

Environment, Food and Rural Affairs Committee

Oral evidence: Brand Britain: promoting and marketing British food and drink, HC 1039

Wednesday 13 February 2019

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[Watch the meeting](#)

Members present: Neil Parish (Chair); Alan Brown; Dr Caroline Johnson; Kerry McCarthy; Mrs Sheryll Murray; David Simpson; Angela Smith; Julian Sturdy.

Questions 161 - 259

Witnesses

I: Ray Smith, Agriculture, Food and Drink Counsellor, British Embassy Beijing (via video link).

II: Dr Phil Hadley, International Market Development Director, Agriculture and Horticulture Development Board; Jeff Grant, Red Meat Sector, Representative, Beef and Lamb New Zealand and New Zealand Meat Industry Association.

Written evidence from witnesses:

- [Agriculture and Horticulture Development Board](#)

Examination of Witness

Witness: Ray Smith.

Q161 **Chair:** Thank you very much for joining us this morning. We will do this like we normally do. Just introduce yourself briefly and a little bit about your role.

Ray Smith: My name is Ray Smith. I am the agriculture, food and drink counsellor in the British embassy in Beijing. I have only been in post since 8 October, but I have been working in China for the last three and a half years, so I can draw on my previous experience in the life science and healthcare team, which has quite a few synergies with agritech as well. I run a team of seven people in the embassy; two of them work on market access and the others work on the trade side of agriculture, food and drink.

Q162 **Chair:** In a way, that starts to ask my first question. How does it help UK exporters to have in the country, China, specialists such as you? How are you available to exporters who want to export from this country into China?

Ray Smith: My team covers two elements. The first element is market access policy work, working directly with Chinese authorities to try to overcome some of the business environment barriers and the regulations that get in the way of getting UK companies' products in. For example, if a UK company wants to import beef, chicken or lamb, it currently cannot do that because of various bans on those products. We are working with Chinese authorities to try to lift those bans and we have connections back to Defra and DIT in the UK to work with industry to overcome those with the Chinese authorities. That is on the broader spectrum of how we are helping.

Q163 **Chair:** Could I ask you a question there on the beef side? I was at a breakfast this morning at which the Chinese ambassador was present. He greeted me with the fact that China is now accepting British beef. Where are we on that? I imagine there are a few little local things to sort out before we can get beef into China.

Ray Smith: It is very positive that that is what the ambassador is saying. They lifted the BSE ban last year, but there are several steps that we need to go through before we can start exporting. As a next step, the Chinese authorities have to agree a questionnaire relating to how beef is processed in the UK, and then they will come and do an inspection visit. Once the inspection visit has been done, we will agree a protocol with both countries and then can hopefully start exporting. We would like to start exporting by the end of this financial year.

Q164 **Chair:** What do you mean by "financial year"? That is quite soon.

Ray Smith: I am sorry; when I said "this financial year" I meant next financial year, because we are right at the end of the financial year.



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Chair: By April next year is basically what you are saying.

Ray Smith: Yes, but ideally it would be this calendar year.

Q165 **Chair:** I think some pork goes in. As well as lamb, we have been trying to get chicken feet into China for some time. Where are we on chicken feet?

Ray Smith: There is an avian influenza ban on all poultry products. We are working with the Chinese authorities to try to lift that ban. There was an inspection visit in September last year and, unfortunately, the result was that the authorities felt that we still had some way to go to reassure them that avian influenza was not a risk to poultry that we would be exporting. The Chief Veterinary Officer wrote last month to the authorities and we are waiting for a response from the Chinese authorities. We are hopeful that we will be able to convince them that we have the requisite things in place to protect in the way that they need to lift the ban, and again we are looking to move this forward by the end of this year.

Q166 **Chair:** On pork, is there worry about swine fever and what have you? What is happening with that?

Ray Smith: No, not in the UK. The UK has not had African swine fever. We are fortunate in being an island, as it is unlikely we will get it unless illegal pork products are brought into the country. In a way, we are protected. Our pork industry benefits greatly from exporting to China. It is worth between £40 million and £60 million a year, and we hope to have a pork inspection visit towards the latter half of this year, which would open up the market for the existing companies that export to export a greater amount of the carcass. Currently, there is three plants that can export trotters and we hope to have more plants exporting trotters.

Q167 **Chair:** That is one great advantage of the Chinese market: some of the fifth-quarter product can find a good market in China, because they like that particular meat, do they not?

Ray Smith: Yes, definitely.

Q168 **Chair:** We do not have too much time. To the second part of my question, what are your current priorities and have they changed since Karen Morgan started back in 2015?

Ray Smith: When Karen started, her job was to set up a team and start the process of market access. She did an amazing job in her three-year tenure. She got the pork access and she has taken beef and poultry a long way, so my job is to carry on the good work that she has been doing and to grow the Chinese understanding of the UK offer and the different products that we would like to export to China.

Q169 **Chair:** I have one final thing on lamb. Are we likely to get lamb into China or what?



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Ray Smith: We have a scrapie study tour happening this year, and the reason for the problem is that there is no assessment kit in China to understand how effective a country's veterinary control on scrapie, so we are working with them to create an assessment tool they can use to determine whether our lamb is safe for the Chinese market. The study tour will happen this year and we hope to move this forward next year.

Q170 **David Simpson:** Good morning. How important a market is China for UK food and drink exports? You have touched on it, but could you expand on that a bit more?

Ray Smith: Statistically, the EU is the largest export market, but China is a significantly growing market. It is an essential market currently and will be even more so if we leave the EU.

Q171 **David Simpson:** What more could the UK do to build its reputation for quality and safety in China?

Ray Smith: There is potential to do some soft-power work around collaborations, and policy development in the farming and agritech industry. There is already a lot of work being done with UK Research and Innovation, UKRI, and the Science and Innovation Network. One of the things that I hope to do in my role is to pull those aspects together, so that we can all work in going from the collaboration side to the commercialisation side. If we can work more with universities and researchers, and get them to understand the skills that the UK can offer, that will disseminate to a wider understanding that the UK has some good skills in the agriculture sector.

Q172 **David Simpson:** Lastly, when the UK leaves the European Union, do you foresee any difficulty with companies exporting? We had a briefing last week on the UK licence; it will no longer be an EU licence. Do you envisage any difficulty with that in the future, given that China is very particular about how it is worded?

Ray Smith: We are working closely with the Chinese authorities to make sure there is a smooth transition. For example, the current health stamp that goes on to pork products has the licence number, but also has "EC" written on it. If we leave the EU, that would have to come off the stamp, and there would be a transition period where you have meat on the water that still has the EC mark, and then you have other products that will not have the EC mark. You even have the potential of there being one container with two lots of products, one stamped "EC" and one not.

We need to be clear with the Chinese authorities as to the time period and what the implications are, and give them enough run-in time to allow them to train their customs officers to recognise both as valid products. If we do not do that, we might hit some real problems with stock being held at port, but if we give it enough run-in time it should not be a problem.

Julian Sturdy: Morning, Ray. I think it must be evening with you probably.



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Ray Smith: It is, yes.

Q173 **Julian Sturdy:** I would like to go back a bit. We have talked a lot about pork, dairy and beef products already, but I want to touch on cereals for a moment. The UK has a very good and well-respected malting industry, where we are malting barley and then exporting malted barley around the world. We also export the barley itself to other maltsters. What access can we get into China for either malt or barley and is anything going there at the moment? Secondly, where does the competition come from? Is it from Australia?

Ray Smith: You are touching on the edge of my knowledge with this one, because I have not had to deal with the barley issue. My understanding is that we already have market access for barley, but there is currently an issue with wheat decontaminants and the threshold for the amount of wheat that is allowed in per cubic whatever, so that it can be exported. We are negotiating that with the Chinese authorities, and it is currently with Defra to look at the scientific reasoning for the levels that we have suggested. While we have access technically, we have not been exporting barley, but I need to go away and double-check that if I can, write to you and let you know whether that is correct¹.

Q174 **Julian Sturdy:** That would be helpful. Maybe that is something that the Committee needs to be asking Defra as well. What about malt itself? Is there any access for malt, so barley that has been malted in the UK and then exported? Do you know if there is access into China for malt directly?

Ray Smith: I am not aware of any access but, again, I will find out and come back to you on that.²

Chair: That would be useful.

Ray Smith: To your question about competition, I met with the Australians yesterday and they were saying that their barley and malt are a thriving industry. They have staff specifically on cereal, so they are definitely one of our competitors.

Julian Sturdy: Yes, they are big.

Ray Smith: "Competitor" would be generous to us, given that we are not exporting at the moment.

Julian Sturdy: It would also be interesting to know if Australia has access for its malt into China. That is an interesting point that the Committee could clarify as well.

Chair: We can ask Defra about it, Julian.

¹ Note from witness: We already have market access for barley but there is currently an issue with weed seeds (Brome sterile).

² Note from witness: Yes we can export malt as well.



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Q175 **Julian Sturdy:** Moving on and following up on David's questions, do you see the Red Tractor label playing an important role in marketing the safety of British food going forward?

