

Northern Ireland Affairs Committee

Oral evidence: [Brexit and Northern Ireland: Agriculture](#), HC 939

Wednesday 13 June 2018

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Members present: Dr Andrew Murrison (Chair); Mr Gregory Campbell; Mr Robert Goodwill; Lady Hermon; Kate Hoey; Nigel Mills; Ian Paisley; Jim Shannon; Bob Stewart.

Questions 63 - 157

Witnesses

I: Elaine Shaw, Chief Executive, Northway Mushrooms; Ian Duff, Coordinator, Northern Ireland Stakeholder Potato Promotion Group; Dr Barbara Erwin, Chair, Horticulture Forum for Northern Ireland; and Sarah Baker, Strategic Insights Manager, Agriculture and Horticulture Development Board.

Written evidence from witnesses:

- [Northway Mushrooms](#)
- [Horticulture Forum for Northern Ireland](#)
- [Northern Ireland Flower and Foliage Association](#) (submitted by Dr Erwin)
- [Agriculture and Horticulture Development Board](#)
- [Mr Ian Duff](#) (submitted in a personal capacity)

Examination of witnesses

Witnesses: Elaine Shaw, Ian Duff, Dr Barbara Erwin and Sarah Baker.

Q63 Chair: Good morning and welcome on this beautiful day. Thank you so much for taking the time to help us with this particular inquiry that we are doing into a very important part of what is happening around Brexit. We have read your evidence submitted in writing very carefully and we are grateful for the opportunity of being able to ask you more about those subjects that you have touched upon in your evidence in person.

We have started ever so slightly late, for which I apologise. If I could ask you to introduce yourselves, say where you are coming from, and very briefly, if you would, describe where you see the challenges and also the potential benefits of the Brexit process on which we are embarked at the moment. Sarah, can I ask you to start?

Sarah Baker: Yes. I am Sarah Baker from the Agriculture and Horticulture Development Board. I am Manager of the Strategic Insights sector, so I have authored a lot of the "Horizon" series of documents that outline the main challenges that Brexit will present to the agricultural industry. We see those as changes in policy, changes in trade arrangements, access to labour and the regulatory framework. The opportunities and the challenges for Northern Ireland are broadly similar to the rest of the UK in that they are focused on those four main issues, but there are obviously issues specific to Northern Ireland, which presumably we are here today to discuss further.

Dr Erwin: I am Barbara Erwin. I am not an expert; I am pleased to bring the experts along with me from the Horticulture Forum. I am the recently-appointed chairman. I am a small grower of cut flowers, but I am privileged to be able to lead the forum in Northern Ireland and try to represent their views. Just to clarify that we see horticulture not just as fruit and vegetables, but it is the science, technology, art and business of cultivating and using plants to improve human life. So there are two aspects to horticulture, both the food aspect of it, as well as the ornamental, amenity and landscaping side.

I would not want to reiterate what Sarah has said, but we think there are great opportunities in certain sectors. Speaking personally from the cut flowers sector, only 10% of what is bought over the counter is UK produced and there are great opportunities there. There are great opportunities for our own trees to be grown in the UK, which would improve biosecurity. Of course in Northern Ireland we have the problem or the issue of trade, which we hope will be resolved, because so many farms and growers trade across the border.

Ian Duff: Ian Duff, a representative from the potato sector. I am not directly involved myself, but I have worked with stakeholder groups from that industry on a number of issues over the years. I am currently the



HOUSE OF COMMONS

co-ordinator of the Northern Ireland potato promotion campaign on behalf of the stakeholder group.

Elaine Shaw: Elaine Shaw, Northway Mushrooms. We are a producer organisation with 27 members, the majority of them mushroom. We have a turnover of £60 million, so likewise with Sarah, we are keen to see where policy on the funding of producer organisation is going. Labour is going to be a very important aspect for ourselves, and like Barbara says, we do see opportunities within that. I suppose we are just very keen to get policy and direction to develop those opportunities and meet any challenges that we have.

Q64 **Chair:** Thank you. I am going to start with you, Elaine, if I may. I know you are particularly concerned about the workforce going forward. We used to have something called the Seasonal Agricultural Workers Scheme, which was rather overtaken by the accession of Eastern European states to the European Union. I wonder whether you see any merit in reinventing such a scheme. I suspect you will say that there might be something in it, but given your industry, it would probably be something you would prefer to see across the year, rather than simply seasonal. Would that be the case?

Elaine Shaw: Yes, absolutely. The mushroom-picking industry, it is very specialised and it is a skill. The workers that come on to the farms, we have had workers there for 15 years from Poland, Lithuania; we have new workers coming in now from Bulgaria and Romania. They come with their families, they have stayed, they have made a phenomenal difference on the farms and they built lives here, so they are just fundamental to the success of the farms. Going forward, we still need that availability of labour. At the same time, we are investing in research and development on automation, but there will be a five to seven-year transition period that is required to get us where we need to be, but we will always need that level of staff.

We have had a lot of initiatives to try to attract local workers, schoolchildren, university students, all that has been undertaken to make the best of the local workforce, but the staff that have come from Europe are essential. Again, Brexit has compounded the problem, but the problem was going to be there. We have members in southern Ireland that are experiencing the same problems. Southern Ireland have recently adopted a permit scheme for the rest of the world and have allocated maybe 750 of those permits to the Horticulture Department. The issue is across Ireland.

Q65 **Chair:** Mr Duff, thank you for your supplementary evidence that you have sent, which I read carefully last night. I learnt a great deal, particularly about seed potatoes, which is quite fascinating, particularly in the context of plant health. Your industry is in the process of mechanisation, using technology to reduce your reliance upon the workforce. How would you say Northern Ireland features at the moment compared with the Republic in that respect, given that the Republic has



invested quite heavily in technology in agriculture and the same level of investment has not been made in Northern Ireland?

Ian Duff: The potato industry went from being very labour intensive 20 or 30 years ago—some of us remember the days when schoolkids got off at Halloween to go and help with the potato harvest—then that became non-viable and the industry has now invested very heavily in field machinery.

Mr Gregory Campbell: Not only do we remember it, some of us did it.

Ian Duff: We have invested very heavily in mechanisation because of the difficulties in getting labour even a few years ago. The processing sector, however, the people who pack and peel the potatoes and so on, they would still be heavily reliant, like Elaine, on European labour, but on a continuous all-year round basis, rather than seasonal. It is not a harvesting issue, as such, it is all-year round issue.

Q66 **Chair:** The extent to which we can anticipate future technological changes, which are one of the solutions to the conundrum that many are putting up to the Brexit situation, is that we will be starved of labour from Europe and any business faced with such a proposition will be putting more attention into trying to resolve that, trying to circumvent the potential problem. I am wondering the extent to which that is possible in the businesses that you represent.

Ian Duff: In our case, what has happened has been a move to larger businesses. If you look at what it takes to grow and harvest, you are talking near £1 million maybe of capital investment. You can only do that at scale and we are now at the stage where I think it is 33 farms producing over 40% of the crop, so it has been concentrated so that they can invest in the technology to make it viable.

You mentioned the situation in ROI. They had very generous capital grant schemes for potatoes, which we did not have the benefit of, so they would in fact be better equipped and mechanised than we would be at the minute.

Q67 **Jim Shannon:** Ladies and gentlemen, thanks for coming along, and we look forward to your contributions as well. Ian, I can well remember, like Gregory, back in the 1960s after school going with my friends to pick potatoes. Thank goodness they moved from potatoes to malt and therefore I did not have to do it anymore.

In my constituency of Strangford, we have four major firms, but three in particular from the horticulture and arable sectors, and that would be Willowbrook Foods, Mash Direct and Rich Sauces, so those three companies employ significantly. Just to give you some figures—and it is important we do so—Mash Direct would probably have about 40% or 45% of their workforce come from Eastern Europe and Willowbrook Foods is probably something similar. Rich Sauces wouldn't be anywhere near that, they employ fairly locally. The point I am trying to make, this is the



HOUSE OF COMMONS

issue that comes up all the time whenever I go to visit the factories, because you know what the workforce is and the employers, John McCann, Martin Hamilton and Trevor Kells, would always tell me that the issue for them will clearly be the Eastern Europe labour. These are people who are not seasonal workers, these are people who are long-term workers, because it is not all seasonal workers either, it is those who have come here three, four, five years, have married in the area. A lot of them have come and married and stayed and wish to stay, but they are just a wee bit uncertain about what Brexit holds for them for the future. Again, have you any thoughts upon those issues? That is the first question.

