House of Commons

International Trade Committee

Oral evidence: Trade and the Commonwealth: Developing Countries, HC 667iiii

Wednesday 9 May 2018

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Watch the meeting

Members present: Julia Lopez (in the Chair); Mr Ranil Jayawardena; Mr Chris Leslie; Emma Little Pengelly; Faisal Rashid; Catherine West; Matt Western.

In the absence of the Chair, Julia Lopez was called to the Chair.

Questions 196 - 249

Witnesses

I: Ian Michell, Technical Director, Flamingo Group; Sian Thomas, Communications Manager, Fresh Produce Consortium; and Avnish Malde, CEO, Wealmoor.

Written evidence from witnesses:

- Fresh Produce Consortium

Examination of witnesses

Witnesses: Ian Michell, Sian Thomas and Avnish Malde.

Q196 **Chair:** Good morning. My name is Julia Lopez. I am the temporary Chairman for today's Committee. Thank you for coming in to give us evidence today. This is the Committee's fourth evidence session into trade and the Commonwealth, and today we are focusing on developing countries and the fresh produce trade. I would be grateful if the witnesses could introduce themselves for the record, starting on my left.

Avnish Malde: Avnish Malde. I am the CEO of Wealmoor Limited. It is a privately run business. We have been going for 43 years. We basically grow, import, pack and process fresh fruits and vegetables from many different countries around the world, as well as the UK.

Sian Thomas: Good morning. I am Sian Thomas. I am the Communications Manager with the Fresh Produce Consortium. We are the UK trade association for the UK industry for cut flowers, fruit and vegetables.

Ian Michell: Good morning. My name is Ian Michell. I am the MD of Produce for Flamingo Produce UK. I am also the Group Technical Director for Flamingo Group. We grow, market and supply fresh cut flowers and vegetables into the UK retail market and into Europe. We are currently turning over about £440 million, and we employ just over 10,500 people globally.

Q197 **Chair:** Thank you very much. Can I kick off by asking Ms Thomas to explain how much fresh produce the UK imports on average every year?

Sian Thomas: The UK imports around 6.2 million tonnes of fresh fruit and vegetables each year. Of those, we import 3.1 million tonnes.

Q198 **Chair:** What proportion of those imports come from developing countries and specifically from Commonwealth developing countries?

Sian Thomas: From developing countries we import 1.8 million tonnes, which is about 29% of total imports. From Commonwealth countries, it is 0.8 million tonnes, which is 13% of total imports.

Q199 **Chair:** What are the main products that we tend to import, and which countries are the largest exporters in terms of quantity?

Sian Thomas: The main products we import are very much those that we cannot grow here in the UK, and include a wide range of exotic produce. We import a million tonnes of bananas—that is by far and away the largest quantity of commodity—then grapes, oranges, pineapples, soft citrus, apples, mangos, guava, avocado and lemon. They are the main product ranges in terms of volumes.

In terms of developing and Commonwealth countries, we have the greatest volume of imports from South Africa, and then countries like Costa Rica, Columbia and the Dominican Republic. Those are really at the top end. We are importing from around 100 countries, so it is a huge number of different countries that are exporting to the UK.

Q200 **Chair:** Mr Michell and Mr Malde, what are the main products that your businesses import? Where do you tend to source these products from?

Avnish Malde: In our case, it is predominantly baby vegetables, premium vegetables and tropical fruit. The countries that we work with range from Kenya in east Africa, Gambia in west Africa, Senegal, Guatemala and Peru, but also Zambia and Egypt. We would be working with 30 different countries across the year for the range of products that we bring in. We have vested interests in many of those countries, so we are involved in those supply chains very intricately.

Q201 **Chair:** Could you talk to us about those supply chains and about how easy and straightforward you find importing into the UK?

Avnish Malde: Okay. Relatively speaking, those supply chains have been built over many, many years, so the sophistication that exists behind those supply chains means that there are technical teams and agronomy teams usually located within those businesses. Our teams are all teams that are developed in-country, and those teams are responsible for growing the product and then shipping the product across to the UK by airplane or by sea freight.

Bringing in product is usually straightforward. In today's day and age, we have plant controls. We have health controls, which mean that products are subject to random inspection, but it is usually fairly seamless in terms of what happens in today's day and age. We could have a product that shipped from Kenya by air last night, and it would be within our facilities this morning by 10.30 or 11.00 and be ready for processing and onward delivery to our customers by this afternoon or evening.

Q202 **Chair:** Is that process markedly more onerous for countries that you are importing from that are not covered by trade deals, or not?

Avnish Malde: It is to a certain extent. There is a system of customs entry, which basically regulates where you can bring product from, which is duty free, which is tariff free, but most countries are governed by border controls from a plant health perspective. In all circumstances, the only difference is really the tariff barriers or the duty barriers from countries outside of the ones that we or the EU have trade agreements with.

Q203 **Chair:** Is that the same with Flamingo?

Ian Michell: We supply mainly flowers and speciality vegetables, similar to Avnish, from Kenya. We actually deal with about 17 countries globally and 32 suppliers—again, some of them predominantly owned by ourselves as well. We import about 26 million kilos of vegetables a year and 800 million stems of flowers a year, with daily transport units coming in, so about 17 flights a day. We will be having deliveries to Stevenage from four different airports on a daily basis. Product will leave either Kenya, Mozambique, Zambia or South Africa on a daily basis and come into our facility.

No specific channels are unique. Some of them have some different trade tariffs. As Avnish mentioned, over the many, many years of dealing with these channels, we have learnt to be able to work them effectively and make sure we can get things through.

Fresh produce has 10, maybe 11, days' total life on it from the point of pack. We date-code that product so it is ready for supermarket shelf when it leaves the country of origin. Therefore, the time is ticking from the point of pack to the point of arrival in the UK. On average, we can hit a UK supermarket depot within 48 hours of picking the product, and that has been quite unique over the many years that we have been doing it—to hit fresh produce 365 days of the year on the shelf for retail. We do that into Europe as well—we do handle into the UK and into European facilities at the same time.

Q204 **Chair:** Finally, what active preparations are your businesses undertaking for Brexit? What opportunities have you thought there might be that come from Brexit?