Ray Smith: There is definitely space for a standard that the Chinese would see as being a recognised standard for safety. Whether that is Red Tractor is a wider question. I do not think Red Tractor is currently known in China and you may be better off working with Chinese authorities to create a standard that fits with what China is looking for on food safety, and then bringing that in as a new standard, which is introduced with a logo that is recognised for China and resonates with China.

Q176 **Julian Sturdy:** Will that mean higher standards in certain areas as well?

Ray Smith: I do not necessarily think that but, rather than just lifting a UK standard and logo, and assuming that will mean something in the Chinese market, it would probably be worth doing some work on what the Chinese think of and care about on safety, to specifically look at that. It may be that what we have as standards are not important to Chinese consumers.

Q177 **Angela Smith:** Good morning. In your view, should the Government increase the number of agriculture, food and drink counsellors overseas? Based on your experience and the work that has already been done by you and your predecessor, is there evidence for us to extend the number?

Ray Smith: Every country is different. China is a very complicated regulatory framework and there is a lot of merit in having a UK diplomat to open the door. I have a very capable, locally engaged Chinese team, which does most of the work, but when it comes to getting in at a high enough level I need to be present in the room. That may not necessarily be the case in other countries, so you may not need someone from the UK to be the representative for agriculture, food and drink. While you may need a named person, they do not necessarily need to be a UK diplomat.

Q178 **Angela Smith:** The Food and Drink Federation has suggested that it would be a good idea, and that priority markets include India, Japan, the US and UAE. I do not think the Food and Drink Federation is suggesting the model has to be exactly the same as the one we have in China, but rather that that model is useful. There is perhaps common ground between the Food and Drink Federation and your own view on this, but what do you think more generally about that proposal?

Ray Smith: I have spoken to Dominic from the Food and Drink Federation about the proposal. They are right that having a named person who can be identified as the person responsible for agriculture, food and drink is useful, particularly when industry wants to contact someone at the embassy. There is a lot of work to be done with the industry and companies to tell them what people at the embassy do, because a lot of companies do not even know that we are here and are a



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resource that they can use. It may not be that you send someone out from the UK to do the work; there may be someone in the Department for International Trade or the FCO team who already covers the area, but they may not be accessible because people do not know their name or what they are doing. There needs to be some work to identify whether someone is already covering that sector, and then help industry understand who that person is and that it can go to them.

Q179 Angela Smith: What I am reading there is a need to prioritise the work of ensuring greater awareness, on the part of both Government Departments and industry, of the potential to do this work.

Ray Smith: Yes.

Q180 Chair: Before we leave this, what role does AHDB play in linking into you? You say that exporters sometimes do not know that your facility is there, so what more do we need to do this end and your end to ensure that it is better known and that our exporters know who to go to? Where is the logjam?

Ray Smith: There are two questions there. One is my relationship with AHDB and the second one is with the wider industry. AHDB funds 90% of my posting. AHDB members know that we exist. We have spoken about it and I went to the Oxford Farming Conference to promote the fact that this position exists. I work closely with AHDB at trade conferences, and we keep each other apprised of what is going on in the Chinese market. The problem is not with the exporters of commodities like pork; it is more with the SMEs that are new to exporting and do not know where to go for support and help. Often those companies are surprised when we come to a trade show and say, "Did you know you can come to us for this advice and that advice?" They have no idea that a team in the embassy exists to support them and give them that advice.

Chair: Really it is the SMEs in particular; somehow or other we have to do more this end to make sure that what you are doing in China is known, basically.

Ray Smith: To be honest, it is not just China. The work of the Department for International Trade is not greatly understood. Most people think embassies are just about visas.

Chair: It is probably high time we brought in somebody from international trade to talk to us, so that has probably stimulated us to do that this morning. Thank you for those answers.

Q181 Mrs Murray: Good morning, Ray. Would UK exporters benefit from having a veterinary counsellor in Beijing to provide technical support?

Ray Smith: This is an interesting question, which I have discussed with AHDB before. Having veterinary expertise would be useful, but I am not sure that there is a full-time job for a trained vet. It would be useful to have someone with veterinary expertise who could also be deployed on



other aspects of the work that we do. In a similar way, our healthcare and life science team employs a general practitioner, but not purely for their doctoring skills. They run the prosperity programme, but they also happen to be a trained GP. That means that, if you need to ask questions about medical stuff or how training works, you have someone on hand, so can just turn round and ask them questions.

Q182 **Chair:** We are about to have a witness from New Zealand to give us evidence this morning. It will be interesting because a lot of food goes from New Zealand into China. I imagine they have vets in China, probably quite a number of people, so can we learn a little from what they are doing?

Ray Smith: You need to bear in mind the geographical closeness of New Zealand, its agriculture sector compared to ours and its level of market access compared to ours. In terms of market access for different products, it has a lot more meat going in.

Q183 **Chair:** Do we not want to be a bit more ambitious than we are at the moment? Perhaps New Zealanders are more ambitious than we are.

Ray Smith: We cannot export beef, lamb or poultry, so there is only so much ambition we can have with those bans in place. We need to lift those bans and then it may be more relevant to have a veterinary expert in place.

Q184 **Chair:** Many of the reasons that China is not taking our meat are veterinary, so surely there is an argument to have a vet to explain to the Chinese authorities how we process and what we do here in raising our livestock.

Ray Smith: I do not think an individual vet would be able to convince the Chinese authorities, just because they were placed in Beijing. We have those dialogues using the Chief Veterinary Officer and the APHA vets. There is a dialogue on a veterinary level but, to be honest, to remove those bans and get market access you need a greater political presence in China on a more regular basis.

Q185 **Chair:** That is an interesting point you make at the end: more political presence on a regular basis. The Chinese also like to recognise individuals and see some high-ranking politicians, do they not?

Ray Smith: Yes, definitely. The success that other countries have had is usually off the back of at least a Secretary of State-level visit.

Chair: When the Secretary of State is next in, which is next month, we will put the case to him that perhaps he would like to go to China on a regular basis. If it gets much hotter here in Parliament, he might be delighted to go to China more often, but that is a slightly facetious remark. You are not going to respond. Ray, can I thank you very much? It has worked very well this morning. Much as we would have liked to come to China to see you, it was easier to do it online. Thank you very



much for appearing before us. Like you said, it is evening for you, so we appreciate you coming in and dealing with our questions so openly and frankly, so thank you. We wish you a good evening and perhaps we may be able to do this again in the future.

Ray Smith: Thanks very much.

Examination of Witnesses

Witnesses: Dr Phil Hadley and Jeff Grant.

Q186 **Chair:** Good morning, gentlemen. It just shows with technology how we can travel round the world so quickly, does it not? We have already been to China this morning. Thank you very much for coming. We are carrying on our session on Red Tractor, AHDB, brand Britain and all these things. First, would you like to introduce yourselves for the record? We are delighted to have you both here this morning.

Dr Hadley: I am Phil Hadley, international market development director with AHDB, with responsibility for our overseas market activity.

Jeff Grant: My name is Jeff Grant, and I am the New Zealand red meat representative on behalf of the industry, based here in London for approximately 18 months, for both Brexit and free trade agreements.

Chair: Thank you, Jeff. It is good to have you here in particular, because it is probably more difficult for us to get to New Zealand at the moment.

Jeff Grant: You are most welcome to come any time.

Q187 **Chair:** It is great to have your experience, but the first question is to Phil. How much of AHDB's funding goes towards promoting British food overseas? That probably fits in quite well with what we were just saying.

Dr Hadley: Our budget for export market activity is around £7.5 million annually and that covers a range of activities, including the work we do on market access with Ray and her overseas-based colleagues. As Ray pointed out, we are a funder of that post in partnership with Government. It includes the inward/outward access work, the trade promotion work, the overseas stands and inward/outward commercial missions.

Q188 **Chair:** I think I am right in saying your levies are quite substantial in total, both for beef and lamb. Is it around £60 million to £70 million? Am I right?

Dr Hadley: No, the total organisation levy income is around £50 million.

Q189 **Chair:** I only inflated it a little. Out of £50 million, is £7.5 million enough to spend on promoting food overseas, especially when we will be looking for markets more and more? Do the farmers not expect, when they pay their levies, to get a lot of drive? We welcome what we have in China, but



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we want it across the rest of the world. Do we need to be spending more of that levy money on promoting food overseas?

Dr Hadley: That is an interesting question. Some sectors have greater export ambitions than others. Horticulture, for example, provides the domestic market and therefore is much less export market focused. Beef and lamb, as an alternative at the other end of the spectrum, are very export focused and invest a significant proportion of the levy on overseas marketing. Of course, you have domestic market promotion as well. That is the export market work. If you are talking about broader promotion, we include domestic market activity within that. As I say, each sector has varying export market ambitions, but certainly pork, beef and lamb have been the key drivers of our export work historically and will no doubt continue to be, because they are reliant on the European marketplace.

Q190 **Chair:** There is a well-rehearsed argument between the farmers and some at AHDB that too much is spent on research and not enough on promoting meat and markets. That will become more prevalent when we leave the European Union, so to what degree is AHDB looking at the way it splits its money? From the president down, how do you work that out? Who makes that decision?