The second one is to do with the product itself. Comber potatoes are protected under the EU; by the way, it is an EU name. Comber potatoes are a special potato renowned all over Northern Ireland, but indeed further afield. I would say that, but we do export far and wide. But the point I am trying to make is that we have something special and obviously we want to retain that special product for the years afterwards. Again, what are your thoughts upon how that will work post-Brexit? A couple of questions to start and a couple of other ones as well. Thank you. I do not know who wants to answer that.

Elaine Shaw: The mushroom sector, we are very much the same, it is all-year round. The morning after the Brexit decision, one of our growers, Frank Donnelly, went into the farm and the workers were astounded. He had to bring them all in, they just were so shocked. He lost two or three workers. He said, "Listen, your job here, you are important to me" and they said, "But the rest of the country don't want us". He genuinely had workers that left and went back home because they did not see a future here. It is more difficult to attract workers because of it.

Currency is an issue also with that. They can go south and get euros and that is worth more to them when they go back home, so it is the exchange rate also. It is commercial and the Brexit impact as well. There is less availability and probably maybe there are better opportunities in their own home countries now also. The pool is diminishing, so we have to think and look outside at a larger pool potentially for that transition period, until automation catches up.

Where the mushroom industry is at is that all our technology has been driven from Holland. I suppose our worry is that automation-wise, the Dutch have never been able to come up with a picking solution, so we know it is a long-term goal for us to do that. We may never get it fully automated. There are certain parts we may be able to automate, but it is a very skilled job: there is weather, a picker has to make a very important decision that a machine potentially cannot make, whether to pick that mushroom or to leave it for another four hours, because another four hours will give another 10% or 20% weight, which gives a higher price and a higher yield. It is all down to margin. Everything we do, probably within every sector, it comes back to margin and creating a margin so that business can reinvest and survive.



HOUSE OF COMMONS

Ian Duff: In terms of PGI, we have the Comber Earlies, we have Lough Neagh Eels as well and Bramley Apples. I understand that the Government have been making assurances that they will try to do something similar in UK legislation. We would obviously be very keen to see that happen, because it is a unique product, it has a clear definition and that would need to be sustained for all those three products in future.

Q68 **Jim Shannon:** In Northern Ireland the farms, by their very nature, are smaller than they are in the rest of the United Kingdom. What is your opinion of how small farms will feature post-Brexit, as well as the issue of those three firms that I mentioned, Willowbrook Foods, Mash Direct and Rich Sauces, three companies that trade quite significantly in the Republic of Ireland? I am just hoping that maybe someone will have some information on what their thoughts will be for the future and how they see those companies continuing, as I believe they will, but continuing to trade with the Republic of Ireland uninhibited, what are your feelings on those? Barbara, Ian, whoever would be the right person to answer that question.

Dr Erwin: We would hope that they would be able to trade uninhibited and there would not be any tariffs because a lot of the firms would diminish and go under. The same applies to cut flower growers as well, it is not just the food aspect of things, so there is a degree of concern. It is the uncertainty, I think, and we have had evidence recently of firms changing their headquarters, moving elsewhere to be able to circumnavigate these problems. It is a big concern for these firms.

Q69 **Jim Shannon:** None of the three firms I have mentioned, Barbara, are considering at all moving to the Republic of Ireland. They are quite specifically going to stay in this tranquil constituency and build their business accordingly.

Sarah, according to this, you are the Strategic Insights Manager. It sounds very important, which of course it probably is, but in agriculture and horticulture, what is your opinion strategically on those issues?

Sarah Baker: To go back to your first point about the size of units in Northern Ireland, they have less scope to fully exploit the economies of scale than the farms on the mainland have. The other issue is that they are fully integrated; it is an island and therefore the supply chains are fully integrated. For instance, in cereals and oilseeds, you have the milling capacity in the north. Northern Ireland predominantly grows feed wheat. It is limited geographically as to the quality of what it can produce and therefore an awful lot of grain is imported into Northern Ireland, milled, and then we have a significant export of flour. The cross-border trade at the moment, it has been crucially important to the way that the industry has grown and developed and therefore a significant change in that has the potential to be very disruptive to those supply chains.

Q70 **Jim Shannon:** There are two other quick issues, Mr Chairman. One is on



the grants. One of the reasons why all those three companies have grown has been because the agri-foods sector in Northern Ireland and the Department in particular have been able to seek grants to enable the factories to grow and to employ more people. Post-Brexit, the Government have given a commitment here centrally, as long as they are in power—which will take us through to the next election and then beyond that, hopefully—to continue the grants system, similar to what is already there from Europe. How critical would that grants sector be for the continuation of growth?

I am very conscious that one of the issues that has cropped up regularly over the last period of time in my constituency has been the capital build scheme. It seems to be on hold for many of those three companies and other companies and I suspect probably for companies that you represent, Elaine. Again, the grants system is very important. To come back very quickly—and this is the last point—in relation to co-operation between Northern Ireland and the Republic of Ireland, both sectors are keen, north and south, for that to continue. Again, your thoughts upon that.

Elaine Shaw: It is fundamental within the mushroom sector and also then to our customers, Hughes Mushrooms and Unimush, companies like that also. For the primary producer, we have the producer organisation scheme. Just to give you a flavour, when we started the scheme in 2000, we had 65 members producing 90 tonnes annually. We now have 23 members producing 1,390 tonnes, so that is a 15-fold increase in volume. It just shows where the scale has gone to now. Along the way, we have nurtured a smaller grower or two within that, if they wanted to remain. They potentially have not become as big, but they have been able to benefit from the efficiencies of the group, so the scheme has worked very well. Without the funding of that PO scheme, it would not have happened. That worked well alongside Hughes Mushrooms accessing the PMG scheme.

We are competing against southern Ireland, who will have the continuation of the EU producer organisation scheme, but they also have a national development programme, that horticulture has a rolling 5 million or 6 million every year invested into their horticulture. It comes from the Executive, so it is very important that we have a level playing field. We have very good co-operation and collaboration with our southern members and they are critical. They have helped the Northern Ireland growers as well, so as Jim says, going forward that collaboration with Ireland is critical. But we are now coming towards dates for the producer organisation scheme. We are in a five-year programme and it ends in 2022, so we do not know: when we exit the EU, are we allowed to continue that programme out?

A lot of our funding with banks has been achieved because of the benefit of the producer organisation scheme, because of the funding that is coming forward. We are in the middle of an investment into a compost yard facility of £25 million, so there is a need for certainty quite soon,



especially for the producer organisation funding, to say whether we will see our programme out. We have southern members. How will they fit into it? Is there a period of time they will not have access to it? There are a lot of questions we need answered. We put in, "On 15 September, what happens for next year?" 15 September is only a few months away. Again, I know there is probably a lot of work going on in the background with the Rural Payments Agency, but there is nothing filtering down to the members.

Q71 Jim Shannon: Ian, on the issue of potatoes in particular, two guys from my constituency—there are many there, but there are two big ones—that is Erwin and Morrow, one on the Ards Peninsula and one on the other side of Strangford Lough, significant growers who have grown, as you would know, significantly over the last number of years to then probably almost some of the large potato producers, I would say, in Northern Ireland. They take significant land down the Ards Peninsula and down Killinchy, Ballygowan and Killyleagh way as well. Have you had any discussions with those people who have for over 25 and maybe 30 years produced potatoes in a very small way in the beginning, but are very large now?

Ian Duff: That is just an example of the trend in the industry, where to get economies of scale and mechanisation, they have had to get larger. There are 450 potato producers in Northern Ireland and there are about 33 really big ones. These are the guys that are mechanised and supplying into the supermarket trade, the high-end trade. The other end, the smaller guys, are growing locally, selling locally and have a smaller customer base locally. That is the way the industry is structured at the moment.

In terms of the cross-border issue, certainly the big packers in Northern Ireland would be growing in the south, shipping stuff to the north, processing, packing and then moving it back into the retail trade, simply because the country of origin is a very significant issue on the pack and there is a lot of vigilance about where material comes from. That movement, our guys would be very worried about that stopping or being impeded. This is happening freely at the minute and anything that impedes that would be a major concern to them.

You mentioned in terms of the Single Farm Payment or the base payment. For potato production, potato guys have never had a lot. They have not had the historic payments that livestock farmers have. It is maybe £200 a hectare and the cost of growing a hectare of spuds is £5,000 or £6,000, so it is a useful contributor, but it is by no means the same issue that it might be for livestock farming.

In terms of cereals, it is different. It is a much more significant proportion of their total income and I know some of them would be very worried about any reduction in that.