Ian Michell: I think the challenge for us is going to be knowing some accurate timelines so the businesses can start to really engineer and work solutions together. Looking at some of my colleagues that supply me and things like that, they are all waiting for an infamous date or a possible guideline position so we can really start to plan and, hopefully, make some good business decisions to invest. Obviously, people want confidence to be able to invest in what they are doing within the business, to invest in the UK opportunity, because I think some countries could be more advantageous for other people to trade into—the likes of the USA, which has a very high demand in-country at the moment in terms of volume. When we are trying to deal in a worldwide market, then the UK has to become competitive and, therefore, we do not want any barriers into that situation to come and stunt that growth.

The markets we deal in are growing considerably. They have been growing probably in the last four or five years at 8% to 10% a year. It has dropped away a little bit at the moment, but the flower market is fairly static apart from peaks. Mother's Day, Valentine's Day and those sorts of things are becoming the main driver. We would really like to encourage more trade into the UK, but we do need to know how we manage that and what our business needs to invest to make those supply channels work cost-effectively. Probably what we are all looking for is some form of date position.

Avnish Malde: We have scenarioed a very extreme hard Brexit scenario and what that would mean to our supply chains. These figures are ones that we have access to. At this moment in time the UK performs 5.5 million customs entries per year. We anticipate that would increase to 22 million, and both the borders and the customs operating systems are nowhere near ready for this type of scenario. What it would invariably mean are delays at borders—delays at points of entry—which would start to affect the shelf life of the products that we handle. Typically, the shelf life could be anywhere between four and seven days.

We have built up sophisticated supply chains. Both our business and Ian's business would be preparing products that are ready to consume by consumers without having the need to even prepare them—so ready-to-use products at our facilities all around the world. If those products—for example, a strawberry that is grown in Spain—encounter a 12-hour or 18-hour delay at the point of entry because of difficulties in terms of management with the workloads, it would be disastrous for our business and for the supply chains that we work with.

Q205 **Catherine West:** To what extent is your or your members' current level of trade with developing countries facilitated by the EU's existing unilateral trade preference schemes and the economic partnership agreements? Do you or your members pay any duties on the imports? How do these compare to the MFN tariffs that will be applicable without these arrangements?

Sian Thomas: Certainly, there are a wide range of different trade agreements in place from which we benefit in terms of companies exporting to the UK and EU, as we are still part of the EU. It does facilitate trade, definitely, and it has helped those developing countries have access to global markets, which is absolutely key in terms of improving their economies. Yes, it is vital.

In my experience, we have had a wide range of differences in terms of the different kinds of trade agreements and what they mean. The key is consistency and continuity and knowing what the tariffs are going to be across a season. That is absolutely critical. From a country that is importing, it gives you that flexibility to choose different sources across a year. We can provide a wide range of different fresh produce for the UK consumer all year round with a very efficient service and at a very good cost.

In terms of whether one is better than another, it is difficult to say. I think the key is consistency, having that accuracy and knowing what you are dealing with. My colleagues can probably add more in terms of some of the detail.

We have seen, when certain trade agreements have been renegotiated, what the impact of uncertainty can be. We saw that particularly for South Africa and Kenya in the past, where by no fault of those individual countries, other countries were slow to progress the agreements. They were part of a group of countries, so it was slowing up the entire process. The EU had some flexibility in allowing certain conditions to continue while going through that process. Certainly, that brought home to me how critical it could be for our industry to have that level of uncertainty. I think that is the key message we would want to come across to you. In terms of preparedness, we have a fantastic industry that can adapt very well and cope with differences in terms of fluctuations with climate and weather conditions, but we need that help in having these things in place in good time.

Q206 **Mr Ranil Jayawardena:** EU non-tariff barriers have proven, I think, to be rather burdensome to the British consumer. We have taken evidence in the past about EU rules currently preventing the imports of African oranges with citrus black spot. I do not think this is a health issue. Certainly, the evidence we received seemed to be that this could easily be mitigated, for example, by turning it into marmalade, where the fungus is no longer a problem. Would you agree that there should not be these sorts of regulatory barriers from importing such produce, so that we could increase consumer choice in the UK, the product range available to them and, indeed, help people in their pocket by reducing prices?

Sian Thomas: That is a very good example, and it is one that we have lobbied for very hard for our members. Citrus black spot is a cosmetic disease. It does not impact on the quality of the fruit. We do not grow citrus here in the UK, and this particular disease has no risk to our crops here in the UK. Because we are a member of the EU, we are bound by the plant health regulations, which required a high level of testing and a significant level of lobbying from those EU member states that were growing citrus, quite understandably. It is a classic example where we could have flexibility in terms of plant health regulation.

We worked very hard with DEFRA, and they were extremely supportive to get a derogation in place so that certain consignments that were deemed to have citrus black spot could be accepted in the UK if they were citrus for processing—so making juice, which we have a strong market for here in the UK. I am sure there are other examples, and DEFRA is taking very much a risk-based approach to the future of plant health regulation. We very much support that.

Q207 **Mr Ranil Jayawardena:** This is a good example, in your view, of the EU being protectionist, and you believe we can actually be more liberalised as we go forward and deal with challenges on a risk-based approach specifically for the UK’s environment?

Sian Thomas: Absolutely. That is our absolute priority, and DEFRA is very keen to do that. They have a UK pest register already. They know which are the main risks that we face. It is absolutely paramount that we protect UK horticulture, but there is a lot of scope for us to do a lot more.

Q208 **Mr Ranil Jayawardena:** I wonder if our other witnesses might also offer their thoughts. Would you agree that non-tariff barriers to trade are not currently effectively addressed within the current arrangements to improve consumer choice?

Avnish Malde: We are driven very much by EU protocols, and the amount of checks that our products undergo on a daily basis seem to be rather rudimentary because they have been set centrally. As a result, there are costs associated with those. Over the years, those have been passed directly on to ourselves, and, necessarily, they have to be passed down the chain.

Q209 **Mr Ranil Jayawardena:** Do you have any specific examples that really irk you?