Dr Hadley: We have a number of boards in our structure, which are made up of independent members who bring their expertise. The budgetary cut and spend for each sector is discussed widely, and then with wider stakeholders, including key stakeholders such as the NFU, to land where we land. To promote products, you either drive the price or reduce the cost of production. At one end of the line, we are promoting products to drive price increase or a strong market price. At the beginning part of the production cycle, research and knowledge transfer drive farmers to adopt methods or techniques to drive down their production costs, to increase the viability or their margin, which sits in the middle. We see it as a two-pronged approach: promoting to drive value, and also research and KE to drive productivity gains.

Q191 **Chair:** AHDB has a significant number of staff, so are these staff in the right place? Would it be better to have fewer here and more staff overseas? We are about to be in a brave new world, if this Parliament can make up its mind. The idea of this inquiry, to some degree, is trying to work this out, because it is not just business of usual. I am not convinced that AHDB has necessarily woken up to the brave new world, so is a proper review being done of the resources and people you have in place, what they are doing and what you might like to do in the future? Where will you place the staff you already have? It is not just about the money you have and are spending; it is about staff resources and the whole thing. How much have you looked into that?

Dr Hadley: We have certainly looked into that. I accept the comments about a brave new world. We have people based in Europe, because Europe has been our key destination. To take lamb, for example, a third of our total annual production is exported and more than 90% of that



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goes to Europe. Not surprisingly, we are invested in Europe, because that is where the market has been.

In the last few years, we have thrown the net a little wider, specifically with China, in terms of the post that Ray now holds. We also have a full-time representative in China, which is particularly pork focused right now but includes other commodities. On your question to Ray earlier around cereals, we are working with Ray's and Defra's technical teams to address the restrictions on contaminants in cereal products to drive that market.

Thinking about the broader view, we are in a changing landscape and will need to make some clear decisions about where to invest our efforts and potentially broaden out to other markets. You will also be aware of the request for views exercise that went on at the end of last year, which has been delayed for good reasons. We are also working with stakeholders to understand their needs and get feedback from the request for views.

Q192 Chair: What has happened to that Government report? Is it ready? Is it just being held back? I think it is just being held back and it is all ready to go. Where is it at the moment?

Dr Hadley: My understanding is that the focus is on Brexit discussions and, as a result, it has been delayed.

Q193 Chair: Talking of Brexit discussions, last week, David Simpson and I went to Defra and were shown some quite good systems being put in place in case of a no-deal or WTO Brexit. To what degree is AHDB linked into what Defra is doing? I can see that getting imports is not such a problem, because we are masters of our own destination, literally to some degree, but exports with our neighbours and my great friends the French could be interesting in the future, especially for lamb. It was not so many years ago that they took direct action on lambs going into France, when we were part of the single market. How is AHDB working with Defra to get exports into France and the rest of Europe, if there is a WTO-style Brexit?

Dr Hadley: We are closely linked to Defra, APHA and other Government Departments, which share our view on making exports a priority and making sure we have seamless trade afterwards. We are in regular contact, have an open dialogue and work within the UK Export Certification Partnership, which means we are almost in daily contact on these issues, particularly around trade and what might happen in the coming weeks. We are very closely linked in and aware of the position, and we are expressing our views and advice on the potential trade implications.

Q194 Chair: You have largely answered the final part of my question, which is how preparation for EU exit has affected your market identification and access work. As an aside to that, as you are looking in that direction, are you more focused on markets outside the EU than you would normally be?

Dr Hadley: We are.



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Q195 **Chair:** Have we been too complacent over the years about the European market being there? We have quite a strong home market, so we were not really looking enough for markets beyond that. Are you geed up for it? Perhaps we will start exporting to New Zealand; that will take some doing, especially for lamb, but it would be a great idea. Seriously, are you pushing the boat out? Are you looking for something different? I am not yet convinced you are, you see, so convince me you are out there banging on the doors of all those new countries and I shall be persuaded.

Dr Hadley: I will start with some good news and tell you that we are exporting pork to New Zealand. We are very pleased to be doing that, but we have not cracked the lamb one.

Chair: That will take a bit of doing; I accept that.

Dr Hadley: They are pretty flush from their own production. If we look back three or four years, we were clear and positive about starting to drive market access. Ray's post was created a little over four years ago to focus on that Chinese market. We had had pork success and we wanted more. We had experienced the success and the transformational change to the pork industry that that had brought, and recognised that clear investment in China was important, through the post that Ray now holds and the representative post that we fund via the China-Britain Business Council.

We did another stream of work, working closely with Defra, APHA, FSA, et cetera, through UK Export Certification Partnership, on driving market access. Over the last three or four years, we have spent significant time providing technical documents to support ongoing access discussions to achieve a positive outcome. Now, they are hard work, take a long time and are not quick fixes, but we saw the result of that effort three or four years ago and it remains ongoing right now. If we think about the successes during last year, with pork to Taiwan, lamb to Saudi Arabia, lamb to India, beef and lamb to Japan right at the beginning of this year and an agreement to lift the ban in China, those were all a result of the work and the decisions we took three or four years ago to drive strong market access agreements.

Q196 **Chair:** When it comes to Vietnam, Philippines and Indonesia, there are lots of other countries out there, perhaps with quite difficult markets, but big and growing populations. Are you looking around for fresh markets all the time? That will be very important.

Dr Hadley: Absolutely, and the markets that have delivered this year are a result of the work we did at that time to scope out the opportunity. We have a clearly defined objectives table that states where we believe the biggest prizes are.

Q197 **Chair:** Could you let us have that, please? It would be useful, along with any new ideas. As you say, you have to sow the seeds to get the whole thing moving, so it would be interesting to see where you are sowing



even more seeds, all being well.

Dr Hadley: As you talk about, they are defined by a growing population, regional wealth, a growing middle class, affinity with the products that we sell and the things that consumers are looking for that we offer, like food safety, traceability and so on. We have this matrix of objectives, and we are realistic enough to identify where a market might take five years to achieve and another might take three years. We make sure we have enough things going on at any one time, so they come down in order. You can see that clearly through 2018, when we were having market access successes in relatively short succession, and that continues.

Chair: Thank you for that. If you could, let us have a graph and matrix of where you are headed. Then I will call you back in a year or two years and say, "Why haven't you delivered it all?" It will be useful evidence for us.

Q198 **Kerry McCarthy:** Can I ask about exports to Saudi Arabia? A deal was concluded fairly recently and the BVA has been talking to me about this, because they obviously want halal meat. Under legislation in this country on non-stunned slaughter, the basic provision is that we should stun before slaughter, but there is an exemption to cater for the needs of our UK religious communities. If we are exporting to other countries, I would not say that fits under the exemption. There is a lot more meat being produced in this country by halal slaughterhouses than all the Muslims put together would ever be able to consume, so do you see that as a problem? I have had a written answer back from Defra that says that a lot of halal meat is stunned now, something like 85% to 90%, so we technically know that is the case, but Saudi Arabia is strict about the conditions in which it is produced. When these negotiations are being discussed, do you look at the stunning or welfare issue?

Dr Hadley: Saudi is a market that also accepts a stunned product, so the discussion is around hygiene in production and being able to meet those standards.

Q199 **Kerry McCarthy:** Would all the stuff we are exporting to Saudi have been pre-stunned?

Dr Hadley: My understanding is that, of the certification bodies that approve certificates for export for the Saudi authorities, some organisations approve a stunned product and some organisations will approve a non-stunned product. I do not know the volumes of product that make it to Saudi as to whether they are stunned or non-stunned.

Q200 **Chair:** Do you have those figures?

Dr Hadley: They do not exist, because it is a commercial transaction and there is no requirement to report that.

Q201 **Kerry McCarthy:** There are other countries, one of which may have been Bahrain—I cannot remember—but I got another message this week about



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those exports. From a public policy point of view, our policy in this country is that we do not want non-stunned slaughter, but we accept that there are religious sensibilities, so there is that derogation. That means we should not be exporting, in my view, because there would be an exponential increase in volumes. It would be useful to know to what extent that is looked at, so it is a bit worrying that you say those figures are not available.

Dr Hadley: The perception is that a halal market by definition means non-stunned, but that is not the case. A lot of those Middle East countries accept a stunned product as well. To refer to Jeff here, the New Zealand product is stunned and they do not have access issues for a whole range of those countries.

Jeff Grant: In New Zealand all products are stunned. It is a requirement.

Q202 **Kerry McCarthy:** Do you have a ban on non-stunned slaughter in New Zealand?

Jeff Grant: Yes. The process has taken about 15 years to get to that point. It was not something we could do overnight. When we started, we had about eight Muslim authorities that would certify processing plants and we eventually got that down to two, and it is a much more regulated market. All product is now halal killed and has been for some years, probably 10 years now.

Q203 **Chair:** Do you think that, if we took a more robust view, Saudi would not necessarily always accept, but would be more minded to accept, that which is stunned?

