticeships further. A lot of work has been done in the last five to seven years which has been successful but there is more to do and we are turning our attention to that.

There is a specific problem in the food sector and the agricultural sector about the perceptions of the industry. There have been some good projects such as Bright Crop, which does ambassadorial work in schools, sending peers into schools to try and promote career choices in food and farming. The IGD runs a similar programme to try to get people to choose food and farming as a career choice, but we can do more and do even better. It is quite a cluttered field at the moment in terms of the types of qualifications you can get, particularly some of the more vocational ones in agriculture and horticulture. You will be aware that there were discussions about an idea for a national land-based college that would try to pull things together and make it less fragmented. Although that has not yet come to fruition, the principle is right.

- Q20 The Chairman:** Minister, you seem fairly relaxed about the fact that trade on food with our existing European Union partners is going to be much the same as it was before. How important are new agreements and new trade with countries outside the European Union and, indeed, the 50 or so countries that the European Union already has trade agreements with, which counts for huge amounts of our imports at the moment? Is that significant? What effect will that have on price and availability, which is particularly what we are looking at in this inquiry?

George Eustice MP: For the existing EU international trade agreements with third countries, we have a number of groups in Government working to roll those over.

The Chairman: We will come on to those in a minute.

George Eustice MP: There will be some opportunities for new trade deals. The European Commission did a comprehensive piece of analysis in 2016 looking at EU agriculture in the round, obviously including the UK, to see where the offensive opportunities were and where the defensive risks were. It showed that in agriculture there were opportunities in dairy, probably opportunities in the pig sector as well and probably opportunities in cereals. It also showed that there were defensive risks in sectors such as beef and sheep and poultry.

Having said that, it is important not to exaggerate the opportunities because it was a fairly modest growth that we would expect to see—in most sectors, between 0.5% and 1%, and possibly up to 2% on dairy. On the areas where we were judged to have defensive risks, the impact on industry overall was more modest than people often presume. It comes back to the point that I made earlier. Contrary to popular opinion, we already have quite open access in agricultural products through the TRQ system. There is already quite a lot of trade that takes place. The impacts of these new agreements are probably less than some people would presume but nevertheless there are opportunities. I am talking specifically about food. Obviously, if you looked at sectors such as

financial services or automotive or pharmaceuticals there could be big opportunities. When you do trade deals you have to look at the economy as a whole.

The Chairman: No doubt a number of those economies would expect agriculture to be part of those agreements. We will not get into financial services today.

Q21 **Baroness Sheehan:** Minister, what steps will be taken to ensure new trade agreements do not result in food safety or animal welfare standards being lowered?

George Eustice MP: Both Rt Hon Michael Gove MP and I have been very clear that we will not water down standards in pursuit of a trade deal. There are ways of dealing with these issues. You can do a trade deal for particular products raised to a particular specification that meets equivalency with your own domestic market. There will always be a row over concerns about matters such as chlorinated chicken and hormone beef but the reality is, when you get into these negotiations, you can be prescriptive about the type of access you are giving and the types of products you are giving access to. That is the position we have set out as Defra. In any trade negotiation, we will be leading the agricultural component of those discussions. There will be a role for Parliament in ratifying any final trade deal. I am sure that when we get into these trade deals there will be lots of very detailed debate on all of the things that are offered, or should be offered or should not be offered, and we will arrive as you do in these negotiations at a consensus at the end.

The Chairman: I am delighted to hear you discuss Parliament as a backstop. That is excellent to hear from a Government Minister; we do not often hear that.

George Eustice MP: I am an MP as well and a great believer in the importance of parliamentary scrutiny.

The Chairman: As we all are.

Baroness Sheehan: At the moment there is a great deal of monitoring, inspection and certification carried out by EU agencies. What future planning are you putting in place to make sure that the UK can carry those out independently?

George Eustice MP: We have a team to deal with these issues within APHA, but as part of our preparation for the future we will need to upscale that. The European veterinary authorities at the moment tend to lead on inspection of foreign plant. That is work that the UK will need to do itself in future. The APHA would probably be the natural agency to do that since they manage those things. As part of our planning, that is an area that is being looked at.

Deborah Hankins: We have mentioned the TRACES system, which is an EU system that we are looking into as to what we do in future with that and other EU systems such as SANTE F which conduct an auditing

capability. There is a significant amount of work going on to look at those systems to map out what they do, what our links are with them and the options for when we leave.

Lord Krebs: What is your current estimate of the number of additional staff that would be needed in APHA to take on the food and veterinary office functions, in the Food Standards Agency to take over EFSA roles etc? Are we talking about a few dozen, a few hundred, a few thousand? What number?