Avnish Malde: Yes. We will basically be importing product from a variety of different countries around the world. For example, we grow chilli hot peppers in different parts of the world, and they would be subject to plant health inspections on a regular basis. We have other products that are subject to just regulatory paper checks, and all of those are basically levied a charge on a daily basis. Those are done on a paperwork basis on an ongoing basis, which seems to be just a paperwork exercise to overcome, where we needlessly have to actually pay additional costs.

Q210 **Mr Ranil Jayawardena:** Mr Michell, what would you like to see done?

Ian Michell: One of the things we have been looking at for many years now and that obviously is very topical at the moment is food waste and processing of food in the most environmental way possible. As Avnish mentioned, chillies, baby corn and other products around the world are subject to quite high scrutiny before they get on an aircraft and also when they get off. If we have really accurate border controls that allow free flow or unilateral trade agreements that come through specific to the UK, then we will be able to facilitate that product coming through a lot quicker. Therefore, if it is delayed, food waste will go up, because we will be struggling in that area. It also becomes more consistent for the people doing the job.

We have quite a number of EU regulations that come through. For example, one was implemented on 1 January, and then everything just stopped in the airport immediately. Because it was a public holiday, everything just ground to a halt, and that was over a regulation with chillies. Any product that had chillies in it was subject to that immediate ceasefire. Everybody had ground to a halt and said, "What are we going to do today?" Nothing was implemented. The system was not set up. They were just following an EU directive that had not been completely implemented at the time.

I think there is definitely an advantageous position to be in to say what is relevant to the UK, to be more specific to what we are dealing with, and it would certainly help everybody to say this is something around the world that we can really do something about, rather than being governed for unnecessary sake.

Q211 **Mr Ranil Jayawardena:** The Chairman has been very generous with time. My final question, which you have anticipated—and I wonder if I could get a yes/no answer from each of you very quickly—is would you support new free trade agreements with developing nations to improve the deal for both sides, for consumers here and for producers there?

Ian Michell: Yes, I would.

Sian Thomas: Yes.

Avnish Malde: Yes.

Mr Ranil Jayawardena: Thank you very much.

Chair: So punchy, Mr Jayawardena.

Q212 **Faisal Rashid:** Thank you very much to the panel for coming to give evidence to us. My question goes to all of you. How confident are you that the existing arrangements that are in place to facilitate trade with the developing countries will be rolled over after Brexit without any lapse in continuity? How confident are you?

Avnish Malde: We are not confident.

Faisal Rashid: Not at all?

Avnish Malde: There is very little information that has been forthcoming, and it is difficult to gauge. Hence we have undertaken quite a few exercises within our own business, and I am sure Ian will have done the same, in trying to plan for a worst-case scenario, and it is pretty bleak. We are not getting the amount of information flow to give us—

Q213 **Faisal Rashid:** From the DIT?

Avnish Malde: Yes, absolutely.

Q214 **Faisal Rashid:** From the trade association's point of view, obviously you have lots of different—

Sian Thomas: I am optimistic. Certainly, when I am talking to different Government Departments, there is very much a move towards that. But I am uncertain whether all the complexities and intricacies are understood. There certainly are plenty of them. The clock is ticking. We do not have a lot of time in terms of putting a lot of complex things together in that short space of time. Businesses need that reassurance to be making commercial decisions ahead of the game, and that is our concern.

Q215 **Faisal Rashid:** Is it wise to say that there is lots of uncertainty in the industry?

Sian Thomas: I think there is a lot of uncertainty and concern that things are going to be done at the 11th hour.

Ian Michell: From our point of view, we have mentioned the word "complexity" many times, but because it is so complex, with different places, there is probably a bit of an industry assumption—I use the word lightly—that a lot of things are going to be rolled through to a certain plan to allow us some time. The adoption will be a very similar approach possibly to what we currently have, but that, again, is probably just a broad assumption by some of the industry at the moment. Nobody is really sure that that is going to be the case, or are we going to have a slightly different window of opportunity maybe to do something different about it?

Avnish Malde: One of the things that will be impaired is the level of investment that we are able to actually commit to further down the chain. Our businesses very much are integrated to many of the producing countries, and some of the investment requirements require us to look three, five, 10 years ahead. We are certainly taking a very cautious view in terms of that.

Q216 **Faisal Rashid:** Absolutely, yes. It is difficult because then you cannot make decisions for your own business requests in the short term or long term until that uncertainty is taken care of. What sort of changes would you like to see in the current arrangements? Do you see any changes or do you think that whatever arrangements we have with the developing countries at the moment should just be replicated and rolled over? Are there any changes you would like to see?

Avnish Malde: From our perspective, we have gotten used to working in what is a fairly complex arrangement, but we have learnt to work with it extremely well. You have heard today the non-tariff barriers that do exist within our industry are ones that sometimes you have to scratch your head about, especially based where we are. If there is anything that comes out, certainly from my perspective, it would be around those non-tariff barriers and how we address those.

Q217 **Faisal Rashid:** Sian, from your point of view?

Sian Thomas: I would like to see more recognition through an assured trader scheme for companies that are consistently meeting the requirements of regulations, and, therefore, that they should have a lighter touch in terms of the level of inspections. Certain Government Departments do this already in our industry, but it is not across the board. Because of the types of products we have, we are subject to a number of different types of checks and inspections. It would be really helpful to see that recognition put in place. It would also help the inspectors who need to use their resources very efficiently in the future if we have to have a higher level of inspection with EU goods, for example.

Q218 **Faisal Rashid:** Did you have the opportunity to tell the Government from your industry's point of view the changes you would like to see?

Sian Thomas: Yes. As a trade association, it is really our role to make sure that our voice is heard. We are doing that across a wide range of different one-to-one meetings and through industry groups as well, working with the UK food and drink industry as one body because we have a lot of common concerns and issues. I do believe that the majority of Government Departments are very receptive, and they are listening.

The Department for International Trade, yes, I have met with. I would like to see a lot more engagement. It is getting to the depth of understanding of our industry, plus the fact that a lot of these Departments have brought in new staff, who do not necessarily have the background and the knowledge of the industry. They are on a high learning curve. We go to a meeting; we could see new faces at the meeting, and we start again almost. It is just about that confidence that information is being shared across Government Departments and that there is that cross-fertilisation, because a lot of these issues run across each other. If we can ease plant health regulation at the point of entry, we also need to be easing the customs requirements as well, otherwise we have another hold-up for our products coming in.