Jeff Grant: We do not have any difficulty with regard to product in the Middle East. Back in the 1980s, we were sending around 30% of our product to the Middle East. It has not been a market in which we have seen a long sustainability; it goes up and down quite a bit, but there is an underlying value there. The difficulty we have as a country is in meeting Muslim population requirements all over the world. We export to over 120 countries, so we need to have products that are halal killed for a start, but we have always stuck to the stunned, because it is part of our welfare programme.

Q204 **Chair:** Do you send that to Australia?

Jeff Grant: Yes. You can buy it in a New Zealand supermarket.

Q205 **Mrs Murray:** Dr Hadley, this is basically for you. Have the Government consulted AHDB on whether to increase the number of agriculture counsellor roles and, if they have, which countries should have one, in your opinion?

Dr Hadley: Yes, we have been in discussions and are engaged with the FDF proposal as well, so are aware of discussions around that. We broadly support the countries that have been identified for ag counsellors.



Q206 **Mrs Murray:** Could you give us an idea of which countries they are at the moment?

Dr Hadley: They are potentially the US, Japan, the Middle East region, because we see opportunities there, Canada and India. The point I would draw on, which Ray mentioned to a degree, is that we and our stakeholders are clear on what the products are and the sectors we are serving. The FDF proposal is broader, so we have to recognise that some of those positions are in markets that might have a great opportunity for UK plc, but not necessarily for our raw agricultural commodities.

I would go back to the question that was asked around a veterinary counsellor and Ray's comments. That was a dialogue that we started, recognising the pork sector prominence in China. The UK pork sector first got market access to China in 2011 and commercial trade started in 2012. The market is worth around £70 million to the UK pork sector and, as Ray mentioned, we are ambitious for further inspections this year, which will unlock another potential broadening of commercial trade. We want to see that value increase, of course. The Chinese market is sensitive and good at picking up messages from UK media around food issues, health status, et cetera.

From my perspective, the role of a veterinary counsellor would be not only to grow market access, but to maintain the access we have, should we suffer a disease outbreak or food health issue. I see that role, as Ray took one line of it, potentially being a project manager with veterinary expertise. A slightly different view from the view that I would hold is that a veterinary counsellor for the Asian region would be able to support those markets and their ongoing maintenance. China is critically important to the pork sector, but we also do business with Hong Kong, Singapore, et cetera. Having technical expertise in the region would be advantageous, in my view, because of Neil's point around growing market access ambitions to be there for the dialogue. My concern is the ongoing maintenance of those markets to make sure we do not suffer a suspension or a loss of a market, where we have not mobilised a defence to head off a potentially threatening media story or challenge.

Q207 **Mrs Murray:** You listed some countries that you felt would benefit from agriculture counsellors. Would the role be entirely the same or tailored to suit the individual countries?

Dr Hadley: It would be tailored to suit the individual countries, because of the complexities and challenges that each country offers. I am particularly close to the post that Ray holds in China, and can see that that is a complex diplomatic-type position. I do not believe that those complexities or diplomatic relationships would exist to that level in some of the other countries that we are interested in. The broad concept fits, but you would tailor the role and the individual skills required for the region that you were serving to achieve the best possible outcomes.

Q208 **Mrs Murray:** Does the inclusion of a market research unit in the food



and drink sector deal suggest a failure in AHDB's market intelligence work?

Dr Hadley: It is fair to say that our market intelligence work has been domestic focused. We have a well-rehearsed market intelligence team focused on understanding UK consumer buying patterns. That is its primary function and it has done that very well, in my opinion. It is well recognised and we have a lot of data from different sources that enables us to track UK consumer trends, and respond with appropriate campaigns or inform our stakeholders of those trends. It was set up to look at the domestic market and it does that successfully.

If the question is about whether it has failed in the international market, it is only in the last 12 or 18 months that we have begun to cast the net a little wider, recognising there are gaps on the international front that we could learn more about and, therefore, tailor our international work more effectively. We have been doing that for the last period. It is a new stream of work for us, so I do not think it is a failure, but we recognise it is a gap that was not being filled that we should.

We published our first report in the spring of last year on international consumer perceptions. What do people think about when they consider British food? We looked at nine different countries, including some of the countries we mentioned earlier, to ask consumers about their perceptions of British food, what they purchased, how they purchased it and their concerns about it.

One of the messages from the Asian markets is that food safety is important to consumers when they purchase products. It is not that it is not important in the UK, but we assume that our retailer or outlet has already dealt with it. It tends to appear in position seven or eight in our UK domestic research, because we do not consider purchasing food to be an immediate risk to health, but in some of the Asian countries they do. One of the messages I took from that is that, in promoting our products in China, and more latterly beef and lamb in Japan, there is a gap, so we need to make sure that one of our core central messages is around the safety of UK products. It is not a failure, I would say, but a gap that we have recognised and tried to fill. We have some ongoing work in some key markets.

Q209 **Mrs Murray:** How long do you think it will take you? I suppose I am asking you how long a piece of string is, but how long will it take you to fill those gaps—12 months, two years?

Dr Hadley: We are scoping out work on individual markets on an ongoing basis and delivering those pieces of work. We have some priority markets. I do not think it has an endpoint. It will constantly evolve and each market will present us with similar or potentially quite different questions. I do not think it has an endpoint, so I would be uncomfortable to say two years. It is an ongoing piece of work, based on the need in individual markets.



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Q210 **Chair:** Sheryll has been very gentle with you, but I am not going to be quite so gentle. You are talking a good talk but, when I asked you about the resources, how you are going to fund all this, what you are going to do and where these people are going to be, there did not seem to be a plan. You are making the right mood music, but I am not convinced we have a direction of travel and I want to be convinced of that. That is why this matrix you might provide us with will help. What are you going to do if you get these people out there? Are you going to use more of your levy, and so up the amount of money that you spend on these counsellors and others? Are you going to reduce the amount of staff you have here and do it that way? What are you going to do? You cannot come here and just stir porridge without telling us how you are going to do it. At the moment, in the way your resources are allocated, I do not think you have the money to do it. Will the new plan that you or the Government have, which is coming out, include a real change in emphasis and a change in resource? What is it going to do?

Dr Hadley: At the moment, we are invested heavily in Europe for the reasons we touched on earlier.

Q211 **Chair:** We still need to do that at present. You cannot take it away from there, so where is it coming from?

Dr Hadley: Looking forward, if we move down the route of more market access and agricultural counsellors, that will clearly need funding from somewhere. There may be alternative funding pots to investigate or partner with, but there is a broader discussion from an AHDB and levy-payer perspective, and the request for views, which might send us in a different direction, so I cannot answer that question.

Q212 **Chair:** Do you think you might take more notice of the levy-payers? There was an argument in the past that you have taken very little notice of the levy-payers, many of whom think they should be getting better export markets, with more done by AHDB. I am not alone in saying this, because you know the messages coming through loud and clear from the industry. Like I said, the mood music is right, but I do not see a concrete plan. I am not going to press you further this morning, but what I want from AHDB is a clear plan of how it is going to deliver its new strategy. The strategy is probably right, but I am not convinced as to how you are going to do it.

At the moment, a lot of that levy money goes into research. I have no problem with that but, if you are going to leave that amount of money in research, you have to look at the staffing levels you have within the organisation and use more of that overseas, or look at the way you spend or divvy up the levy money now. Is that in the review? I do not suppose you can tell us exactly what is in the review, but I would like to know. We are getting a bit frustrated here by how this is being stirred around like porridge.



Dr Hadley: I cannot answer those big broad questions, other than to say that this is part of an ongoing discussion we have about what we look like and what the organisation does and delivers in the coming years. A key part of that will be the comments that come back from the request for views. Those will help shape what the organisation is, does and looks like, which we are already discussing at a high level, above me as well, to deliver the things we will need going forward.

Chair: It will be a decision for the Committee to make, but we might well give you some encouragement in our report. It will be a decision for the whole Committee, not just for me sitting here in the Chair. It might be helpful to you in getting the changes that are needed. Like I said, if there is anything you can release that gives us a direction of travel for how you plan to do it in this new world, we would be happy to have it.

Q213 **Kerry McCarthy:** Can I ask Jeff about New Zealand, the relationship between the Government and the industry, and what the Government do to help promote food and drink for New Zealand?

Jeff Grant: From the perspective of the structure in New Zealand, we have shifted over the last 30 years to outcome-based proposals. Whereas, before, it would have been a directive from the Government on expenditure or direction, it is now a partnership between the industry and the Government in what we do. You will see that in everything we do. In the processing and exporting plants, we do not have lots of regulators any more, because it is all driven by an outcome-based programme in conjunction with the industry. The marketing area, for example, is driven by the private sector, so the exporting companies do that. There is not a large volume of activity, so the total subsidies paid in New Zealand equate to about 1.1%, most of which goes into research. There is no funding of marketing; that is the responsibility of the commodities that are marketed.

Q214 **Kerry McCarthy:** Is there an export strategy, though? Is that Government led?