George Eustice MP: I do not have a specific number so I may need to write to you. It will depend on the nature of those trade deals and how quickly they come through. I can write to the Committee rather than give you a guestimate. I know that these things are quite hard to judge because it is very dependent on the type of agreement we have with certain countries. We have done some analysis on what the increased burden might be in export certificates that you would need, for instance, if we needed them with the EU. We know that is roughly a third increase on our current capacity. I would probably want to write separately to the Committee to give you that.

Deborah Hankins: To give you some context, as of the end of January Defra had recruited around 1,100 additional staff on fixed-term appointments to look at and support the EU exit programme of work, integrated with the existing team. That is not a forward projection in discussion with the Treasury but to give you an idea of the context we have been operating in over the last year. Significant numbers of extra staff have been taken on.

Lord Krebs: Those are the people in Defra who do the thinking about what is going to be needed.

George Eustice MP: That is effectively policy development roles rather than vets.

Lord Krebs: If you need a thousand thinkers you probably need as many times that of doers.

Deborah Hankins: We can clarify that. My understanding is that that is across the whole group of Defra, which would include Arm's-Length Bodies and Agencies.

The Chairman: The Committee is very happy to hear that figure, because one of the areas we have been particularly concerned about is on capacity, particularly in Defra in all of the policy areas. Thank you for that information, even if it does not look forward to the operational side.

The Duke of Montrose: There was a headline in the papers this week saying that we might be in danger of getting lower-standard US milk coming into the country. Is milk cheaper in the US? What mechanism do we have if we stick to WTO rules to stop US milk?

George Eustice MP: The reason agricultural trade tends to be the sticking point in virtually every trade deal anyone tries to do is for a very good reason: there are complex issues around sanitary and phytosanitary regulations and the differences between those. There are concerns about health implications, food safety implications, differences on animal welfare and concerns about a race to the bottom. Because of the intricate connection between farming and life and health, for very good reason these tend to become sticking points in negotiations. As I said earlier, it is possible to have a free trade agreement but to set the standards you require on the food coming in. We often have that arrangement.

The Duke of Montrose: A bilateral agreement.

George Eustice MP: That is right. Even now that will take place. Free trade agreements are done by the EU but when it comes to market access our own officials will be working with, for instance, Chinese veterinary authorities to try to reassure them about the standards of production in all of our plants, to make sure they are happy for that plant to be authorised to supply them. That kind of work is going on already and it is a familiar feature of all trade agreements. With free trade agreements people often think about tariffs but, when it comes to agriculture, the market access element of the negotiation—which is making sure that you have sufficient confidence in the plant that is supplying you—tends to be the most complicated part and can often take time. Even after you have a free trade agreement, authorising individual producers to be able to supply you can often be where it becomes difficult. That is the case whether we are exporting to a country or importing.

The Duke of Montrose: With US milk there is also a hormone question. I do not know if you can test milk in the same way that you can cereals or the other products we import to check if they are genetically modified.

The Chairman: We need to move on. I remind Members that we need to concentrate particularly on food security and pricing. We are going to move on to other existing trade agreements.

Q22 **Lord Rooker:** First, I want to cheat. Is chlorinated chicken safe?

George Eustice MP: In our view, the chlorination of chicken is not necessarily unsafe. The issue with chlorine-washed chicken is that it tends to mask other problems in the supply chain and, in particular, lower standards of animal welfare. In the US they allow a higher stocking density on commercial poultry farms, which in turn causes the problems which requires them to use chlorine-washed chicken. It is a complex area but the primary objection is not necessarily a food-safety issue per se; it is that it masks other problems in the supply chain.

Lord Rooker: Animal welfare issues are not a WTO competence.

George Eustice MP: That is not true. There is established WTO case law that enables you to prevent certain trade on ethical or animal welfare

grounds. You are right that it has tended not to dominate those discussions but there is legal precedent for it to be a consideration.

Lord Rooker: That is why we have suffered, because in some ways we have led on animal welfare to the disadvantage of our own producers, because we have not been able to apply those standards to others. You started to answer the Chairman and he stopped you when you were talking about rolling over the existing arrangements for the 20% of our food that comes in from non-EU countries under trade agreements negotiated with the EU and you started to talk about the procedure for rolling those over, which is what I am asking you. How far have you got with it?