Q219 **Faisal Rashid:** Do you feel that you are being heard and your suggestions are being taken into account?

Sian Thomas: I believe we are being heard. I am not sure whether our suggestions are being taken on board.

Q220 **Faisal Rashid:** Okay. I will move on to another question then. It has been suggested that, in the longer term, the UK might expand the unilateral preferences it grants to further developing countries—for example, by increasing the number of countries that are eligible for GSP+. What advantages or disadvantages might this have on your industry?

Avnish Malde: From a wider perspective, having choice and having the opportunity to look further afield is no bad thing, because I think it actively encourages us to be making sure that what we have is fit for purpose. I think what we have currently works very well, but looking further afield is something that we would not be against.

Q221 **Faisal Rashid:** Would that not affect the price? If you are actually importing from further different countries and different developing countries, would there be any issue of the quality, competitiveness or price?

Avnish Malde: Invariably, imports are driven by demand, and that ultimately sets the market price. We are subject to incredible scrutiny by our customers. It is a very competitive environment, and at the end of the day we have to draw up models that are economically sustainable across any country that we work with.

Ian Michell: I would like to emphasise the fact that we have a very good global supply chain supplying into the UK already, with the current agreements that are already in place with GSP+ and with the advantageous position on tariff rates that is given to people. I think there are some areas in the future that there will be some challenges in, in terms of weather and topography and where we are growing products now, that will need to be looked at and considered for the future. There is generally, though, a premise by British retail to try to bring products slightly closer to home to become more environmentally conscious in the growing arena, and, therefore, to maybe look at other areas and to say there may be some other tariff agreements that need to be looked at for different countries.

At the moment, if there was a continuity plan to say we can continue as we are, but with some specific new territories, we could discuss and be heard in terms of what we can do, and we could say these would be beneficial in terms of agreements with certain countries and the consistency of those agreements, whether it be Commonwealth agreement or Commonwealth countries on a specific level versus non-Commonwealth. At the moment, the continuity and consistency of the GSP+ or the EUR forms of the product we have to go through is not consistent at all.

Therefore, making sure that the people at the receiving end of the product at different airports or different ports of entry also have the relevant training to know exactly what they have to deal with is a big thing that I think the Department for International Trade has not really taken on board enough, in terms of actually training the people doing the jobs at this end and also assisting training.

This maybe comes on to another look at DfID funding for the future—training and assisting people in the departing countries so that it stops the border control unawareness of what is coming. In the way technology has moved in our industry in the last 10 or 15 years, unfortunately some of the border control technology has not moved as fast and as efficiently as we would like it to. Therefore, the paperwork chain is—I would not like to say the word "archaic", but they still have typewriters being used in some areas for some of the information coming through. That is something that we should embrace with the industry to try to see if we can fast-track some opportunities.

Q222 **Faisal Rashid:** Absolutely, that is a great point there, because we keep talking about the shift in the whole trade from probably Europe to Commonwealth countries and stuff like that.

Just coming back to these figures you have quoted, obviously you mentioned the imports from the Commonwealth at 0.8 million tonnes, which is only 13% of the overall imports, and overall from the developing countries it is only 1.8 million tonnes, which is 29%. It is a very small amount of imports or trade in terms of imports you are doing from the Commonwealth countries. Coming back to your point, it is so important that all other countries need to make sure they adhere to the procedures, the training and the border controls and that everything is in place. If they are not in place, then how can you shift everything through that? The question is: from your point of view, how important is a trade deal with the European Union for us?

Sian Thomas: It is very important. As I said at the start, half of our imports are coming from other EU member states. We would like a free trade agreement, and that would be the absolute ideal. We have a lot of members who do not have the expertise that Ian and Avnish have in terms of the requirements that are needed to import to the UK, because they do not have to do the paperwork, and they do not have to do all the heavy-duty requirements currently, because they are trading with another EU member state. It is going to have a massive impact on our members that that is what they have been doing. For people who work in the wholesale markets—for example, the cut flower industry—it is concerning. It is absolutely vital; we need both—we need our partners in developing countries, and we need a strong partnership with the EU as well.

Ian Michell: From my point of view, putting a slightly different hat on, I look after our plants business as well. Plants coming across—micro-propagation of plants for your garden or strawberries for the UK strawberry market—are all grown and propagated in Europe in very, very high-intensity production systems, whether it be in Holland or Germany, and then they are brought across under plant import permits into the UK for the propagation and development of the mother stock and plant further afield. The UK strawberry industry, I think, is 96% of the product. It starts the early part of its life in Holland. Therefore, all the UK strawberry industry and everything else is reliant very much on plant propagation from the European Union.

Avnish Malde: The transportation as well.

Ian Michell: Transportation and the free movement of that product is absolutely critical for that industry—a slightly different industry than we are dealing with, but still under the fresh produce category.

Faisal Rashid: Thank you very much. That has been very useful.

Q223 **Emma Little Pengelly:** One piece of evidence that we have received suggests that if the UK adopts a unilateral preference scheme with GSP-equivalent access—I think you have touched on some of this—products determined to be sensitive should be as few as possible. In your view, are there any products that are currently deemed sensitive under GSP that, in future, should not be classified as such or vice versa?

Ian Michell: On that one, in terms of the sensitive areas, one of them that basically starts off being in that area, I think, is asparagus that comes in through a certain window of opportunity. We have worked with that for such a long period of time, and it is mainly related to a Mexican import duty tariff that works on that plan. We have been working with that. In our current climate, we do not have any that still sit under that guidance too much. I think there would be the EPA agreements that are currently in place, and that side of it would still be in play. I would not have any specific references to bring to fruition.

Q224 **Emma Little Pengelly:** We have heard criticisms about various elements of the economic partnership agreements, including their reciprocal nature. Are you supportive of those arrangements, or would you prefer to see all trade with developing countries facilitated by unilateral preference schemes instead?