Q72 Ian Paisley: It is good to see our guests here, you are very welcome. Ian, I want to start with you with regards to spuds and potatoes. I should



HOUSE OF COMMONS

declare an interest because I enjoy so many spuds, I feel I need to declare that. But very specifically, my interests are about the farm subsidy support programme and about the needs of the primary producer. You said the farm subsidy, potato farmers do not get a lot. My understanding is there is no direct farm subsidy for potatoes, is that right?

Ian Duff: No direct subsidy, but they do get an area payment.

Q73 **Ian Paisley:** Yes, you get an area payment. That is basically looking after the land.

Ian Duff: There is nothing other than that though and there has not been for years.

Q74 **Ian Paisley:** That is basically the landowner's payment, to basically look after his land or her land. So there is no farm support whatsoever coming from the EU if you are a potato producer, which is of course one of our primary crops in Northern Ireland and is a very significant crop. Whenever it goes into the factories, like the chip potato factories, significant value is added to it. Do you believe that the opportunity that Brexit poses for us allows for a new farm subsidy programme to be developed by the United Kingdom that would benefit our primary producers in those areas that are our key crops, such as potatoes?

Ian Duff: I think it will allow for specifically tailored schemes. I talked about the subsidy scheme in the south, which they took a decision that they would increase support for capital investment in the potato sector and they did that. That sort of thing has not happened and it would be useful to be able to see that. On a strategic level, this is a sector that could grow, horticulture or whatever, and be able to invest capital.

Q75 **Ian Paisley:** I like the word you have used there, "tailored schemes". My view would be that post-Brexit and after transition, the bonus is the agility that the United Kingdom Government should have is that it designs its own farm subsidy support programme that is tailor-made for our primary producers. For example, in Northern Ireland, where potato producers and poultry producers do not receive farm subsidy, we could direct subsidy, if necessary, to those areas to help them grow our primary sources, mushrooms as well, another key crop. I am not against rapeseed oil, rapeseed oil is a wonderful product. We have some fantastic rapeseed oil processors in Northern Ireland who grow some fantastic crops, but they are not natural to Northern Ireland, yet there are support programmes in place for other products like that, but there isn't for natural products. We should be able to tailor-make it for those products and I hope that is an opportunity that people see.

Could I ask you, Sarah, with regard to reform, Common Agricultural Policy reform, if we were not going through this Brexit issue, we would probably be in the middle now of discussing Common Agricultural Policy reform. If you like, it is getting away in the dark on all of this, because by the end of 2019, CAP payments will probably be significantly reduced



HOUSE OF COMMONS

across the whole of Europe anyway. Were your members already planning with regards to how they would have addressed CAP reform at the end of 2019?

Sarah Baker: I think you make a very valid point there. I think that CAP reform had already been on the agenda for UK agriculture and the direction of travel is probably not dissimilar. I would take issue with the fact that you see significant reductions in CAP by 2019. I think the pace of change within the EU support system is much slower. What Brexit has done, it has not changed the direction of travel, but it has concertinaed it into a much shorter timeframe. Within Northern Ireland, as with the rest of the UK, they have farmed under the Common Agricultural Policy for the past 40 years, so they have not ever farmed without it.

Our analysis shows sector by sector that cereals, the primary sector that I have come to speak about, will be incredibly impacted by the reduction in that direct payment, to the point of a sort of crashing out of the talks, if you like. A so-called hard Brexit where we revert to WTO tariffs and you see a 75% reduction in the level of support from now, many cereal farms will no longer be viable. However, within that analysis, we did show that the top 25% of producers—and this was not size-related, this was related in a true measure of efficiency, in their ability to turn inputs into outputs, and this is across all sectors—as a minimum would remain profitable in any of our post-Brexit scenarios. We looked at unilateral trade liberalisation and we looked at the WTO default.

From AHDB's point of view, the key to transitioning to a post-Brexit world within a very short period of time, the key to that lies in the increased improvements in productivity and the improvements of your ability to turn inputs into outputs. That is a very complex picture. Again, if you are talking cereals, they may be relatively small in Northern Ireland, but they are critically important to the livestock sector.

Q76 Ian Paisley: They are indeed. One of the issues that I think might have been lost in this is that between now and 2022, as a result of the confidence and supply agreement that my party negotiated with the Government, all of those farm payments are secure until the end of this Parliament, so there is not going to be any change in that, whereas there probably could have been a cliff edge at March/April 2019 on those CAP payments. That confidence and supply agreement has secured the future of that industry well beyond CAP reform.

Sarah Baker: It is an interesting one. CAP reform would not have been as big as Brexit. The other thing is I know it sounds like a long time that the level of payments and any saving in capping of CAP payments is going to be recycled into some of the new environmental Public Money for Public Goods schemes. However, if you take it in terms of production cycles in agriculture, that is not a long time; the time taken for agriculture to transition, it is not like manufacturing or certain other industries. We do have very long time lags and very long planning cycles and funding cycles. We are used to those seven-year cycles with CAP.



HOUSE OF COMMONS

Q77 Ian Paisley: But in terms of those cycles, say by the end of September/October 2019, we know what CAP reform may look like. The United Kingdom, because of this agreement, has a further two years to see how that works out in other EU states and adapt it and tweak it to make it work better in the United Kingdom.

Sarah Baker: That transition period is crucial, absolutely crucial. It is very welcome, but it cannot be seen as a period of breathing space, "Let's stop and kick the can down the road". It is very much a critical time to allow the industry time to make those necessary adaptations to survive post-Brexit.

Q78 Ian Paisley: Thank you, Sarah. Barbara, you raised some interesting points, which I think is an area that we often miss, and that is probably the export opportunities that flower growers and plant growers could have for Northern Ireland and for its industry. What sort of support and help do you get from the Northern Ireland Office or the Departments in Northern Ireland, if at all?

Dr Erwin: Encouraging smaller growers to come into the business, I have found that there has been nothing. Anything that I personally have done and other people do as a farm diversification scheme, you have to fund it yourself. Even the recent tier 1 and tier 2 has not done anything. There are great opportunities there, but grant support, for example, to put up a 100-foot polytunnel takes the best part of £5,000, up to £10,000, to put it in. That is a lot of money and it takes quite a bit of time because of the margins being so small. There are opportunities, but there has not been any support.

If I can reflect on what is happening across the border, there is a Minister for Horticulture and I think to a certain extent we are lacking in not having anybody to go to to support our industry.

Q79 Ian Paisley: That is a very interesting proposal. Have you looked at what they do in Holland, where they have made this sector a complete industry?

Dr Erwin: I have not looked at in detail, but they have been very well-funded in terms of automation and all the rest of it. That is why of course four big Dutch lorries sit outside a reputable hotel near the airport on a Sunday night and those Dutch lorries then go around all the florists in Northern Ireland.

Q80 Ian Paisley: Tulips from Amsterdam?

Dr Erwin: Tulips from Amsterdam, yes.

Q81 Ian Paisley: But is that something, Barbara, that you see as an opportunity, that under a UK farm subsidy programme, that could be shaped to say, "Here is a sector that we should help grow and develop over the next number of years"?



Dr Erwin: Yes, I do. The biggest flower grower—and I am sorry to talk about flowers, but that is the one that I am the most familiar with—in Ireland probably is based just outside Portadown. It used to be a lettuce and celery grower and it now has a 50:50 business. He has managed to get some grants, Invest Northern Ireland, for example, and his recent technology allows him to grow tulips, for example, for one of our supermarkets. He grows all the year around now, but he is on a very big scale. In fact, recently he has been saying he cannot get workers: he can get workers that stay all year round, but he cannot get workers at the moment to plant. There is a big concern in Northern Ireland that some of the crops that are in are not going to be able to be picked because of the labour supply.

But to get back to the question, yes, because there is kind of a political somebody at the top who also co-chairs the equivalent body to our Horticulture Forum, there has been a certain amount of money put in to help run it, not terribly smoothly—the running has been okay, but the finances have not been—but that has helped the industries across the border.

Q82 Ian Paisley: I think the idea of an identifiable person at the top on horticulture is very good and something that we have possibly missed.

Dr Erwin: Yes, because I have only been in the chair a few months and I had the privilege of writing to you all. Thank you very much indeed for inviting us here today, it is pleasing to know that some people are really interested. But when I took over and looked at the key deliverables of our local DAERA Department, horticulture as such, other than forestry, is completely invisible.

Q83 Ian Paisley: You have made them visible today, Barbara, by coming here.