Jeff Grant: Yes, that is led through a combination of areas. In a regulatory sense, access is one area and the next area is market development, which is done by New Zealand Trade and Enterprise. Then the third area is the commercial activity of the exporters. If we are going into a new market, as we did with China with the free trade agreement, the first role is for the regulatory stuff, similar to the process you are in now. It is making sure that we align and have equivalence in our protocols with China. Then you have the development of the strategy, with New Zealand Trade and Enterprise looking for new opportunities in the market. Then the third part is the private sector.

Q215 **Kerry McCarthy:** You mentioned China. There was a documentary a while ago about the Chinese involvement in the Australian food chain, which was quite scary in some ways, in that they have ownership at many different levels. Is that a factor in New Zealand?



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Jeff Grant: Let us take the dairy industry as an example. They probably have about four companies in New Zealand out of about 16 or 18 dairy companies. In the meat industry, they probably have three or four and some are 100% owned. In the largest one they are in, Silver Fern Farms, they have a 50% shareholding in processing and exporting. Look, it is part of the integration strategy that China has had for some years, making sure that, first, they get security of food and, secondly, they have an involvement in the country from which the food originates. It has caused some frustration as to where that ends in the long term, but if you looked at the opportunity for New Zealand sheep, milk and beef you would see dramatic increases in sales and value into the Chinese market since we had the free trade agreement.

Q216 **Kerry McCarthy:** You are from the red meat sector anyway, but are there other growth sectors in New Zealand that the Government are trying to promote outside the obvious things that we associate with them?

Jeff Grant: I am a farmer by trade, across four commodities. Recently, in the last 10 years, I have been exporting tulip and lily bulbs to Holland. The growth of cherries, avocados, apples and those sorts of markets is commercially driven. It is not a strategy in the sense that the Crown says it is going to put 30 million dollars into this industry to see that development. The biggest area of growth we have had is tourism, which has been driven by a Government strategy without any doubt at all, but not for individual commodities.

Q217 **Kerry McCarthy:** Where do you get your labour for fruit and vegetables, and flowers? Are they immigrants?

Jeff Grant: Each industry is slightly different. In the dairy industry, there has been an increase of both eastern European and Filipino labour. We are talking 20 to 30 years. The horticulture industry is predominantly the Pacific Island population. If you look at the fruit industry in the southern region, there are quite a number of South Americans, but the proportions of those are only running at around 30% to 40% of the total labour market force.

Q218 **Kerry McCarthy:** Are the rest local?

Jeff Grant: Yes. It is interesting, because there has been quite a debate in New Zealand when there have been shortages. Take apples as an example. We have had some immigration changes and the numbers coming on working holidays in the season have not been as high as normal. We are now seeing a wage increase going on in those markets. To give you an example, on average, our industry used to pay around 19 dollars an hour and we now paying 25 dollars. There are two dollars to a pound.

Kerry McCarthy: That is interesting. It is off the topic of this inquiry, but it is a real issue for us at the moment for fruit and flowers.



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Jeff Grant: I supply sheep, beef and venison to a co-op, which is the largest in New Zealand. They kill 28,000 lambs a day and we have a plant that has not been able to fill all its chains this year, because of a shortage of labour.

Q219 **Julian Sturdy:** Jeff, I want to ask a quick question. You talked about the free trade agreement with China and New Zealand starting to see some of the successes from that now. How long did it take you to get that free trade agreement with China?

Jeff Grant: On average, these free trade agreements take around seven years. If we look at the process, I have been involved in two recent ones that we have not even got to: Mexico and South Korea. The initial discussions were over 10 years ago, so they take a long time. Some have been easier because of alignment between the markets and strong equivalence, but they are a slow process.

Julian Sturdy: You reckon roughly it takes New Zealand seven years, on average.

Jeff Grant: Yes. You make huge progress, but it is always the last 10%. Unfortunately for New Zealand it is always agriculture. We can get the services, financial services and all those things sorted out really quickly, but then there is always this big stumbling block. New Zealand tries to go for purity in its free trade agreements, with no tariffs, but we tend to trade that off over time. With Japan, for example, we had quite high tariffs for beef, but we have traded them off over 10 years so they gradually come down, once the agreement is signed. Our end goal is to open the market over a longer period.

Q220 **Julian Sturdy:** I have a second quick question. In your role here as the New Zealand red meat representative in London, did you say at the beginning you are here for 18 months? Is that correct?

Jeff Grant: Initially I was to be here for 18 months. I have found that not a lot has happened in the first six months, so I may be here a little longer. It is open ended, until I get sick of London, but I am enjoying it at the moment. Phil and I spend a lot of time together in discussions between AHDB, NFU and industry organisations. Then we have our trade envoy Mike Petersen coming out next week, and will spend a bit of time on the arguments we still have. The first argument we are running is about splitting the quota, which is quite a big issue for us; then it will be access. I am going to Southampton port next week for discussions on the ground, seeing how those protocols will work. We have some real issues around getting product in here after 29 March, if there is no deal, and then there are the two free trade agreements, with both the UK and Europe.

Q221 **Julian Sturdy:** You touched on my question. You must have some specific targets that have been set by the New Zealand Government for you to deliver. How much can you divulge about them?



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Jeff Grant: I failed on the first six months, on the basis of those targets. Our preference would be not to have the quota split. Looking at the discussions on the free trade agreement, we would not want to be in a worse position than we currently are for future exports. Looking at future trade agreements, we are looking for a more liberalised market.

Q222 **Julian Sturdy:** Obviously the New Zealand Government saw this as an important opportunity and that is why you have been sent here, in this role, to deliver it.

Jeff Grant: I am funded by the industry, so I am a non-government agency person.

Julian Sturdy: Well, the industry saw it as an important opportunity.

Jeff Grant: Yes. Of the 1.5 billion dollar trade we have with the UK, a third is made up of lamb, so it is pretty significant.

Q223 **Chair:** Jeff, while you are here, you have landed right where I wanted you to be. You are here as part of the meat board and you are sponsored by farmers and levy-payers in New Zealand. I want you to tell me how your system works and how the farmers manage the meat system much more. The levy-payer has more direct action over how New Zealand works, and I am wondering whether some of this could be implanted here, so we have a more proactive view of life. Without being too long about it, can you tell us how it works? I know your farmers are more vociferous about how much levy they pay and where the money goes.

Jeff Grant: As part of the reforms we had, all industry associations, so the meat board, the wool board, et cetera, were deregulated. When I was the chairman of what was the meat board, we deregulated it and shifted to what we call a commodities levy. We now have 36 levies in New Zealand, so a group of farmers can choose to coalesce together and set out a levy process, and that is what they are doing. The levy for beef and lamb, as an example, is around 33 million dollars a year, and farmers pay around 70 or 80 cents per lamb they kill. That levy is collected and they have a vote every five years, which has now been extended to six years under the levy Act, and the farmers can choose not to continue funding the organisation. That is an example for beef and lamb.

That has changed the focus significantly, because farmers now see it as an organisation they own as part of the industry. They are the taxpayer to it by a levy system. If they do not like it, they can vote it out. The levy is quite tough; you have to get over 50% of those people who voted and over 50% of the stock units, so there are two parts to the vote. That stops the small farmers dominating and it stops the large farms dominating. The vote for beef and lamb, and for DairyNZ, has increased in favour over the three periods we have had to date, because the industry has had to align more. Farmers elect the directors; the Government are not involved in any shape or form in that.

Chair: The Government stand back from it much more.



Jeff Grant: One of the trade-offs that farmers demanded in that process was to say that, if they are going to have the right to choose the organisation's funding stream and what it funds, they should have the right to choose the governance, because that is critical to whether it responds to the organisation.

Q224 **Chair:** As you have a different structure, when it comes to where your staff are in the world and how you are marketing meat products, I take it you have to present that to the farmers before they vote, as to whether they will approve that levy. You have to prove what you are spending that money on and they have to agree to it. Am I right in that assertion?

Jeff Grant: Yes, you have to set out what you are going to spend the money on over the next five years. That has to show up in a strategy and a business plan. To give you an example, beef and lamb increased the levy last year, so they had to go through a consultation process to do that. Once they have given satisfaction, they can apply for a levy increase. It is interesting: if you ask farmers in New Zealand, they would argue for more money on research and less money on marketing. I have seen the argument completely the other way round here, and that is a reflection of our industry being substantially different post farm gate.

Chair: You are hugely export-oriented.

Jeff Grant: Yes, we are exporting 90%, so the processor exporter is actually the person. The fascination I have here is the farmers' interaction with supermarkets. I do not even know which supermarkets my company sends to, so there is no connection in that sense. It is completely different. What we are interested in as farmers is the markets we are entering into and the value of those. To give you an example, north Asia, Taiwan, China, Japan and Korea are important to our grass-fed beef industry. We are interested in the investment that companies are making into those markets, not necessarily what the industry good body is doing.

Q225 **Chair:** Putting you on the spot, would our AHDB benefit from a similar process, in which it has to go to the levy-payer every five or six years to concentrate its mind on how the money is spent?