George Eustice MP: I might ask Matthew to come in with more detail. We have established groups predominantly in the Department for International Trade, but Defra is engaged with this as well, to ensure that the various equivalency agreements and existing free trade agreements continue to apply to the UK after we have left the European Union. In the majority of those cases, as was pointed out, they benefit from access to the UK market, so we think that in the majority of those cases they are going to be very keen to simply roll those agreements over and for them to continue to apply to the UK. There may be odd instances where they will say that due to our constitutional arrangements we will need to do this in a slightly more long-winded, formal way. In most of those cases, however, they benefit from the agreements, particularly with the UK, so there will be an appetite on their part to try to roll those agreements over. I think there are about 26 different equivalency agreements—it might even be higher than that—and a number of other free trade agreements as well that we will be seeking continuity on.

Matthew Waite: The approach we are taking is similar to the approach we are taking at the WTO with the splitting up of the TRQs. We are trying to approach it as a technical rectification exercise: this is what exists at the moment with the EU. Can we roll this over and treat it as technical rectification? The one area where that does cause some issues is like with the WTO on the TRQs, but we are using exactly the same methodology as we would with the WTO exercise to try and do them in parallel as much as we can.

Deborah Hankins: There are 40 EU international trade agreements that cover 56 countries.

Lord Rooker: That is pretty extensive—56 countries.

The Chairman: They were specifically mentioned a number of times by our witnesses on the round table as being important. As you said, Lord Rooker, one-fifth of imports come from that area. We will move on to another issue that came up unexpectedly at the round table.

Q23 **Lord Curry of Kirkharle:** I read the Command Paper with keen interest last night. It includes a lot of the issues that you and Rt Hon Michael Gove MP have been trailing. I was disappointed and slightly surprised

towards the end of the document to read that, of course, consumers will benefit from lower food prices. This brings us back to the issue of potentially having a two-tier food market, which is a real concern. The view that has been presented by Rt Hon Michael Gove MP and others is that in Britain we can position ourselves in the global market as having high environmental standards, high animal welfare standards and high regulatory processes, so that we can not only provide reassurance to our own consumers about our standards but explore global markets where those high standards will appeal. On the other hand, those who want to demolish trade barriers and allow cheap food in appear to potentially create a market where consumers who struggle through their low incomes to access this high-quality food will access lower-quality food, potentially at lower standards. I know you are trying to reassure us that you will not enter into trade deals that undermine our own internal standards, but it seems to be assumed in the Command Paper that consumers will have access to lower-priced food, which is of deep concern to producers in Britain. There appear to be two different views within Government on this issue of where we position ourselves in the global market and what we might access for our own consumers.

George Eustice MP: It links back to the first question. There is a range of views and economists cover that full range as economists often do. My conclusion is it would depend on the sector. There are sectors. You mentioned that food self-sufficiency is 60%. Part of the reason is that tastes have changed and there is a lot of consumption of foods like rice and other foods that we cannot grow here. Our self-sufficiency on the food that we can grow here is 76%, which is quite respectable. It may be the case that if you are free to do trade deals with certain countries there may be certain products that we cannot produce here that you would be able to get lower prices on. It may also be the case that if, over time, we redirect our financial support for agriculture so that some sectors can become more productive and reduce their costs, we may have changes to some of those. As I said at the start, the analysis that has generally been done on this with proper models that take account of all the different factors suggest that food prices at least in the short term probably will not change very much. The sentence you pulled out is in the context of possible future trading arrangements and future trade deals, which is one element of the Command Paper.

Lord Curry of Kirkharle: It is rather simplistic to think that we might be able to import food that we cannot produce here—we can use rice as an example—and assume that it could be traded at a lower price without appreciating that that might have a substitution impact on our own food products that we produce. I think there will be a levelling down of prices overall if that happens. This is economists' territory and I am not qualified to explore that in detail but there is still a risk.

The Chairman: An area that we were not expecting in the round table was that you would have both these markets. You would have high-quality nutritious, good, healthy fare for people on good incomes and cheap, not particularly high-standard food for those on lower incomes, so

there would be a dual market and social split within society. This was put forward strongly as a possible scenario for the future.

George Eustice MP: That is predominantly due to the fact that we have a highly competitive retail sector in the UK. It is probably more developed and advanced than any other country in the world. They are catering for people of all incomes and all persuasions when it comes to their approach to food. We have a highly effective retail sector that reacts to different segments of a consumer market. Generally, we have been on a different journey from the United States, for example, over the last 30 or so years since the 1980s. There has been a growing interest in food provenance, high animal welfare brands, issues around organics, high environmental standards and in nutritious food. We have seen a better appreciation of food whereas the US has remained on a kind of cheap food production model. We have been on a different journey but that does not mean that we do not cater for all income levels in the UK.

The Chairman: It is a matter of consumer choice.