Dr Erwin: Yes, and I am pleased to be able to do that for my colleagues because horticulture, in terms of the farm gate prices, is better than spuds and sheep and eggs. We are £108 million, according to the 2016 figures. That does not include the amenity sector. It would include the vegetables and flowers and things, but it does not include the amenity sector and the garden centres and things like that. That is a very big industry.

Ian Paisley: It is massive, yes.

Dr Erwin: And increasing. The programmes on TV and the interest in garden centres, the public is really tuned in and there is a big drive there to get people to grow your own and to be healthier. I see tremendous opportunities. As well as that, if I am growing trees, the ones that I grow I have to germinate myself, but there are great opportunities for big growers in the UK. Instead of bringing in ash with dieback from Holland in future, we should be able to manage to grow our own, but that will require support.



HOUSE OF COMMONS

Ian Paisley: Investment.

Dr Erwin: But Northern Ireland is particularly good for growing flowers and trees and plants of certain sorts because our climate is not as severe as it would be in England, which is why Greenisland Flowers is able to grow stock for M&S right up to November, because of that climate.

Q84 **Ian Paisley:** Yes, with long periods of light as well, which obviously help under the tunnel.

Dr Erwin: Yes.

Q85 **Ian Paisley:** Elaine, you mentioned in your answers to the Chairman when he first questioned you, when we were talking about the labour profile of your sector, the issue that the Republic of Ireland now brings in non-EU workers. What nations are they targeting for their non-EU labour?

Elaine Shaw: Ukraine would be the country they were targeting. Previously, maybe 10 or 12 years ago, we did have a permit scheme in Northern Ireland and agriculture were allowed to bring Ukrainians in back then. The permit scheme worked very well because it was very focused. It was potentially, I think, a two-year permit and that person had to come in and was appointed to that farm. There was a wee bit of administration, which could be managed, but it was very structured and it worked very well.

Ian Paisley: I imagine the reason why they are targeting Korea and the Asian countries is largely because—

Elaine Shaw: Sorry, Ukraine.

Q86 **Ian Paisley:** Ukraine, sorry. The reason why East European nations has fallen off is because their currency has stabilised, their prices have gone up in their own country, yes.

I am wondering, with regard to those labourers, if you could put a global number on it, how many labourers would Northern Ireland need to satisfy your industry going forward, coming in from outside?

Elaine Shaw: Currently—and I suppose this is cross-border—we would employ 1,000. Within that, 90% of them are European. That is 900 in the mushroom sectors. Of that, 500 would be Northern Ireland. Some of those will be long term, but there are easily 300 or 400 based there required. That is just—

Q87 **Ian Paisley:** Yes. We are not talking staggering numbers here. We are talking a very manageable amount—

Elaine Shaw: Very manageable numbers, yes.

Ian Paisley: —that would not even factor in terms of our immigration issues. It is very manageable, yes.

Elaine Shaw: Very manageable. Again, it is through the scale, like supervisory, there are growers, there are guys managing the farms for



the growers. There are career opportunities for them and it is not just in for a year and out again. Again, we have a lot of workers, we work with families and families will come over for three months and they will go back and send cousins over. The family farm environment works very well for the workers and they are very much at home in that environment. I suppose processing facilities are a wee bit different, but there is definitely more relationships with the farms and they do become part of the farm.

Ian Paisley: Excellent, thank you very much.

Q88 **Kate Hoey:** I was interested, Sarah, in your title, you have an interesting title: Strategic Insights Manager. Can you just tell us what that is?

Sarah Baker: I am an agricultural economist and I suppose my role within AHDB is the horizon-scanning. Prior to Brexit it would have been the macroeconomic environment, it would have been the pace of technological change, it would have been labour productivity issues. Since the vote, since the referendum, I personally have been very focused on the pace of change and the fact that we have a limited time period in which to adapt to probably what is going to be the biggest change in my lifetime certainly in the agricultural industry. Our job is very much to prepare our levy payers and our processors for the challenges that come ahead. My job is to shine a light, to look at the issues as they are coming and to provide the unbiased information. We are not a lobby group, we do not take a view on policy, but we are very much the providers of information, to make sure that we provide the information for others to make the correct strategy decisions.

Q89 **Kate Hoey:** How is the Development Board funded?

Sarah Baker: It is funded by a levy on producers and processors within cereals and red meat. In Northern Ireland, we only collect a levy from cereal and oilseeds producers and processors. In the UK we have six sectors, so we have the potatoes, horticulture, red meat, pigs and dairy.

Q90 **Kate Hoey:** So in Northern Ireland, potatoes and mushrooms are outside?

Sarah Baker: Are outside our levy base.

Q91 **Kate Hoey:** There has been so much talk about the trade relationship between Northern Ireland and Republic of Ireland. Am I right in saying that the vast majority of fruit and vegetables either are sold in Northern Ireland or over to the Republic of Ireland or to Great Britain?

Sarah Baker: Yes. Cereal and oilseeds is my main focus and for them, definitely there is very little export. My understanding is that that is broadly similar. The movement for cereals and oilseeds, again it is primarily feed wheat, so they will be importing feed wheat from elsewhere in the EU. That has kept prices fairly strong, but having said that, the inputs into the production of cereals is also fairly high and that has pushed production costs fairly high. When we leave the EU, under the



HOUSE OF COMMONS

different scenarios you either have trade liberalisation, where the Northern Ireland feed wheat producers will be competing against imported feedstuffs from elsewhere in the world at low tariffs or if we go to WTO tariffs that will provide some sort of protection.

The main issue for them is the integrated supply chain for the wheat for human consumption, in that that will be imported into the Northern Ireland processing capacity and then come back out as flours, so you have this carousel effect whereby it is crossing the border twice. A similar thing with dairy, but it is in the opposite direction, the milk from Northern Ireland goes to the south for processing and is then either exported back or elsewhere in the world. You have completely integrated supply chains where the border is invisible.

In pigs, for instance, you will get live sows going across the border for slaughter and then back again. Northern Ireland lost a significant amount of its processing capacity for red meat after the BSE crisis, so the processing will take place in the south and then it will come back to the north. You have not just the issue of crossing the border once, but several times sometimes in the production process.

Q92 **Kate Hoey:** But as far as the horticulture industry is concerned, not talking about milk as such, in terms of the border, mushrooms and potatoes—

Elaine Shaw: We move mushrooms from southern growers into northern packhouses and then they would move from those northern packhouses over to the UK depots. Likewise compost, we are building a compost facility in the north. That compost has to be able to move freely—

Kate Hoey: Sorry, you mean in Northern Ireland, not Donegal?

Elaine Shaw: Northern Ireland, yes. So then that compost has to be able to move freely into the south of Ireland. Currently we have been importing compost from Belgium and Holland, which will stop when our own facility is available. Mushrooms are very perishable, there is no room for two, three, four hours' delay. That boat to Larne, if the mushrooms are not on it, you miss your slot in the depot and that is zero—

Q93 **Kate Hoey:** How long does it take a mushroom from being picked to get to Amsterdam?

Elaine Shaw: We would send it to the UK from Ireland, 24 hours from when the mushroom is picked—

Q94 **Kate Hoey:** You are not really sending much to the rest of the EU?

Elaine Shaw: No, just over from Northern Ireland to the UK mainland.

Q95 **Kate Hoey:** In terms of trading going back and forward, have you looked at some of the suggestions about favoured traders moving back and forward without any problems whatsoever, the people who are going back and forward every week or every day?



HOUSE OF COMMONS

Elaine Shaw: Yes. We want that frictionless. We do not want anything, we want that to be as seamless as it is at the moment. This is not even talking about tariffs, just the day-to-day operating. We have no room for it to lose two hours at the border with paperwork, so that is critical. It is like other products, it is just coming across two or three times.

Q96 **Kate Hoey:** Do you think that that is possible, with goodwill?

Elaine Shaw: Yes, absolutely.

Q97 **Kate Hoey:** The same with potatoes, is there an issue there going back and forward?

Ian Duff: It will all come down to plant health requirements. If the plant health conditions are satisfied, they will move freely. Whether there are any levies at the border and all that sort of stuff, we obviously want it to move freely. In terms of the table potatoes, we do not export any. They would be self-grown in the south, brought north, processed and sent south again. We used to export. When I say "export", move into the wholesale markets in both Dublin and the UK, but that stopped. It is quite self-contained as far as table potatoes are concerned. Seed potatoes is a different story.

Kate Hoey: Barbara, can I just ask you, because you are—

Q98 **Ian Paisley:** Sorry, on that seed potato thing, Northern Ireland is an expert in that area, isn't it? It produces seeds that are wanted the potato world over.