Jeff Grant: I have been surprised by how much the Government are involved in farmers' lives here. The bit that intrigues me is that there are lots of people based in London and Birmingham—and I have just dealt with the Rural Payments Authority in Newcastle; why it is there, I do not know—who seem to have a great involvement in telling farmers how they should be farmers. I take the view that they should get out of farmers' lives and let the farmers get on with it. Similarly for an organisation like AHDB, the farmers should be encouraged to invest in it, but the Government should not be involved. I was surprised to find that the Government appoint the chairman of AHDB. The Government would not get away with that in New Zealand; there would be a revolt. It is one



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thing for us to be paying to fund this organisation, but then to have the Crown come and tell us who is in charge is anathema to their psyche.

Chair: Perhaps we can encourage a revolution here. We will have to see.

Jeff Grant: I spoke at the Scottish NFU conference last week, and I said to the guys, "Don't do this at home". They asked me to talk about the removal of subsidies in New Zealand and I just said, "Don't do this at home". While the revolution might sound quite good, I started farming then and it had a huge impact on our lives. You have an opportunity to change the way agriculture operates in the UK by evolution over a period of time. In my view, you have outstanding products. I have said this to Phil.

Q226 **Chair:** You are telling us to be a bit careful about what we wish for. I think I was talking about a managed revolution with AHDB first, before the rest of it, but I understand what you are talking about. When you reduced subsidy in New Zealand, you lost about a third of your farmers, did you not?

Jeff Grant: No, we did not. It probably ended up at about 8% for each package or programme, but farmers took a loss of income of around 40%, which was significant. It significantly changed the way things happened beyond the farm gate. I have often used the expression that, in my first year of farming, my processing charges to kill my lamb went up 25% in the last year I got a subsidy payment. We never really saw them. When those subsidies came off, the industry had to find ways to reduce those costs.

Chair: Thank you for that. It is good to have you here to say what is happening in New Zealand.

Q227 **Alan Brown:** To go back to an answer to Julian's earlier questions, Jeff, you gave the example of a trade agreement with Japan. You said initially there were tariffs on red meat, which came down over time and were traded away. Is that because other trade deals were negotiated with Japan that allowed trade-offs in the beef trade or were there continuing negotiations on the beef agreement?

Jeff Grant: When you get to the end of the final agreement, there will be schedules for how those tariffs are reduced. There are commodities that win and lose in that process, from our perspective, and you do not always get the trade-offs that you want as an industry. We would like to open the door the next day, but we just accept that we have to do it over time. It is a direct bilateral. Australia, for example, got into the US more quickly than we did with its tariff reductions.

Alan Brown: If you take that average of a seven-year timescale to sign off the free trade agreement, you then have a further number of years of iterations to get the tariffs to the place you want.



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Jeff Grant: In some cases, you will get tariffs down quite quickly. A 15% or 30% tariff can come down within two years, depending on the sensitivities of their own domestic market. A lot depends on the accession. There was talk originally about the UK looking at going into the TPP. If the UK walked up to the door of the 11 countries in the TPP and said, "We agree to everything that you have spent the last seven years getting yourself through", it would happen tomorrow. But what happens is that each country has different things it needs to trade off. That is what drags it on.

Q228 **Julian Sturdy:** I want to touch on the Food is GREAT campaign, so this is back to you, Phil. Does the branding of the Food is GREAT campaign translate well overseas?

Dr Hadley: Our consumer research demonstrates that there is an affinity for British products in lots of the markets we are interested in and a high recognition for the union jack. From that perspective, we work with Government colleagues to use the GREAT branding on our overseas platforms wherever possible, because it is strong messaging, a clear brand that says it is from the UK and it works well in terms of recognition. It takes advantage of the broader use of the GREAT branding beyond simply Food is GREAT, as people walk round and see GREAT branding on tourism. It has that added benefit and value from our perspective. On our overseas platforms, we use the Food is GREAT banner on the stands.

Q229 **Julian Sturdy:** You might now know this, because it is Defra, although AHDB is part of that and pays into it, but is it going to meet its target? The target was to increase exports by £2.9 billion by 2020. Do you have any information about whether it is on track to meet those targets?

Dr Hadley: I am not in a position to answer that, because it encompasses a range of food products, far beyond our own narrow view of our commodity sectors.

Q230 **Julian Sturdy:** Maybe that is something we should ask Defra to report back on, Chair. How do you feel it compares with other countries and how they brand their products, and the success of that?

Dr Hadley: If you look at international events and trade shows, it is a strong country focus that is recognisable quickly. The union jack is really recognisable. It has a global recognition and generally generates a relatively positive signal, so it works well for us. If you are in a large hall, the union jack stands out and conveys a quick and simple message about where it is from, which is synonymous with quality and products with integrity.

Q231 **Julian Sturdy:** Jeff, do you have an equivalent in New Zealand?

Jeff Grant: We do not, but we have ridden on the back of the tourism thing. The NZ Inc principle was there and it is similar for the UK. There are certain things that the consumer relates to about New Zealand: it is



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isolated, reasonably free of diseases and all those sorts of things. That has an impact. If you look at infant powdered milk into China, it has been a huge growth for New Zealand. That is completely around the perception and probably the history of New Zealand producing a quality product, so children are not at risk. I do not know why, but Taiwan believes red meat is good for your brain, for under-five year-olds. Again, you can have all the company stuff going on, but the real brand at the back of that is NZ Inc. You see the same thing with the UK.

Q232 Julian Sturdy: You are saying that, for those countries, New Zealand is seen as providing a high-quality and safe product.

Jeff Grant: Increasingly, country of origin is becoming the brand in itself that underpins everything else you do in the market.

Q233 Alan Brown: Phil, in extolling the virtues of the union jack and its recognition, is there any conflict with Scottish beef or lamb, which are seen as quality products, or similarly Welsh lamb? Are there any conflicts in trying to do the GREAT branding, as we would argue we want to protect Scottish branding?

Dr Hadley: I fully understand that. We have an active programme, in conjunction with our Scottish and Welsh counterparts, to promote our products at international events. We have six international events, where we will share a stand. We will have the overarching GREAT banner, which is the big identifier with high-level visibility at the stand; then at the lower level we will have Scottish, Welsh and English branding as well. We recognise that, while we can all potentially subscribe to the GREAT branding, there are positive messages around other regional, geographical identifiers. They are not mutually exclusive; they can be used in tandem.

Probably recognition of consumers in China, Japan and South Korea is stronger for the union jack, but there are definitely messages you can get in there about PGIs, for example, which underpin that sub-branding. As an example, we will be in Tokyo next month with a stand promoting not only the fact that we have had pork access for some time, but we have recently gained beef and lamb access. We will be sharing a stand with the GREAT banner, and will have English, Scottish and Welsh sub-branding within that. They can work together.

Q234 Chair: There is a little bit of good Scotch whisky about, I reckon. Phil, I do not feel there is enough enthusiasm. You have Denmark, Netherlands, the Republic of Ireland and even European countries, which get out there in the world marketing their food, because they have had to market more of it. It is good that we have a big home market, but we have not had to push our food enough. I am not sure that the car's gear is being changed. It might have gone from first to second gear, but I am not sure we are into third or fourth, and we certainly are not into fifth or sixth yet.

I want to feel that AHDB—and we will go on to the Red Tractor question in a minute—is going to do more to push it harder. The union flag is a



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good flag and people recognise it across the world. It has part of the Scottish flag in it as well, but I will not get too carried away stirring up trouble this morning. Seriously, we have to get out there and do more. I think you are doing more, but is that momentum coming? Are we going to see this great drive for British food and the British brand? We have good quality, good production, a good climate, happy cows and happy hens. How are these things going to be pushed more?

Dr Hadley: Let me just say that we are responsible for our six sectors. You talked about happy hens; they are not ours.

Chair: I will let you off the hook on that one then, but you have plenty of happy stock.

Dr Hadley: We have lots of happy things, but we will restrict them to the sectors we work for. There are two prongs to that, in my view. One is the amount of market access work we do, in close connection with Government, to identify the markets, opportunities and challenges of access. We work closely with Government colleagues to achieve that and open the markets. The other side is the work we do with commercial companies to turn that market access into a commercial reality. If you look at our work over the last five or 10 years, we are increasingly seeing more success with that. I fully accept your comment: it needs to turbocharge.

Chair: I did not even get on to the turbocharger, but that is excellent. I want you to change gear, but we will put a turbocharger in as well.

Dr Hadley: You make a fair comment about the UK. We have a strong domestic market and a strong European market, which have largely taken our bulk agricultural products, unlike New Zealand, which has a small domestic population and consumption. To take one example, which we might argue was a good idea but has not quite panned out, we were reliant on the French market for lamb 10 years ago. We put a lot of effort into diversifying that range to other European countries and northern European countries. Now, although our lamb exports have stayed the same because broadly our production has stayed the same, we are less reliant on the single market of France. On the point you made earlier, we had challenges about the direction in France. We mitigated those risks. However, in a European context those risks still exist. We have pushed for overseas markets and have been successful with access and the commercial trade that has followed, China pork for example.

Q235 **Chair:** There is always risk, but I am not convinced that we are seizing the opportunities. There are risks on one side and opportunities on the other, so are you too risk focused and not enough opportunity focused?