Ian Michell: I will do this one first of all. We went through about 10 years of EPA discussions with the Kenyan situation. Obviously, the trade agreements between Kenya, Uganda and Tanzania also formed part of that EPA discussion that went forward. Unfortunately, even after nearly, I think, eight or nine years of continuous negotiations, it got to the point where there was a duty tariff imposed on that position. I believe that EPA document, although it has been signed now, has not actually been fully ratified. Again, you sit there with a slightly strange situation that has gone on for such a long period of time on what actually really is a unilateral free trade agreement with that part of the world.

I do not see anything to say that we could not have had that unilateral agreement set in place in the beginning, rather than having a nine or 10-year period of complete unknowns when this would happen. It was not until the duty tariff came into play that everybody did their part in different parts of that agreement to get it to come to fruition. My position would be to go as much as possible to a unilateral trade agreement, certainly where EPAs exist currently.

Q225 **Emma Little Pengelly:** Essentially, the economic partnership agreement experience that you have had is just a long period of uncertainty, but for limited returns?

Ian Michell: Correct. It was actually passed on. It was the only thing that, in the last two or three years, really impacted the industry quite strongly in terms of passing on cost to the consumer straight away. Again, because the tariff agreements that were in that were quite unknown percentages, the actual tariff was adopted and the payment of that tariff was done based on how much a percentage of airfreight space was used as well, so we started paying the tariff when things entered European airspace. A percentage of the cost to the consumer went on the airfreight charge as well as the product charge. Therefore, the UK consumer was disadvantaged very quickly by having a competitively priced product in that time.

Q226 **Emma Little Pengelly:** I have one additional question. You mentioned that technology within your sector has moved on, but perhaps customs, HMRC, et cetera, are not in the same place. We have heard a bit of discussion around looking at innovative ways to look at the way we do borders. Clearly, you are importing a huge amount of physical goods by air and sea and over land. Is there anything that you are using at the moment in particular that you feel would really help, or should be considered by, the Government in relation to how they look at the movements through the ports potentially post Brexit?

Avnish Malde: As a business, what we do internally is get our growers to upload their shipment details on a daily basis—we get our key growers to upload their shipping details on a daily basis. That is currently available to us, but it could easily be available to Government authorities at port if a similar mechanism with assured traders, or traders who are recognised, as Sian put it earlier on, is respected within the industry so that there would be that light touch to allow the clearance of those goods in a very seamless way. That is potentially an area to look at, where you have advanced shipping notifications, which could then be managed with the customs authorities at point of entry.

Ian Michell: We have a similar process. For many years, we have owned and controlled our own freight company in between. We charter a plane every night from Kenya. Therefore, we are very aware of the systems that are available. We can get things through fast-tracked—get things moving very quickly—and certainly make the unknown known right before the aircraft is arriving at the destination. That is something that I think is really needed in the industry.

There are many systems and platforms out there that can work on real-life, real-time information. As soon as the data entry is keyed in in any part of the world, in two or three seconds it is available in the other part of the world to see it. That would be an absolutely market-leading position for the UK to be in and would, again, bring people with it that are in a preferred shipper status. You would have an awful lot of industry backing, I think, as well, to work with many different areas to get that to come to fruition.

Q227 **Emma Little Pengelly:** In that sense, are you in a position where you can tell at any time where your container is, what it contains and that it has been quality-controlled? You are getting that information into the business, but you then have a different process that you have to deal with with HMRC, coming into port or coming by air?

Ian Michell: We can tell where pallets are, what temperature they are and where they are sitting in the airport.

Q228 **Chair:** Emma has strayed into territory that I wanted to look at. We have talked a little bit about your relationship with DIT and the way in which you found it in terms of its knowledge. It sounds like a lot of your concerns are with the HMRC side and Customs and Excise. I wonder what your dealings have been like with HMRC over the Brexit process. How confident are you that it has the processes in place as you deal with any scenario that might be put to you? What improvements would you recommend that it makes going forward?

Sian Thomas: We are members of the joint consultative committee with HMRC on Brexit. That brings together the whole of the freight forwarding industry—haulage, everybody involved in the process—and huge numbers of different industries. There has been a lot of work in terms of engagement with industry stakeholders by HMRC. It has been doing a lot. It has also come with different potential scenarios and asked for industry feedback through our chief executive, to give a heads-up on those types of situations. It has been very high level, and for us the devil is in the detail in terms of how these things will work.

The other challenge with HMRC is it is going to be introducing a new customs clearance scheme system, and that is being piloted at the moment. It is absolutely critical that that engages and interfaces with other departmental systems such as DEFRA's PEACH prenotification system on the plant health side. We have worked really hard for the current systems to talk to each other so that industry can input one set of information and then that is shared across to customs, and we need to ensure that that continues.

I think, again, HMRC has been very receptive. It has not shared a lot of detail, but that is probably because the difficulty is a lot of decision making is at a political level, and then you have the technical, "how things are going to work on the ground" level. You have to go at the pace of the political level at times. From our perspective, we are expectant that things will ratchet up now. There are a number of statutory instruments that have to go through Parliament, and they have to have more details in. We have asked that industry is involved in that process and that we get to see some of the detail and have some input. I know the timing is going to be very, very tight on that, but we would very much welcome that opportunity.

Q229 **Chair:** Do you have any further comments on that?

Ian Michell: No.

Avnish Malde: No, I think Sian has summarised that effectively.

Q230 **Chair:** With regard to the Department for International Development, you talked earlier about the issues at ports in developing countries. Have you been involved in any initiatives with DfID to look at those sorts of issues to help with the ease of business in those countries?

Ian Michell: Not really. Many years ago we did a couple of very good initiatives in terms of small-scale growers and working with DfID looking at different areas around the world, certainly for rural economies, and developing that area. I do not believe we have done enough now with that area. We have developed the rural economy, and we have developed the area there, but now we need to really develop the systems of work to get that product to the market more efficiently. That would be an area that we have not been involved in.

Q231 **Chair:** Do you think there is a lot of scope for a more developed trade and aid policy? If you do agree with that, how would you go about changing the policy and making sure it is more seamless?

Avnish Malde: From our perspective, very similar to Ian, we have been involved with DfID in the past, but in recent years there has certainly not been too much interaction that has been forthcoming either from DfID or ourselves.