Ian Duff: If you look at the figures, I am afraid it has been a declining market for us. It has a climatic advantage, which it exploited in days gone by. It has lost volume very significantly in recent years, unfortunately, but the big concern I would say for that is that our biggest market is Ireland for seed potatoes. The EU has a policy of not allowing importation of seed potatoes full stop. It is interesting. It moves within the EU and Switzerland, so there is a possibility there, but that would be a worry. We are very anxious to see how that works out and we need to protect that trade because it is our major export market.

Q99 **Chair:** That is presumably because of SPS issues, is it, or is it pure protectionism? Is that because of sanitary and phytosanitary issues?

Ian Duff: Yes. It is for disease, yes.

Q100 **Chair:** Sorry, Kate, to interrupt. There will presumably be a way presumably to reach an agreement between the UK and the European Union?

Ian Duff: That is what we would hope to see.

Q101 **Chair:** Indeed, such a thing is essential, isn't it, in respect of the island of Ireland?



HOUSE OF COMMONS

Ian Duff: Yes. Like others have said, this is not a trade that you stop suddenly. It takes three or four years to develop a sufficient volume to export and so on, so the sooner the better.

Q102 **Kate Hoey:** Finally, to Dr Erwin, you are the one who is most in day-to-day touch with small producers. Is this all they are talking about at the moment? Are they worried? Is the big issue staff, as we have talked earlier, or is it just generally people are uncertain or is there more optimism that does not really get into the newspapers?

Dr Erwin: I would say for the smaller growers, because you are dealing locally and selling locally it is probably not so much of an issue. It would be an issue for the bigger growers who are trading across the border. For example, one of our other big flower growers is based in Bessbrook. A lot of trade goes south and he is quite concerned. It is the uncertainty, I think, and that is what a lot of businesses are saying at the moment. In the paper the other day, investment in Northern Ireland has gone down because people just do not know where we are going.

There is a big movement set up by a woman, Gill Hodgson, called Flowers from the Farm, and that has been a significant movement towards grow your own, buy your own, buy British. They even managed a stand at Chelsea and there is great opportunity even for the small people to combine together and to have a significant product that is good quality.

The other thing about plants that we should mention, and it has been partly mentioned, is the phytosanitary situation. Ireland has very high plant health standards, which need to be maintained. I have already indicated that, for example, ash dieback came in with trees imported from Holland. There is a big problem at the moment with *Xylella fastidiosa*; I think that is how you pronounce it. It is big in Italy. There are about 80 species. The UK borders need to be particularly well-protected by plant health people, but the island of Ireland is in a specifically good situation because we have water around us. I know people can bring in plants in the boots of their car, but this is a big issue. It is a continuing issue, irrespective of Brexit, and we need to be aware of that.

Q103 **Kate Hoey:** It is interesting you mentioned that irrespective of Brexit and despite staying in the EU, the Republic of Ireland is suffering from the same problems to do with labour. Could each of you just give me one reason, the most important reason, why we are not able to attract any or many local people to work in some of these areas? Is it that we are not paying enough?

Sarah Baker: From our point of view, it is the fact that as an economy we are approaching full employment, therefore there are not significant pools of unemployed people. To work in agriculture, the work, by definition, is not where the population is and therefore if they have to work they either have to travel, they have to work unsociable hours, they have to live onsite. It is very hard work. Anecdotal evidence from growers



HOUSE OF COMMONS

that I speak to is that even, with respect, if they do employ UK workers they tend to not last very long. Therefore it is the work ethic of the Europeans.

Q104 **Kate Hoey:** But we cannot really blame Brexit for that.

Sarah Baker: No.

Q105 **Kate Hoey:** I will not ask, I think you probably all have a similar thing. The only thing is presumably after we leave the EU, and there are issues about people coming in, we will be treating the rest of the world in the same way, so we will have the opportunity of people coming from other parts other than just the 27.

Sarah Baker: I think there is an issue there again in that there is a differentiation between skilled and unskilled. In some of the proposals that you see, skilled equates to highly qualified. We would argue within our industry that our workers are highly skilled, but they may not necessarily be highly qualified; therefore they may not qualify under an immigration scheme for access and the right to work over here.

Q106 **Kate Hoey:** I think we have all heard how skilled you have to be to work with mushrooms.

Sarah Baker: Absolutely.

Elaine Shaw: Again, we just need to make sure we work very closely to get the right people on to the list to get them in at the right salary level that will suit the industry.

Q107 **Kate Hoey:** The families that you have working with you now long term are not going to be affected?

Elaine Shaw: Absolutely not, no.

Kate Hoey: Thank you very much.

Dr Erwin: Can I also add that the horticulture industry across the board has not had a high enough profile in terms of the job opportunities? It seemed to be the special needs people do the growing and the horticulture. That is what it used to be in the good old days. I think there has not been enough of a high profile to raise the opportunities and the salaries and all the rest of it. People like Monty Don do raise this occasionally, but I think as a country we need to value what is done because we all depend on food and we all depend on the workers. There is an issue there of raising the profile, raising the opportunities as well for young people.

Q108 **Kate Hoey:** But you did say that more people are buying locally now, if possible.

Dr Erwin: I think there is a tendency, yes. People like to know the provenance. The air miles thing applies across a range of products and



HOUSE OF COMMONS

people are becoming more perceptive and want to know. Of course locally produced stuff is much fresher and lasts longer.

Kate Hoey: They have a bit of dirt on them, which is what we need, yes. Thank you very much.

Q109 **Mr Gregory Campbell:** I have a couple of questions for Elaine on the mushroom sector. I was intrigued by your outlining of the issues that your counterparts are faced with in the Republic. Could you give us a bit of detail of when they began the process of looking external to the EU to try to deal with this issue?

Elaine Shaw: I suppose the last two years they would have been canvassing politicians and whatnot, and then I think maybe the last month it has been announced, the worker permit scheme. They have been working on it for two years to get to this point.

Q110 **Mr Gregory Campbell:** That is about the same time as the EU referendum in the UK.

Elaine Shaw: Yes.

Q111 **Mr Gregory Campbell:** It is intriguing, Chairman, all the advantages that people are supposed to have within the EU that the Republic is casting its net beyond the EU. That is interesting in itself.

Elaine Shaw: I suppose it is the success. The industry is growing. It is developing, needing more people, probably the same full employment issues that we are finding up here as well. People do not want to work in the agricultural industry. It is hard work, work ethic, so they are facing all the same problems as we are facing.

Q112 **Mr Gregory Campbell:** I am just thinking of the opportunities that a similar type of scheme for Northern Ireland might provide, not just within itself, but given the concentration of media attention and ministerial attention about the possibility of wider trade deals for the UK post-2019 and 2020. Do you think there is an opportunity that the sector, if given the right wind behind it from our own Government, could incorporate within trade deals outside the EU something that could attract additional employees and hopefully grant assistance to the sector? Is that something that has been thought about or that people are giving thought to?

Elaine Shaw: Absolutely. We would love to incentivise to come into Northern Ireland to work and if that could be incorporated into a trade deal, it would be very good and very beneficial to the sector. Likewise, we want to sell. There is an opportunity. There is a lot of Polish and Dutch mushrooms that come into the UK. There is a lot of potential within Northern Ireland and Ireland, both growers, to displace that and have locally-produced product. Again, with the funding and the staff, the opportunities are very possible.

Q113 **Mr Gregory Campbell:** That is quite good. I was unaware of that. That



HOUSE OF COMMONS

is potentially quite positive.

Elaine Shaw: I suppose where we have lost a lot of our trade is to the catering and the wholesale sectors. The Polish and the Dutch are very price-driven. To be fair, the retail sector has continued to buy UK and Irish, but there is a whole sector that we have lost purely down to price and the Polish have filled that gap. The opportunity is there to try.

Q114 **Mr Gregory Campbell:** Given what you had said in terms of the marketplace, particularly for mushroom growers—and I presume for others as well—is a UK and Ireland base, in effect, because of the very limited shelf life, presumably that is applicable to the growers in the Irish Republic as well?

Elaine Shaw: Yes.

Q115 **Mr Gregory Campbell:** Then you would have thought that your counterparts in the Republic would want to ensure that the internal market of the British Isles was something that was certainly safeguarded post-Brexit, given that they are not going to be affected as much with overseas exportation, but the internal market, east-west, would be crucial to them. Would that be right?

Elaine Shaw: Yes. When Brexit was announced, four or five major growers in the south of Ireland went out of business because of the exchange rate fluctuations. Over the two years your margin had not been decreased because of the exchange rate benefit. Overnight we lost that, but your price did not go up overnight. Some of the guys could not withstand that change. We were very fortunate, we managed all of our growers through it and there has been a wee bit of subsidy and whatnot and exchange rate subsidies. No, the mushrooms coming from Ireland into the UK is critical.