Lord Krebs: I do not recognise the account that you have just given. It is true that a very small proportion of UK consumers are willing to pay extra for high standards. Is the organic market 2% or 3% of food retail? We are talking about posh middle-class people with plenty of money. If you look more generally at the UK, as Cancer Research UK reported a few days ago, by the time they are in early middle age, 70% of millennials in this country will be dangerously overweight and that is largely attributable to the consumption of poor-quality food. The real issue in this country is not the 2% who buy posh high-quality food—if organic is high quality—it is the vast majority who are buying too much junk food. Is your whole vision of post-Brexit food supply linked to the crucial question for this country of diet and health?

George Eustice MP: It is addressed in our Command Paper that we want to link our approach to farming with developing a culture of healthy eating. You will be aware that this is an important agenda at the moment for the Department of Health. We introduced a soft drinks sugar levy to drive reformulation in that sector. Alongside that, it is promoting a different culture between people and their food. I think we have made progress. You have singled out organics, but that has had a recovery in the last three or four years. Sadly, in the UK people went out of organics about a decade ago just before the market recovered and we now have to import a lot of our organic products, but it is back into growth. If you look at some of the high welfare brands, recently Co-op—not a premium middle-class brand but more of a mass-market brand—has decided that all its pork and bacon products will be from outdoor-bred pigs. These trends can be seen everywhere.

Q24 **The Chairman:** Minister, in one of your Explanatory Memoranda on the future of the Common Agricultural Policy into the 2020s, it was stated very clearly that you were not actively participating in those discussions. We were disappointed at that. Last week, I met with Commissioner Hogan and he praised the UK's involvement in this process. Are you

keeping your light under a bushel?

George Eustice MP: One of the Committees has written to me on this issue. To clarify, while we are in the European Union we are attending Council and when this issue of future agriculture policy comes up we contribute, and I have done so on at least two occasions. The point I was trying to make is that we will have left the European Union by the time that the successor CAP comes into effect. However, the spirit in which we approach this is to explain to other Member States the types of issues we are looking at in the UK and to offer to share any of our analyses and lessons with them in case they would like to take it up. There is a difference between expressing a very hard view about what they should do in a period when we have left, and offering to explain to them what we intend to do and to share that with them. That was the point we were trying to make probably not altogether clearly in the Explanatory Memorandum. We have written either to this Committee or the EU Scrutiny Committee, who raised a similar issue, to clarify exactly what we meant by that.

The Chairman: We welcomed the fact that Commissioner Hogan thought you were doing a good job.

George Eustice MP: Commissioner Hogan is in agreement with some of the ideas that I have expressed. We will see whether the EU's initial document survives the discussion that will take place over the next few years, but some of their suggestions on supporting risk management and innovation have come from the UK and you will see them in our own Command Paper.

The Chairman: I must say that we had a very, very tough session from our participants at the round table - from the producers, the farming side, industry, the food-processing side and the consumers' side. The story you have told us today has been contrary to that by way of being relaxed about where we are going to go, even if we do not know exactly where we are going to go. I think there is quite a contrast there. Is there anything that Deborah Hankins or Matthew Waite wish to add?

Deborah Hankins: We work very closely with the entire industry around business readiness as plans become clearer. Part of what we are doing is engaging with those individuals and others to look at their challenges and understand the detail so that we can help them prepare for EU exit.

The Chairman: I hope so, because we have had some very strong messages from them.

Lord Rooker: One of the messages that went down very well with Admiral West is that we need a bigger navy, because the importers and those who are dealing with trade are quite serious about the issue of transport and security arrangements.

The Chairman: I am sure the Minister will note that.

George Eustice MP: I will leave the MoD Minister to discuss that. I completely understand that this decision to leave the European Union is a big decision and will imply change, and therefore it is quite natural that people will be apprehensive about that change. That is what I see when I meet people. They regularly raise concerns over labour and future trading arrangements in particular. We are not complacent but we are doing all the work necessary to ensure that we are ready for all scenarios and we are also confident that we can get this comprehensive free trade agreement, because it is in all our interests to do so. I understand people's apprehension but our job is to work through that and to keep our focus on getting the solution right.

The Chairman: Deborah, you were saying that you had 1,000 extra members of staff in Defra.

Deborah Hankins: Over 1,000.

The Chairman: What was the total before that in Defra?

Deborah Hankins: We will clarify that. It is a significant increase and we have already on-boarded most of those.

The Chairman: It will be interesting to come back on that number and, on anything else that would help us, please follow up in writing. Thank you all for participating in the session today. I bring the public session to a close. Thank you.