We very much feel that, as private businesses, we have a unique position in terms of mobilising rural communities within agriculture. We do that, and we have done that for 30 or 40 years. As a business, we are probably indirectly responsible for 300,000 people worldwide—Ian's business would not be too far off—when you look at all of the developing countries that we work with, and those are often rural communities that we work with. As private businesses, we do that, I think, a lot more effectively than how funds are sometimes channelled by DfID or by the DIT.

From our perspective, as responsible businesses we are in a unique position to be able to channel and have dialogue around how funds could be used to improve those supply chains and build rigour into the initiatives that you talked about at the outset around helping port authorities and plant health bodies in many of these producing countries to be a lot more aligned so there is a seamless flow of goods.

Q232 **Chair:** As a final question from me, Mr Malde, you talked earlier about the fact that you were postponing some investment decisions because of the uncertainty over Brexit. If we assume that we are going to continue with current seamless, frictionless trade with the EU and roll over our existing trade agreements, what are the nations that you would be investing in right now if you knew that that was going to be the case?

Avnish Malde: We work, as I said, with several different countries, but we probably have half a dozen in which we have direct investments, where we have taken the leap of faith to be intricately involved from an investment perspective. Those are in west Africa—in Gambia. We are also involved in Peru pretty extensively. We are involved in Kenya, but then we also have investments closer to home. Those countries are quite far and quite different from each other. Our interest lies in developing countries where we have cultivated supply chains that now rely on an interaction with us in a manner where tens of thousands of people are employed within those environments and each of those may have four or five dependants that they are responsible for. Certainly, from our perspective, those developing countries are very, very important to us.

Q233 **Catherine West:** I am just wondering about your trade with developing countries and whether you have certain guidelines around values. Obviously, one of the questions—

Avnish Malde: Sorry, guidelines?

Catherine West: Around values. For example, environmental and labour standards—that sort of thing. One of the sessions we have had was with Canadian trade officials. They are looking at the moment at putting some of those values into their trade arrangements—so, as a Government, promoting trade with certain companies, which pay farmers properly, which make sure that workers are not being exploited, with no child labour and all those sorts of things. Could you comment on that broad area very briefly?

Avnish Malde: Yes. As a business, we are hugely conscious that we have to invest in the communities in which we operate. That takes a variety of forms. That could be investment into community centres, which are often decided by worker committees rather than ourselves, or just through investment in facilities within the operations that we work with. All of those are hugely governed by the way we want to operate, but also by the way our customers and their consumers want to operate. As a business, yes, having a strong ethical stance and a strong understanding of local culture is absolutely paramount in the way we work with those countries.

Q234 **Catherine West:** Obviously, we know quite a lot about the garment industry—Primark, Bangladesh and so on, after Rana Plaza. I suppose we know less about the fruit and vegetable and cut flowers side of things, but obviously we would want to have an interest in that. We have not discussed it fully as a Committee, but certainly the Canadian MPs are taking quite a strong interest in that. I think this is the thing about Brexit: some people think we will rush straight into free trade arrangements, but in terms of opening it up, our own constituents might want us to start asking these sorts of questions and applying more rigorous value judgments about the sorts of companies that you invest with.

Ian Michell: We have been members of the ETI—the Ethical Trading Initiative—for many, many years. We were the first ones to pioneer a lot of the fair trade flowers and the fair trade vegetables out of certain countries. We put back about $550,000 a year into local community projects as a company investment plan. There are schooling plans, a lot of other development things, rural maternity hospitals and everything else, back into the area. We co-work with some of our retail customers who basically have been leading and pioneering that sort of work and activity for many years. We have had to bring all of our supply chain up to an extremely strong level of ethical compliance and social compliance, all the way down to small-scale grower level. We do have great visualisation of our supply chain as well, which comes under high scrutiny to deliver to British retail. We do know some of our growers personally. I know some of them down to their own names and their families in the middle of Kenya.

Chair: Thank you. Memo to Chris Leslie: we will not use this as an opportunity to lash Brexit.

Q235 **Mr Chris Leslie:** The Chairman knows my scepticism about the current difficulties facing the Government. I was interested in the point about the development support that you have, but I think we have covered some of those questions.

Ms Thomas—and I apologise for arriving late if you have already talked about this—I think you mentioned earlier the importance of settling the systems and the technical level ahead of whenever exit day is or when the end of the transition period arrives. I think you also mentioned that HMRC is moving to this new system, the customs declaration service, and away from the current one—for which I think the acronym is CHIEF—

customs handling of import/export freight arrangements. I think there has been some scrutiny by our sister Select Committee, the Public Accounts Committee, of that process. Could you say how important a smooth transition is to that new system and whether it affects you? Not all of your products are VATable, for instance; it does not always come under the same interaction with HMRC. I just wanted to get a sense for how critical resolution of that technical arrangement would be. Given the timing of when that is all supposed to be coming in, what sort of risks are at stake moving to a whole new IT system just as you are moving to this potentially whole new policy arrangement? I will take comment from each of you if you want.

Ian Michell: I will come on to that one first. We control an awful lot of our imports ourselves, shall we say, in terms of transition from our own airfreight model. I mentioned while you were not in the room that we are dealing with a fresh perishable product. Some of the port of entries we have are not equipped to handle product for long periods of time: they are not in chilled situations; they are in ambient situations. In our experience, when PEACH came into play, first of all, and there was some—

Q236 **Mr Chris Leslie:** That is the DEFRA system?

Ian Michell: That is the DEFRA system. When that came into play and moved across, there was six to eight hours of delay due to either incorrect information being transferred or systems not marrying up. We talked about paperwork systems matching up with IT systems. That became a huge draw on the actual customs entry and the speed to process. With a lot of the product that comes in that we deal with, it is literally time-critical to get it out of the airports and move it through. Flowers is exactly the same thing; they are subject to an awful lot more plant health checks.

I would imagine that if a system was in place where you have a new IT system coming in and a new resolution of what controls may be in place, it could impact. Twelve hours to us is a massive timeframe. A 12-hour heat position on one of our products could result in the whole shipment being destroyed. It could also result in the shelf life being affected quite heavily. Therefore, it is very much a time-critical situation we are dealing with.