Dr Hadley: I do not think we are. I will share the market access plan with you, so you can see which markets we are focused on and the reasons we are in those markets. We have that matrix and it has been running for a number of years now, and you can see the successes from



that in the last 12 or 18 months. We hope to continue to have them. We have an ongoing dialogue with the Chinese around a beef inward inspection and a pork inward inspection. We will have dairy from China this year. The Mexicans are hopefully coming on pork. We are in dialogue about an inward inspection visit for the USA for beef and lamb, and we have a discussion with the Taiwanese right now about sheep meat, so those are six things that have taken me a handful of seconds to say. Those are the next big wins that we have coming along the track. Access is the first step to commercial activity, and we will have a commercial activity plan that underpins turning access into reality.

Chair: I understand it is not easy to get access into some of these markets. I accept that.

Q236 **Angela Smith:** Phil, I remember in a previous inquiry, I think on food, farming and Brexit, you gave evidence to us. What I found fascinating from the evidence you gave was the sense that a lot of the technical and professional work to improve export volumes comes from AHDB, but lots of the work to open up those markets, their access, needs to be political. That we now have this representative in the embassy is a key element of that. Could you clarify that further in the context of this inquiry? This is a personal view, but we need to be careful to distinguish between the responsibilities held by your board on the one hand and the political responsibility on the other. Part of the evidence we have received makes the point that our competitors, including EU competitors, which do very well on exports, invest a lot of political capital in building and opening up those markets. Could you elaborate on that for us? I think we are being a little unfair to you.

Dr Hadley: Let me just think about the best way to address that. The post that Ray holds is about face-to-face, Government-to-Government meeting, with her as a card-carrying UK diplomat talking about our key access requirements. We have beef, lamb, pork, et cetera, but she is also focused on other products, so it is a broad agriculture and food portfolio. It is not specifically for the sectors that we are tasked with. That is the conduit. From that, she has discussions and brings in teams from the UK to support whatever discussion is required at the time. I have been involved in those discussions to address technical barriers to pork, beef and lamb access, for example.

Other Governments have similar positions and, in some cases, have a bigger presence or less of a presence, because they see those roles as an important part of the conduit to set up meetings, prompt discussions or agree visit dates. What is apparent in China and other countries is that they have and receive an awful lot of global political presence in those marketplaces to make the agreements and push them forward. The UK example for the beef-ban lifting is the Theresa May visit at the beginning of 2018 and then the two or three high-level ministerial visits that followed, which resulted in the MoU signing to lift the technical restrictions around the ban. We could potentially do ourselves a lot of



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good with that continued high-level political support, in lots of countries, because it makes Ray's targets more achievable, because it gets a greater cut-through, because the Chinese recognise the political will.

Angela Smith: I suspect the example you have given us will also apply to other potential markets.

Dr Hadley: Absolutely, yes.

Q237 **Angela Smith:** I do not want to descry the role of the chambers of commerce, but it is no real substitute for the political investment that you have just been referring to. They could work together, do you not think?

Dr Hadley: Absolutely, they can work together quite successfully. You can have lots of negotiations to achieve a technical agreement and those agreements will get signed at some point, as long as you have addressed all the technical barriers, but in my view they get accelerated when there is a high-level political presence that sets the objective of bringing that to bear and signing the documents. The China beef agreement is an example of that.

Q238 **Chair:** That was a very good point, Angela. I also think the Chinese are naturally interested in the status of the political representative. They also like longevity, which is more difficult for us sometimes. I wonder whether Members of the House of Lords could be useful for this purpose, because they are appointed or are hereditary, so are not subject to elections and the whims of Prime Ministers to change Ministers. That is an interesting thing about the Chinese, because they like longevity. I do not know whether you want to comment on that, but it is something we might well comment on in our report.

Dr Hadley: The Chinese approach is about relationship-building and the ability to connect with somebody and share that ongoing discussion and experience. If you have longevity, it is a positive.

Chair: Our system is almost totally opposite theirs on that, in a way, because we change very quickly, especially at the moment.

Q239 **David Simpson:** To follow on from Julian's questioning, you may have heard what Ray said this morning about Red Tractor. Is any serious effort underway to build on the Red Tractor assurance scheme through your organisation, as a marketing tool? You mentioned the flag, and I agree the union flag is a good flag to have in more ways than one. We will not go into that, but what are you doing with Red Tractor?

Dr Hadley: We do use Red Tractor. I keep referring to the China pork market, and we use Red Tractor on our overseas markets and in China to demonstrate a level of assurance and safety, which we recognise is important for overseas consumers.

Q240 **David Simpson:** I am sorry for cutting across you. In her comments this morning Ray talked about Red Tractor, but I think she said that China



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does not recognise the Red Tractor symbol, so is it the right tool to use? Maybe we have too many promotional tools. Maybe we need one overarching. I do not know; what is your view on that?

Dr Hadley: We should not be surprised that Chinese, or indeed overseas, consumers do not recognise Red Tractor because it has been a domestic marketing tool. We could potentially launch it in overseas markets; we could do something different or a variation on it, but it is not necessarily widely recognised, because it is not at the point of purchase or visible for Chinese consumers. But there is a gap for a strong UK product message around assurance, safety and welfare, which could carry well. I do not think it is a failing of Red Tractor, because it has not set up to be an international marketing brand. It has set up to be a domestic brand and there is perception and recognition at the UK level. Could you achieve that overseas? Yes, possibly, but it would require a well-documented strategy and investments.

Q241 **David Simpson:** I was going to say that. I am not knocking it, but do you think Red Tractor could be an international theme? Will it attract attention? I agree it is good for the domestic market, but could it have that international promotional effect?

Dr Hadley: You ask a really good question. I speak to Jeff's counterparts and people around the world. You would be surprised, or maybe you would not be, but one of the questions I am always asked is around the Red Tractor standard. Our overseas competitors are very aware of the Red Tractor and see it as being a trailblazer in setting standards for production. Invariably, over the years, they have replicated elements of Red Tractor, often for their own exports and sometimes for domestic markets. There is recognition in the industry that Red Tractor has positive attributes, which people have tried to replicate for their own domestic market or international trade. The UK has remained focused on Red Tractor for domestic-only production, but the question is whether there is a gap for the international market. I definitely agree there is a gap for a strong brand around assurance and safety of UK products on the international market.

Q242 **David Simpson:** Lastly, how much involvement have you had in Defra's work on promoting the gold standard for food and marketing food quality?

Dr Hadley: I have not personally been involved in that discussion, but I am aware that there are discussions around achieving a higher level of standard. I am not close enough to comment on that personally.

Q243 **Chair:** Just thinking out loud now, we have been talking about the union flag, but what about having a union flag with the Red Tractor in the middle? Then you have the best of all worlds: you can market the Red Tractor, but you also have the flag. I know the tractor itself has a certain amount of the flag in it, in the first place, but I am wondering about that. We have to use all methods possible now to promote British food,



because it is great food, but needs promoting more. The logo itself stands, but the direct question is whether you have considered adapting the logo to suit an overseas market, while retaining the tractor element.

Angela Smith: Or it could be a red tractor with a union flag on it.

Dr Hadley: Again, it is a good question. If the decision were made for Red Tractor to move towards more international markets, they would have to pick the markets in which they wanted to be present. You would have to road test some mock-ups of what a logo would look like to see if it had presence in Asian markets. For Japanese consumers, you will often find quality marques that have cartoon character images, so a Red Tractor logo might look quite different for the US, Japan and Korea. I do not know the answer, because the work has not been done, but one single logo across the globe might not achieve maximum objectives in multiple individual countries.

Chair: I think it is something worth looking at.

Jeff Grant: You have to be careful though, Chair. New Zealand had a rosette, which was used internationally. When we had carcasses, that was ideal but, as we have divided up our lamb products into 400 or 500 cuts and individually packaged them at 250 grams to 400 grams, it has disappeared. One of the things our industry does is look at the quality assurance programmes within the country to which you are trying to export, because they are consumer recognised. As Phil said, you find in our beef trade that they will get assurances from a domestic programme in Japan, because that is what the consumer recognises, rather than us trying to force a New Zealand quality assurance programme on them.

Chair: It is a bit like how the Romans adapted their rule and customs to the country they were dominating at that time. If you are trying to get into a market, you are better looking at what they do themselves and seeing whether you can link your branding into that, but still having the Red Tractor or union flag element to it.

Dr Hadley: It is about alignment.

Chair: This is an interesting discussion this morning.

Q244 **Dr Caroline Johnson:** I am coming back to the domestic market. The question is for Dr Hadley. Given the work you have been doing on marketing domestically, have you seen an increase in sales?

Dr Hadley: Yes. I will go back to my notes, because I have some information about the sectors in which we have done domestic marketing campaigns and their impacts. In the potato sector, we have an EU-part-funded campaign valued at €3.6 million linked with Bord Bia in the Republic of Ireland. It has delivered a 3% increase in sales, which has bucked the trend of an ongoing continuous 40-year decline in potato consumption. We have had a recent campaign linking with Dairy UK and seen an eight percentage point reduction in people saying that they are



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actively reducing their dairy consumption, as part of the “dairy is scrumptious” work we do.