Mr Gregory Campbell: The reason I say that, Chairman, is there has been a lot of concentration on the issues about north-south trade and this appears to indicate that there is a very significant benefit on an east-west basis, not just for Northern Ireland growers, but for Republic of Ireland growers as well, which is something that has not really come out in the media. Thanks for that.

Q116 **Lady Hermon:** It is very nice to see everyone here today giving this evidence. It has been very, very interesting, areas that we have not taken any evidence on before, so it is fascinating and thank you very much for coming.

Can I just ask you, as a matter of interest, how has the absence of the Northern Ireland Assembly for over 18 months impacted on your members in a period of great uncertainty in the run-up to Brexit, which we know is going to happen next March, 29 March 2019? How has that impacted upon your members, Sarah?

Sarah Baker: As an economist, there is a saying that economists only know one thing and if they tell you they know more than one thing they



are exaggerating. That one thing is that uncertainty is the enemy of investment. The uncertainty around Brexit and the absence of an Assembly in Northern Ireland has increased the uncertainty for our Northern Ireland growers. Making major decisions that need to be taken in a period of change is made very difficult with uncertainty. It has muddled the waters. If we had a productivity issue, which we know we do have when we compare our UK agricultural productivity with those of our European counterparts, that is something that for me is probably the burning issue. To provide some clarity and to encourage and stimulate the decision-making that is necessary in order to get our growers' businesses fit for the future for me is the critical issue.

Q117 Lady Hermon: You see a clear decline in investment because of the uncertainty?

Sarah Baker: Absolutely. I think it is just a given in that trying to make a decision in the absence of real clear guidelines is very difficult. At AHDB we have been working very hard on focusing on the things that growers can change rather than allowing this wait and see or this sleepwalking into Brexit, "We cannot affect the trade negotiations, we do not know what policy is going to look like, so we will wait and see". I mentioned previously that 25% will be the most resilient. If we can get as many growers over that productivity line—obviously by definition they cannot all be in the top 25%—to make sure their business is as resilient as possible, then under our scenarios, if things are less bad, all that happens is they have a more profitable business. We are not asking them to make huge investment decisions. We are encouraging them to make small changes over a wide range of parameters.

Q118 Lady Hermon: Such as?

Sarah Baker: We are looking at things like the difference between fixed costs. We have looked at farm business survey data and we have matched farms that have similar sizes. We found a farm in the top 25% and a farm in the bottom 25% and we have looked at what the major differences are, so fixed costs, variable costs, your ability to perhaps share machinery with a close neighbour, your attendance at industry events. We do not always think that the very early adopters of new technology are the most efficient because obviously it is quite costly when it first comes in, but the next wave really improves your efficiency. That attention to detail on the small things and focusing on your margin, as my colleagues have said before, those are very empowering messages.

We have examined all the parameters in the farm business survey and looked at what makes a difference. What characterises this top 25%? What is so special about it? 95% of those factors are within the control of an individual business; only 5% are outside their control. We are going out with some really powerful messages in the autumn to say, "You can do this". What we need to remember is that farmers and growers are an incredibly resilient sector. They make business decisions every hour of



HOUSE OF COMMONS

every day of every week and they stand and fall by those decisions. There is often nobody else to fall back on to support them, therefore they will get through this. A huge number of them will get through this, but they do need our support and encouragement and empowerment to do that. Some clarity would be incredibly helpful.

Q119 Lady Hermon: So having an Assembly and a local Minister would be better?

Sarah Baker: I do not want to stray into political commentary, but any clarity with regard to future arrangements would be very welcome by the industry.

Lady Hermon: Yes. Ian, I can see you nodding.

Ian Duff: I was just talking to one of our major packers recently and it is the uncertainty. He says that they do not even know enough to start planning for the uncertainty. It is just that—

Elaine Shaw: But even the PMG scheme, which is the processing and marketing grant scheme—

Q120 Lady Hermon: That is a local scheme?

Elaine Shaw: Yes, it is a local scheme. If you wanted to buy a potato packer or a mushroom-packing machine, that is put on hold, whereas in southern Ireland it is available and in the Rural Development Programme in parts of England it is available. If you went to go and price an order and had to buy a new machine, your margin is going to be less because you do not have that assistance. That has a major impact.

Ian Duff: That has just recently not been renewed or not been progressed in Northern Ireland and that is the sort of thing that had there been an Assembly might have been picked up.

Q121 Lady Hermon: Yes, there is a noticeable detrimental impact of having no Assembly.

Elaine Shaw: What Sarah was picking up there, the co-operation and the collaboration within growers within agriculture is huge and it makes a difference, which keeps them trading. Whatever can be done to foster that type of learning and growers to work together and co-operate and collaborate is key.

Lady Hermon: Yes. Barbara, did you want to come in?

Dr Erwin: Yes. We had planned to have—and I sent you all a copy of that brochure—an event with MLAs before the Assembly folded. It has meant that to try to raise the profile of issues, there has not been anybody there in place to act as our advocate. The civil service is having to make some decisions, but we know from the recent case that the decisions are fairly limited. When we see the key deliverables, horticulture just is not there. We feel that if there was a Minister, particularly if there was a Minister for horticulture, then there would be



HOUSE OF COMMONS

somebody to fly the flag for us and help to make decisions. I think it has been very important. Of course the same thing applies outside agriculture and horticulture, as you know, in health and education. It has been, I think, very damaging and the sooner it is back up and running the better.

Q122 Lady Hermon: I agree wholeheartedly, I have to say. In the absence of the Assembly, who have you been able to make representations to? The Northern Ireland Office, the Secretary of State?

Elaine Shaw: Politicians.

Lady Hermon: I can see Ian saying, "No one" there.

Ian Duff: Basically, Barbara can explain this, but there is a departmental liaison or steering group, which has met from various parts of the industry. The Horticulture Forum was not included in that.

Q123 Lady Hermon: Was not included?

Elaine Shaw: There is no representation of horticulture on that stakeholders' group for Brexit.

Lady Hermon: You are joking?

Dr Erwin: No, we have never been asked.

Lady Hermon: The Department has been asked?

Dr Erwin: I specifically asked at a meeting with a senior civil servant for a place at that forum and was politely told no, it is Chatham House principles—like horticulturalists cannot observe those—and it is a small, concise group. Within the Department there just has not been an opportunity to provide a voice. I am not saying I should have been the voice. I would have asked somebody with a lot of expertise to have sat on it.

Q124 Lady Hermon: The justification for excluding you was?

Dr Erwin: It is a small group.

Q125 Lady Hermon: It is a small group and Chatham House rules?

Dr Erwin: It may not be politically correct to say it, but—

Lady Hermon: But go ahead and say it anyway.

Dr Erwin: —the new Permanent Secretary does not have an agriculture or horticulture background. I have done my best. We were supposed to have a meeting with him on 5 June and it was postponed to October. He specifically wants to see agriculture and to see real farms and I had arranged to go to see some in Jim Shannon's area. It was postponed to October. October is not the best to see what we were going to see. It is so frustrating. That is why I started off with you guys and wrote to you, first of all, and then I wrote to all our local MPs to try to get the profile



HOUSE OF COMMONS

raised. I am very pleased and grateful that we have had the opportunity to talk to you today.

Q126 **Lady Hermon:** We are very pleased it is on the record and perhaps, Chairman, when we make our report we can pick up on this point. It does seem like a glaring oversight to have omitted representation on the stakeholder group in what is a crucial period of time.

Dr Erwin: Yes. When there are civil servants making decisions, and I feel sorry for a lot of them because they have a very wide brief, but when there are people there who do not have the interest and there is nobody to say, "Can you focus on this?" and a Minister would do that, then we are left in the situation that we are left in.

Q127 **Lady Hermon:** Which must be enormously frustrating for all of you, yes. We had a very lengthy—it was not long enough—debate yesterday. It was supposed to be six hours, but it was only around about three hours. We are going to have a lengthy, we hope, six hours' debate today, but probably not for the six hours.

If, heaven forbid, the UK were to leave the EU without a deal, and that would inevitably mean a hard border on the island of Ireland, how would that impact on mushrooms, potatoes and horticulture? How would that impact? What would be the impact of a hard border on your members, Elaine?

Elaine Shaw: To get mushrooms and compost across, if the potential delays were there, we would miss getting orders dispatched and over to the mainland. It would be catastrophic. Then to go toward WTO tariffs as well, there are tariffs potentially on mushrooms then coming from Ireland, which is a phenomenal amount: 90% of mushrooms in Ireland are exported to the UK, so that would be—

Q128 **Lady Hermon:** In terms of WTO tariffs, how much would that translate to?