Q237 **Mr Chris Leslie:** So critical that you do not just want to sit back and hope that officials and Ministers get this right. How involved are you in the design and in thinking through or flagging up risks? Can you insure against these things? What is your confident level of proactive engagement in this massive transition?

Ian Michell: Personally, we have not been consulted very much at all as an industry body from our side. Maybe Sian could comment.

Sian Thomas: We are being briefed by HMRC at the moment with regard to the pilot and this period where they are testing out the system. That is happening. We have members who are freight forwarders and agents, and I am really keen to get their feedback on what may be the pinch points at this point. Certainly, all the reassurances I am getting are that things will be in place. CHIEF is 25 years old; we need to have a new system. We were going to do this anyway; now Brexit has come along, we are factoring that in. If we do have to have EU goods consignments coming through the same system, it will have sufficient capacity. But there is always a nervousness when you are having a significant change and you are going to bring new IT systems into place. We obviously do not want to go backwards, because we have worked really hard with HMRC and with DEFRA to have that interface. We know that that has saved the industry a significant amount of resource in terms of time and money. We know what it used to be like; we do not want to go backwards.

Q238 **Mr Chris Leslie:** You would welcome a bit more proactive discussion with the Government?

Sian Thomas: They certainly are starting that conversation. We have a technical group. We have invited HMRC to come and talk to that technical group about CHIEF and its replacement and how it fits in with the Brexit situation. We do also have another factor: we have products that have to be checked by port health authorities, which are part of local authorities. They have their own systems.

Q239 **Mr Chris Leslie:** Is that different to the SPS thing, or is it an adjunct to that?

Sian Thomas: They pick what are termed high-risk imports. Where there is a high level of pesticide residues that are found on a particular product, they will come on to an annex 1 listing—it is another EU regulation—and are required to be checked. A certain percentage of those consignments have to be checked at each point of entry. That comes under the jurisdiction of the Food Standards Agency, which passes it through to the port health authorities. They do not have one integrated system, and I know that, at certain points of entry, they look very keenly at the DEFRA system and wish that they had a more integrated system.

It is a classic case where, before Brexit, we were working towards integrating and there was a project called—I am going to forget now what it was.

Mr Chris Leslie: A project.

Sian Thomas: One check at the border—so all the checks that needed to be put in place integrated across different Government Departments. That got parked because Brexit was coming, and we have pressed hard to say this is an opportunity here. We know we have to put everything in place. Why not try to do some of this?

Mr Chris Leslie: A proper integrated thing between different Departments, I see.

Sian Thomas: I know it might be a bit painful now to consider it, but there are some big wins to get here. It would help the Departments and agencies that have to inspect, because they only have a certain amount of resource.

Q240 **Mr Chris Leslie:** Who led that originally, the integration?

Sian Thomas: It was "One Government at the Border"—it has come back into my brain.

Q241 **Mr Chris Leslie:** That would have to be all these different parcels of Departments working together?

Sian Thomas: I believe that Border Force is starting to pick up some of this activity now, which would be great because they are another key agency involved at the point of entry. There is some work, but I do not have a lot of detail about it.

Avnish Malde: What I mentioned earlier on was that, invariably, there will be more checks that are required, and if that is anything to go by, the new system that is coming in to replace CHIEF is capable of a fourfold increase in the number of customs entries in a worst-case scenario. I was saying that our customs entries could change from 5.5 million, which it is currently, to 22 million. There is a small level of resource, and we know at this moment in time they are incredibly stretched. We have situations at a local level where, if we have a shipment of mangos that arrives at a port, we are praying that it does not come in on a Friday, because it will not get checked until Monday or Tuesday. If that happens, we have a further four days that the product is currently not available to ourselves.

It is already a stretched system, and what we effectively would be hugely concerned about is the span of resource that is actually available and that needs to then be trained to be able to cope. We are painting a fairly bleak picture, but it is one that we do not know at this moment in time.

Q242 **Chair:** On that note, if your shipment is coming up and you cannot get your product to the customer as quickly as you were hoping, I presume the liability is yours?

Avnish Malde: Yes, absolutely.

Q243 **Chair:** If that is the case, I presume you are also insured against that risk. Have your insurance premiums changed at all as we approach Brexit?

Ian Michell: We are insured for some delays of travel, but I believe, in certain circumstances, the insurance would not cover all of that situation, so there will definitely be a re-look at insurance policies in the future. If there are more delays and more specific activity happening, then the premiums will go up. We already have seen premiums increase on sea freight shipments where there has been a level of increased inspection and increased handling at port level. Air freight has still been okay at the moment, but again that will be something that I am sure will be subject to review by insurance companies.

Q244 **Chair:** They never go down, do they?

Ian Michell: They are not going to go down. Therefore, if there is more liability, then the risk will be on our side.

Q245 **Emma Little Pengelly:** This is just a quick final question around the border issue. I understand that there is a significant piece of work—I think it is called Future Borders—within HMRC. Have you engaged with that and is that taking into account what you referenced around the integrated approach? I understand that work is continuing at the moment, so it was just to see—

Sian Thomas: Yes, I believe that is the same project coming back again, but again I do not have a lot of detail on that at the moment.

Chair: We have Matt Western to finish this off.

Q246 **Matt Western:** Apologies, I arrived late to the Committee as well. I just want to explore the situation with DfID. Could you give some examples—and perhaps you have already, so apologies if you have—of where DfID has helped support you in developing your trade with developing countries, for example, by improving infrastructure?

Ian Michell: I have one example from Guatemala. We engaged in a DfID-funded project three or four years ago. It was to open up opportunity for a group of growers about seven or eight hours' drive from the Guatemalan airport. We partnered with a company who designed a solar-panelled facility that basically enabled them to have a collection point that was running a cold store unit and an opportunity for that region to develop. Because they are a long way away from the actual packing unit, therefore, the product is going to gain too much heat en route. DfID and ourselves and the company in Guatemala worked on a rural development programme to get 150 to 200 growers who did not have any export capability at all at that time to be able to export into our company that we work with in Guatemala and hence into the UK retail sector. That was a very, very good opening up new rural communities project that we have been working on quite heavily with DfID. That happens in other areas—in Kenya as well. We are just using knowledge transfer and some of the new opportunities there to develop new rural communities a long way away from the current supply chain.