The mid-week meals pork campaign resulted in a 40% year-on-year increase in the sales of pork medallions. This is a campaign that presented lean pork as comparably healthy to chicken. It had a 40% uplift in sales, a 3% overall uplift in pork volume and an 8% increase in people considering pork for a mid-week meal solution compared to previously. The “cheeky beef” campaign resulted in a £1.2 million sales lift in the thin-cut steak category. This was designed to move a particular product at a particular time of year. Finally, we have an EU-part-funded lamb promotional campaign targeting younger consumers, recognising that lamb is generally consumed by older consumers, to get young consumers eating lamb. That is a joint-funded campaign with the EU, the French and the Republic of Ireland, with a value of €10 million. That has reached 38 million consumers across Europe.

Q245 Dr Caroline Johnson: What evidence do you have that, when they are buying those products, they are choosing to buy British products? We know that, when they go into a supermarket, they have a choice. The pork may be British, Danish or whatever, and price is very important to them. What impact do you think your campaigns are having in ensuring that, when they choose to make that meat purchase, it is a British meat they buy?

Dr Hadley: We track that data through our market intelligence team to see that it has an impact on our interests. We are driving the category but particularly driving the domestic product within that category. We track it through our market intelligence data.

Q246 Dr Caroline Johnson: Do you have figures?

Dr Hadley: I do not have them to hand, no.

Q247 Chair: Can you let us have them?

Dr Hadley: Yes.

Q248 Dr Caroline Johnson: The other question is on the EU state aid rules that will be transposed into UK legislation after Brexit. Is that a good thing or would you like to see changes, so you can market things based on where they are from?

Dr Hadley: My understanding is that the state aid rules will remain in place, so we will still have to comply with the rules as they are.

Dr Caroline Johnson: That is currently the case. The question is whether you think that is a good thing or if you would like to see changes to them.

Q249 Chair: Will we be able to change labelling if they stay in place?

Dr Hadley: The challenge is that it creates a country-centric approach, which therefore disadvantages other countries. When we are promoting



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products on the European market, our messages are around quality, standards and the like. Our message for European consumers of UK beef and lamb is around our quality standard marque or Red Tractor type assurances, so that we are promoting a quality product first, but with a provenance message as secondary. We comply with the state aid rules by not saying it is great because it is from the UK.

Q250 Dr Caroline Johnson: I understand that completely but, when we have left the EU in March, we will be able to change that, should we wish to do so, depending on the agreement that we ultimately come to. Is it desirable to change that, so that we can more effectively market the Britishness of the product as a quality standard in itself?

Dr Hadley: My understanding is that those state aid rules will continue to apply to British products.

Dr Caroline Johnson: That is not the question.

Q251 Chair: That is in Europe. They will not outside Europe, will they?

Dr Hadley: I am sorry; perhaps I am misunderstanding the question.

Q252 Chair: You are saying the state aid rules will still exist within the European Union, as we trade in there. I can see some logic to that but, surely, if we are trading outside the EU, we do not necessarily have to adhere to its state aid rules. Do we?

Dr Hadley: Our messages on the international platform are about it being a UK product, which comes with lots of assurances: quality, extensive production and all those messages. We use the product of the UK as a front message and all the elements that underpin that as strong messages, and we push those up and down depending on the market we are focused on.

Q253 Dr Caroline Johnson: Jeff, when you are marketing your lamb into the EU, do you market it as New Zealand lamb or are you not allowed to do that?

Jeff Grant: The brand New Zealand is always carried on the product, but it is not the marketing tool used by the individual companies. We have four large companies that operate most the product into Europe, and they would be marketing it based on their brand operations, so they all have a different story or programme behind those brands. As we increasingly have a more sophisticated product, country of origin has become less of a marketing brand.

Q254 Chair: Phil, you have not given us an answer about trading outside. This is one of the big arguments about leaving the European Union. We will be able to trade outside the European Union with a British product, not an EU product or one from a region of the European Union. We are Britain. Surely we are able to do that, are we not? You were not very clear in your answer.



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Dr Hadley: I am sorry; I think I misunderstood the question and was focused on the European market. In more international markets, yes, our message is around the British or UK product.

Chair: Again, this is something we have to be promoting and pushing much harder than we are at the moment.

Q255 **Julian Sturdy:** Phil, on a slightly different subject, I want to come back to something that you mentioned at the beginning and Ray mentioned in her earlier submission to my question on cereal. Could you update us on where we are with the barley situation with China and the wheat tolerance element that is still to be ironed out? I should declare an interest as a barley grower, but for the domestic malting market.

Chair: I have a few beef animals, but I do not declare that every time beef is mentioned.

Julian Sturdy: I need to get that on the record, just in case.

Dr Hadley: I will happily give you a more detailed explanation but, in short, although the protocol has been signed, there is a requirement for a sterile brome within the Chinese protocol for a 0% tolerance. We are just doing some analysis to assess whether that 0% tolerance is achievable, so that we do not have products in early shipments that land in China, fail the sterile brome tolerance and, therefore, we have another market management issue. We want to be clear that that is achievable and, to establish that, we are currently getting samples to analyse, to check what the prevalence of the sterile brome is.

Q256 **Julian Sturdy:** There is not zero tolerance with sterile brome in the domestic market is there? That is the thing.

Dr Hadley: No.

Julian Sturdy: I would imagine that could be difficult to achieve.

Dr Hadley: It could be. There are two tacks to that. One is to establish what it is and the second is to negotiate a tolerance. This is part of the challenge of signing market access agreements. You have to be clear about what you are signing and whether it is achievable, because an access agreement that has tolerances or conditions that are not realistic for the providers do not then result in a commercial opportunity.

Julian Sturdy: To be clear, the sterile brome is the issue, not a wheat tolerance in barley.

Dr Hadley: That is that particular issue, but I will get you a clearer statement if that is helpful. I am happy to do that.

Q257 **Julian Sturdy:** How long do these things tend to work out? Jeff, you could probably answer that as well.



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Dr Hadley: The technical challenges you face are often country specific and take a while to negotiate. It is as long as a piece of string, really. It is not for lack of effort. Let me give you an example of trotters to China. We had one plant inspected about 18 months ago, which is approved to export trotters. The other plants, which have been happily exporting pork to China, because they were not physically visited, are not able to take advantage of that. We are pushing for those plant visits to happen this year, but we have been pushing for some time and we have not managed to secure those visits. You cannot say that we will resolve this in three months or six months. It will take as long as it takes. For China or any other country to be satisfied that we can meet these tolerances, they may come and inspect what goes on here to understand how we are going to manage what they see as a perceived risk. Jeff can probably answer that, but there is no one size that fits all. It varies and depends on the country and the level of technical challenge in their perceived risk.

Jeff Grant: What always seems to be an underlying matter is how enthusiastic that country is about importing that particular product. If they are keen to get the product in, they will get through the protocols fairly quickly. If have some domestic pressure or there is something else, it will grind and grind.

Q258 **Chair:** It sounds a bit like France, actually, but I could not possibly comment. Going back to the answer you gave to Caroline's question, some of the evidence we took earlier is that people will buy British at a certain price but, as the price or the differential with another product goes up, the provenance reduces on buying British. Are you doing some work to make sure that more customers in the domestic market buy British?

The other question I want to ask is on what you said about making lamb more interesting to younger people. Is this lamb burgers, thinly sliced or meat you can cook quickly? The trouble with lamb is that it is a great meat, but it is quite expensive too. How are you getting it into the younger market? As price goes up a little, how do we keep the British buying British and not on price? We all say we are going to buy British, but we are also tempted even by some of this lamb from New Zealand, which might be a little cheaper. I could not possibly stir it up this morning.

Dr Hadley: There is a role for the retailers in making sure that products are clearly branded to give consumers choice at the counter. Consumers would generally like to buy British, but there is a price sensitivity. People are price sensitive, so it is not British at any price and we recognise that. It is about strong branding and messaging, to support the retailers.

Chair: That is a lesson for farming as well. We can push up prices a little, but cannot expect too much.

Dr Hadley: Your comment was about lamb consumption for younger consumers.



Q259 **Chair:** How do we make it more interesting? You have talked about how we want to, but what are you doing to make it more interesting?

Dr Hadley: We recognise that consumers in general, but particularly younger consumers, say lamb is big, has a bone and they do not know how to prepare and carve it properly. It can be a little fatty. We have spent some time now developing alternative cuts so, instead of having a whole leg of lamb that does not suit a younger consumer, you break it into individual joints, trim them well, steak them. You do mini-joints for two people. They are packed differently, and are completely denuded, de-sinewed. We have loin muscles that can be cooked quickly, with no plate waste, no bone to deal with. We have found great traction for younger consumers, and you see those products appearing more on restaurant menus and in retailers now.

Chair: We had better leave it there, because Caroline needs to go and I need to ask a PMQ. Can I thank both Phil and Jeff very much for being here this morning? We have had a good dialogue and good evidence for our inquiry. Thank you for your straightforward answers.