Elaine Shaw: 12%. Again, spawn coming in, I think there is a 6% tariff. I think we had worked out on top of the mushrooms, the goods coming in would maybe then put another 10% on to costs. In margins, unless we can pass that on to the wholesalers, caterers and retail trade, that is not—

Q129 **Lady Hermon:** Would it be sustainable? Could your members sustain that sort of increase?

Elaine Shaw: Absolutely not, no.

Ian Duff: You have the two issues with the tariff and you have the plant health phytosanitary requirements, both of which could gum up the works. Certainly the phytosanitary one is quite a bureaucratic process to have to go through every time you move something across the border.

Q130 **Lady Hermon:** Would you like to elaborate a little bit on that, Ian? You



HOUSE OF COMMONS

had said about plant health being absolutely critical in the earlier part of the evidence. I think it would be helpful if you could explain that.

Ian Duff: As Barbara said or I think someone earlier said, the island of Ireland has a natural protection and there is a lot to be said for having a single plant health regime within that area.

Q131 **Lady Hermon:** On the island itself?

Ian Duff: Because of its natural protection and that allows you to freely trade and overcome some of these phytosanitary issues. A phytosanitary certificate is the plant health certificate that has to accompany goods or plant health material moving into the EU.

Q132 **Lady Hermon:** Yes. Barbara, did you want to pick up on that?

Dr Erwin: No, I was just going to explain that even boxes of chrysanthemum cuttings that come in, they come from Tanzania, which is amazing, but they have a phytosanitary certificate on them to say that they are healthy and free of disease. This happens for even potted plants coming in from Holland. Each consignment has to have its own certificate and they are inspected by people in Heathrow and the ports as well. It is a big problem and we are fortunate that we have that bit of water around us. Some people may see it as a disadvantage, but the plant health situation would be quite serious if there was a border.

Sarah Baker: For cereals and oilseeds, it is fairly complex. Northern Ireland is a net importer of cereals and therefore if there were high tariff walls that would push the costs up, which on the face of it looks fairly beneficial to Northern Ireland growers because they would be able to raise their feed prices accordingly. However, that further impacts on livestock production and then you have the issue of trans-shipment. You have huge ships. If you are buying from outside of the EU, grain freighting is incredibly competitive and it is all done on prices and huge bulk quantities. The huge ships will come into Rotterdam and be split into smaller ships because Northern Ireland does not have the port facilities for some of these huge vessels, which then technically becomes an import from the EU. Again, if we crash out and we have no trade deal with the EU, we are then facing what looks like an import from the EU coming into Northern Ireland, so you have the complication there.

Then you have the complications I have alluded to before with the wheat and barley for human consumption being milled in the north, so the grains coming in and being milled and then the flour having to go back over the border, over to the south and—as Mr Campbell alluded to before—the east-west trade as well with that, so the Northern Ireland flour production will come over to mainland UK as well. You have a very complicated issue.

Q133 **Lady Hermon:** In the event of no deal?

Sarah Baker: Yes, potentially very disruptive.



HOUSE OF COMMONS

Q134 **Lady Hermon:** Yes, so we need a good deal; we absolutely need a deal. No deal would be unthinkable?

Sarah Baker: I think that is probably just slightly beyond my brief to comment on.

Q135 **Lady Hermon:** That is all right. Just to sum up, opportunities of Brexit have been mentioned, challenges have been mentioned. On balance, do the opportunities outweigh the challenges posed by Brexit?

Elaine Shaw: I think they have to. Again, I suppose just coming from a farming background, we will make it work. That is what we do.

Lady Hermon: Because farmers are very pragmatic, yes.

Elaine Shaw: Farmers do. We will make it work. We will face the challenges and we will take the opportunities, but we need a level playing field to do that. We cannot be disadvantaged with Europe, farmers getting higher benefit of grant systems than ours and also policy and regulation. There is a cost of policy. The minimum wage in Poland is 3.50 potentially, so Poland can produce mushrooms 30% cheaper. That is a phenomenal advantage to come into the UK market. We have had that for 10 years and we have changed, we have adapted. The producer organisation has been critical to that. I am just wondering under the confidence and supply agreement, what Ian had said, we are pillar 1 funding, so is the PO funding already guaranteed? Again, if we could get some clarity on that it would be fantastic. That is very important.

Lady Hermon: I do not think there are any of us here who could clarify that point for you just at the moment, I am sorry.

Elaine Shaw: Every sector will be the same.

Q136 **Lady Hermon:** Ian, are you as confident?

Ian Duff: No. As I said earlier, the concern about export seed potatoes into southern Ireland and so on would be a major issue. If we lose that trade, that is a very significant fact because of the EC's requirement not to import seed potatoes. That is the way it seems to be at the minute. Hopefully that could be negotiated, but it looks like that is a very big issue for us at the minute.

Q137 **Lady Hermon:** Right, so you have a serious concern. Barbara?

Dr Erwin: In terms of costs?

Lady Hermon: Opportunities outweighing the challenges of Brexit.

Dr Erwin: In terms of cut flowers, at the moment we do not export, as far as I know, beyond the UK. The Dutch do it in reverse. From that point of view, I do not think it would be too bad, but we should be able to manage to grow more of our own. I think the opportunities in the ornamental sector and amenities sector probably outweigh the disadvantages.



Lady Hermon: That is very interesting.

Sarah Baker: I am with Elaine on this. I think it has almost gone beyond the opportunities and the challenges. It is what it is now. We are walking down this road and we have very limited time. Therefore we need to focus on how to overcome the challenges ahead rather than focus on what ifs, if we had not gone down this road. Let's just crack on with shining a light on the major issues, looking at what is within our individual growers' power to control and getting the industry in the best possible shape. Then we will just have to deal with the information as it becomes available. We have to prepare for the worst and hope for the best. It is very much a call to action now for the industry to do what it can to get in the best possible shape for Brexit and then any information is gratefully received.

Lady Hermon: That is a very positive message. Thank you so much.

Q138 **Chair:** Falling out of "Health and Harmony", DEFRA's aspirations for the future, is Dame Glenys Stacey's review that will report at the end of the year. That has to do with reducing regulation, making regulation fit for purpose after Brexit. I was wondering what you feel about that. What would you like Dame Glenys to be recommending to Government that would improve your sector after we leave, because we have an opportunity, don't we? Sarah, could I put you on the spot, since you have an overarching view of these things? Do you feel that there are opportunities and, if so, where are they? What will you be saying to Dame Glenys when she consults you?

Sarah Baker: What would we be saying? We would not, to be fair, because AHDB would not make policy recommendations.

Q139 **Chair:** But you see, she is consulting, so I would expect her—if she has not done so already—to be consulting with bodies like yours.

Sarah Baker: On that point we might have something to say then. As a wider point, the expectation that there would be some regulations when we left the EU and that the EU were the source of all those regulations was somewhat misguided. My colleagues here have alluded to fairly complex issues on the SPSs and the technical barriers to trade and the trade frictions. In addition to that, if we are having a new agricultural policy with very new schemes, the Public Money for Public Goods, that has to be robust and examinable and provide evidence that presumably will require inspections at some level. I think she has a very challenging job on her hands looking at that.

Q140 **Chair:** I suppose a supplementary question to that would be normally this would involve DAERA, wouldn't it? Given the unique nature of agriculture, horticulture and growing in general in Northern Ireland, you would expect DAERA to be able to imprint upon central government the important elements of the sector in Northern Ireland that would enable Dame Glenys's review to be better informed. Otherwise it is going to be very GB-centric, isn't it? I suspect—and I am seeing nodding heads—that



HOUSE OF COMMONS

you would agree this is potentially yet another facet of the failure of the political institutions in Northern Ireland to advance and forward the interests of the people of Northern Ireland.

Ian Duff: I do not think you will find anyone that disagrees with the sentiment of trying to simplify regulation and the number of inspections on farms and so on. The concept has been talked about a lot. It is difficult to implement. I think it is also a big challenge if you talk about having more flexible regimes and so on to get public accountability for the money spent and the money disbursed. You have to be accountable for the public expenditure and public money. It is a big challenge. I know farmers do get upset about the number of inspections that they have and the bureaucracy and so on, but some of that comes with the accepting of public money, I am afraid.

Q141 **Chair:** The idea is to have a lighter touch regime, I think, something that is "smarter regulation and enforcement", to do with smarter regulation and enforcement and a risk-based approach, one that does not necessarily impose disproportionate penalties for minor infringements.