Avnish Malde: From our perspective—please excuse me if I do not use examples with DfID, because our interaction with DfID has been fairly limited—like Ian, we have probably been involved in one project with small rural growers in Kenya previously on a very similar basis, but we have been involved with other organisations.

There is a body called COLEACP that is run in Europe, which looks after the potential interests of small farmers in African, Caribbean and Pacific nations. We have often teamed up with them. We have often teamed up with the World Bank to develop projects that mobilise rural communities.

With the World Bank, we have done a project that has been very proactively engaged with, in terms of developing a women's empowerment and entrepreneurship programme in west Africa. Typically, these women have market gardens that only grow the same crop at the same time of the year for a very limited domestic market. We have mobilised those women to grow export crops through our technical teams and investment through the monies that will have been received on solar-powered irrigation and new wells. What that has done is allowed them to grow crops for eight months of the year, and grow export crops for eight months of the year, thereby giving them an income that they have not had previously, and letting them learn new skills in terms of facing into a very different market scenario.

The point I made previously is that we would welcome a greater level of interaction with DfID predominantly. As private businesses, we feel that what we can do is mobilise rural communities and communities within the supply chains to a far greater extent than can broader initiatives, where it is difficult to see the eventual value of the sums that are invested. As businesses, we are indirectly responsible for 250,000 to 300,000 people, and we feel we have a responsibility to those communities in a pretty major way. We do that generally through our own volition and our own investment. We get very little Government support.

Ian Michell: There are a couple of new funds coming up now as well with Innovate UK, with new funding regimes that are coming through. There is a new call, I think, for some projects in the future, which is looking at big data and big data-gathering and how that can help in the supply chain. That is something that we are looking at working together on with some other different areas of the industry to try to get speed and supply chain solutions through fresh produce and that side of it. That really would be something that I think will be quite innovative for the future in what we could offer in terms of getting retail supply chain solutions, possibly even governmental border control solutions, in place to make a real difference in the supply chain for the future. At the moment, it is too fragmented—one bit doing something, another bit doing something else. It really does need a bit of a call to arms from everybody.

Q247 **Matt Western:** Ms Thomas, did you want to add anything?

Sian Thomas: No. I was wracking my brain before coming here in terms of what contact we had had with DfID. It has been very limited. We did help promote a competition that they ran for encouraging companies to work with developing countries in Africa to improve access, but it has been extremely limited.

Q248 **Chair:** I was wondering if you might wrap up by giving a short-term and medium to long-term overview of where your business is and what you think the threats and opportunities are to your businesses and organisations going forward.

Ian Michell: Short term, we would hope that the situation remains as it currently is, so there is a bit of a stay of execution in some of the bits and pieces, for want of a better word. Long term, we would really encourage more engagement with some of the trade bodies and more direct engagement in where solutions may be found in the private sector to help in some of these areas. We would request that some things that are very much EU-specific and governed by areas of maybe southern Europe control be looked at specifically. Annex 1 will be a prime example—products that have been put on annex 1 by the EU. Therefore, the port health authority is commissioned to do a job on that and test something, when, specifically, we could take a UK position on that if we felt the risk assessment protocol was there.

As we see it at the moment, we are continuing to invest in Kenya. We are continuing to invest in South Africa. We are confident in the fact that we have mapped out a few solutions that we think we can work with. We are

European; we are trading in Europe and in the UK. I think everybody is going to be subjected to the same influence; therefore, there is not going to be a competitive advantage from any market drivers. We will be willing to offer support to see if we can engage the private sector to try to drive some solutions through that can make us more competitive and more effective for the future.

Q249 **Chair:** Who do you see as your future competitors and the growth opportunities going forward?

Ian Michell: Our biggest competition is trying to keep trade into the UK without it going to the US. The US market is driving very, very strong market growth at the moment and, therefore, convincing growers to be able to trade into the UK or Europe, which may be subjected to bigger challenges, is something we need to be very mindful of. Convincing product to end up on UK retail shelves rather than ending up in US retail is going to be a challenge.

I suppose the opportunity is that there is still more growth to go for in the UK within our sector. Obviously, the sector is changing; you only have to look at some of the announcements in the last couple of weeks. There are some big sector changes coming. I think that will provide a whole new platform for opportunity, but then we have to be more competitive. Therefore, where can we be more competitive? Removing some of the bureaucracy, maybe, and some of the bits and pieces in the trade tariffs and the trade positioning at the moment would be very, very beneficial.

Sian Thomas: We would very much like to see current arrangements for the transition period, if we have a transition period, kept in place and to step up the dialogue with Government Departments and agencies to make sure that we are prepared in advance of the changes that are coming, and we would like the Government to recognise the importance of our industry in terms of providing a wide range of affordable fresh produce to the UK consumer all year round and the importance of imports. We do not have enough capacity to grow everything here in the UK. Many of the products that I mentioned earlier, in terms of the higher volume commodities that we import, we cannot grow here because of our climate. It is recognising that balance—that we need imports and we need home production—and supporting those developing countries who want to have access to our UK market and who see us as a long-term partner that is helping them develop their economy.

Avnish Malde: I very much echo my colleagues. We want the UK to remain a destination of choice, and over many years, I believe, and I think it is pretty well acknowledged across Europe, UK importers have built supply chains that are among the most sophisticated from an innovation perspective. They are often adding an inordinate amount of value back at the growing bases that we work with in the countries that we operate in. They employ a huge number of people as a result of those, and the alignment with the UK has been very special and built up over, as I said, many, many years. For us to remain a destination of choice is absolutely critical, and having all of those measures in place and the current scenarios kept as a minimum is what we would like to see to enable us to continue to invest in the supply chains that we work with.

We have not stopped investing, but we are cautious. We are taking a close watch in terms of what we do. As a private business that is hugely committed to the sector and to the many countries that we work with, we feel that keeping things, as a minimum, is important for us to continue the work that is being done in those supply chains. After all, certainly we are all aware that fruit and vegetable consumption needs to increase as a whole, and imports play a vital role in complementing what we grow within the UK. The success of one is hugely dependent on the other.

Chair: Thank you very much.