Ian Duff: Yes, I think that is a fair comment.

Kate Hoey: In other words, commonsense.

Ian Duff: I know of one scheme whereby it used to be that there was a capital grant for a particular item and that item is listed, and if you bought a slightly bigger one that did not quite match the description, then you did not get any grant on it. It is little things like that that annoy people.

I spent some of my life working in health and safety, where you have things called improvement notices and prohibition notices. I always thought that they were an excellent tool, in that if there is something wrong, let's say a pollution incident, you write an improvement notice and it gives the person a certain amount of time to right the problem. It does not go near court. If they do what is required of them, that is the end of the story. You get improvement without having to go through the court and without the same aggro you get from all that. There are different ways of doing that and I hope some of those can be thought about.

Q142 **Nigel Mills:** I would like to explore how difficult it would be for you if you had to do some customs compliance for moving your various produce across the Irish border. Perhaps, Ms Shaw, you could start. Just talk us through: when you want to move some mushrooms from one side to the other now, I guess it is not as simple as just picking them and putting them on a truck and driving them.

Elaine Shaw: There is a plan where we fill the orders, but it is literally that the grower will get a phone call from a packhouse to say, "Pick six pallets of this, the lorry will be with you at 10 o'clock", into the packhouse, down the machine and away into another lorry in Larne and



HOUSE OF COMMONS

over to Cairnryan. That is it. There is nothing else. Probably 20 years ago, before my time, I definitely remember customs stops and that paperwork would have had to have been applied to and all that time and resource and there were custom checks at the border.

Q143 **Nigel Mills:** In terms of VAT, do you have to do anything when you make that?

Elaine Shaw: No, there will be nothing like that there. No, mushrooms are zero-rated. There are other products that if they were moving across border, packaging or anything like that, there may be an impact, but the mushrooms are zero-rated.

Q144 **Nigel Mills:** Presumably you have to track the mushrooms so you know where they came from and when they were picked?

Elaine Shaw: Yes.

Q145 **Nigel Mills:** All those records you have to keep so you know when that punnet of mushrooms goes wrong in Tesco, they can trace it all the way back?

Elaine Shaw: Yes.

Q146 **Nigel Mills:** Somehow you must track all that, do you?

Elaine Shaw: Yes. Again, there is a computer system that tracks all that.

Q147 **Nigel Mills:** You know where they all are at any point in particular?

Elaine Shaw: Yes.

Q148 **Nigel Mills:** Do you have to comply with any plant-type regulations when you are moving mushrooms around?

Elaine Shaw: There would be nothing, really. I suppose it would be we would have a list of chemicals that you would be allowed to use, which are minimal within the mushroom as well. We are very fortunate and disease-wise we would not be under the same restrictions as potatoes or other plants. We are very fortunate that way.

Q149 **Nigel Mills:** You have quite a sophisticated system for tracking which mushroom was grown and which chemicals were put on it and when it was picked and when it was shipped. That is all computerised and you just presumably press some buttons and it knows what went where?

Elaine Shaw: Yes.

Q150 **Nigel Mills:** Is that the same for you, Mr Duff?

Ian Duff: The stuff moves under the company's control. There is not an external agent, really. There are no checks. The concern is if then you start getting into phytosanitary requirements, then that becomes a lot more complicated. At the minute it is purely just on a lorry, moves north, moves south.



HOUSE OF COMMONS

Q151 **Nigel Mills:** If once a month, say, you had to send a customs return that said, "We moved X tonnes of potatoes across the border" that would be easy for you to do because you would know what you had moved anyway?

Ian Duff: Yes.

Elaine Shaw: There will be that recording already through their account system.

Ian Duff: I do not think that would be a problem. It is the phytosanitary one that worries me, to be quite honest, because that has to go with the goods.

Q152 **Nigel Mills:** As long as we do not have customs checks at the border, if you had to do a monthly return of what you had shipped, that would be easy? That would not be a—

Ian Duff: No. The amount of tariff you had to pay that month might be a problem.

Q153 **Nigel Mills:** We are hoping to get that to zero with a trade deal. It is the compliance I was focusing on. That is like filling in that return and the computer could just do it with a couple of clicks.

Ian Duff: When you come to seed potatoes, it is much more stringent, but that system already works for export, so it is already there.

Q154 **Nigel Mills:** The compliance is not a problem. Delays are what you would be worried about and the sanitary?

Ian Duff: And cost.

Q155 **Mr Robert Goodwill:** I guess you could argue that under the Common Agricultural Policy the intensive horticultural sector has been the poor relation because the basic payment scheme and the greening schemes all basically benefit people farming quite large areas of land less intensively. Is there any way you can see—to use Ian Paisley's idea that we should tailor-make our own new regime—that that could be skewed to help the horticultural sector? You employ a lot of people. You create a lot of economic activity in comparison to some big, large barley farmers like me in north Yorkshire farming big areas of land, but not employing very many people at all.

Elaine Shaw: The producer organisation scheme is fruit and veg. It is an EU scheme. You have your chance now to look at that scheme to see what has worked well in that scheme, what has not, what the barriers have been for more fruit and vegetable guys to join that scheme and to take that and make that scheme work now on a national basis. That scheme is 33 POs, from my knowledge, but that could only be maybe 30% or 40% of the production in the UK. So see why the uptake is not there and change that and use that scheme better. That could be rolled



out. Again, whether you bring in cut flowers in the scope of that scheme may be an opportunity.

- Q156 **Mr Robert Goodwill:** The capital grant schemes in the past have generally been focused at farmer co-operatives rather than commercial companies that are not involved in farming at all. Is that something that we could maybe change to level the playing field between co-operatives and other processors who are generally creating wealth for the farmers who supply them?

Ian Duff: In the potato sector there are two or three large packers. Without them, we do not get into the retail trade, into the pre-pack trade. They are critical and they need that support. They would have been accessing this processing and marketing grant scheme we have talked about earlier.

The other thing I would say—it has been mentioned by my colleague from AHDB here—is that one of the things we have to do is become as efficient and as advanced technologically as we can. When you talk about support for an industry, you need to talk not just about capital, you need to talk about education, training and all those things that go with it to try to upskill and make us compete with the world.

- Q157 **Mr Robert Goodwill:** We have to offer it within quite strict parameters in terms of what we can use our agricultural support for. If we have more freedom, are we going to get into problems with state aid rules where our competitors elsewhere in Europe or the Republic of Ireland say, "They are giving a capital grant to these people. We do not have access to that grant"? Therefore other barriers to trade might be put in place, either genuinely or even vexatiously.

Elaine Shaw: I suppose currently we are looking at other industries or countries where they are getting it and we are not. If you want to flip it for a while, that is fine. We do not mind. That is what we are facing currently. We just want the playing field levelled.

Dr Erwin: The big cut flower growers—there are three of them who are significant—are probably second or third-generation growers and that is largely because in the past there were grants to put up glasshouses. An investment was made two generations ago that has meant they have been in a position to build on that, upscale and develop. The biggest one is farming under 12 acres of protective structures, which I know in England is quite small-scale. Even so, that has enabled that.

There is nothing to help somebody coming into the business. For industries like growing potted plants, trees and flowers you do not need huge areas. Smaller growers like myself are not entitled to any benefits in terms of the land because we do not own enough to do it. Giving people the grant to get started in terms of protective structures and mechanical things—and if it moved, you were not allowed to get any money for it and the kinds of esoteric things that were given on the lists



HOUSE OF COMMONS

even for small grants of up to £5,000 really were not any use. There is an opportunity there.

Sarah Baker: I would add that we have a unique opportunity here with the design of a domestic agricultural policy to nuance it to the needs of the UK and of the devolved nations. The overarching points that we need to remember are, first, the integrity of the internal market, in that there will be a limit to how far we can diverge the overarching policy so that we do not damage that internal market; and secondly, under WTO we are not allowed to implement any trade-distorting levels of support. The interpretation of that is under debate.

Strictly speaking, pillar 2 support is supposed to be income foregone plus cost of implementation. There is certainly some wiggle room there and there is room for different policies. What we want to avoid is a dispute at WTO level or a challenge and retaliatory tariffs put in place because that would be damaging for all concerned. We need to work within that framework of maintaining the integrity of the single market and complying with the WTO. Within that, there is scope to explore nuanced policy within the devolved nations.

Lady Hermon: That is very good.

Chair: Thank you very much indeed. You have been most helpful in developing our thinking in these important matters and what you have said will certainly greatly enhance our report when we come to write it in the very near future.