

April 2020

**NPA response to the International trade Select Committee inquiry:
The COVID-19 pandemic and international trade**

The National Pig Association (NPA) is the representative trade association for British commercial pig producers, is affiliated to the National Farmers Union (NFU) and represents the interests of NFU members that produce pigs and the pig industry interests of its Allied Industry members.

The UK pig industry is worth £1.6 billion at the farm-gate, £5 billion at retail and, considering foodservice, external sales and export values, over £14 billion in total. In 2019, over 378,000 tonnes of British pork was exported around the globe, to over 40 export markets, a trade worth £610 million.

Background – Pork trade and the need for carcass balance

It is well established that the UK imports a significant quantity of pigmeat from the EU, and latest AHDB figures indicate that the UK is currently 54% self-sufficient. However, of the 54% of pork produced in the UK only 40% is for the domestic market, therefore 60% of pork demand in the UK is met by imported product. Our market is driven by demand for both loin and leg cuts. For the former, consumption has been estimated to be equivalent to around 23 million pigs worth of loins annually, (of which bacon makes up 12 million pigs); this is more than twice the number of pigs slaughtered in the UK during a year (around 10 million). The total number of pigs required for leg cuts would be an estimated 19 million pigs. By contrast, demand for shoulders is estimated at only seven million pigs, and belly meat is even lower, equating to about five million pigs. Demand in the UK for 'fifth quarter' products such as offal and trotters is negligible. Therefore, export market outlets for pork are very important as they help to balance the carcass; particularly to Asia where these products carry a significant value. In 2019, pork and offal exports to China increased to record high levels, totalling £191m or 131,000 tonnes.

What impact will the global COVID-19 pandemic have on UK businesses trading internationally, in the short-, medium- and long-term?

1. The COVID-19 pandemic has had a number of impacts on pig business, affecting our ability to trade. These are:
 - **Labour.** School closures, sickness and the guidance for self-isolation have already put pressure on producers and the supply chain in terms of labour, and for some this has pressured an already stretched workforce. Labour shortages have also impacted on processing plants and abattoirs, which are crucial in ensuring our continued ability to slaughter and process pigs and then export British pork overseas. One only has to look towards processing difficulties in the USA to understand how production, and therefore exports, can be affected as a result. Thankfully workforce pressures have not hit in the same way, however it does represent a major risk to our exporting ability, especially as social distancing measures have slowed down processing in some way.
 - **Imported materials.** It is clear that there will be problems in the medium to longer term in sourcing materials such as feed from other countries. The pig sector relies upon soya from Argentina and the supply of organic feed is also expected to be an issue (organic soya comes from India and China which have stopped exports). It should also be noted that shortages of other inputs such as concrete, PPE and component parts have also been experienced. As the virus continues to spread, this could impact businesses for some time.
 - **Haulage and containers.** Around 50% of British pork exports go to Europe, and in the majority of cases these are sent via containers and road haulage. We have welcomed the green lanes introduced in Europe, but with different EU member states reacting to the

pandemic, there could be a longer term logistical challenge in ensuring that exports of British pork can still go to the EU whilst imported products such as pork and supplies (feed and veterinary medicines for example) can continue. We have also seen a challenge arise from container availability and the effects it has on trading with China. Historically, imported goods for the UK market use shipping containers, these containers are then back-loaded and used to export products back to China again. Because of the initial lockdown in China, the volume of containers in Europe slowly depleted, and this represented an initial cost to UK exporters in being able to source containers of an adequate standard.

How effectively has the Government responded, both in the UK and in overseas posts, to the short-term negative impact of the pandemic on UK businesses trading internationally? What further steps could be taken to mitigate this impact?

2. The Government should be commended for recognising the likely impacts of Covid-19 upon farming business and exporters at an early stage. One of the most important interventions was to acknowledge those working in the food and farming industries as 'key workers'. This was very significant in that it allowed farm staff to continue with their essential daily tasks tending to livestock (important for both animal welfare and the supply chain), but equally important is that it also recognised those working in meat processing facilities or abattoirs. At times, producers have had to explain this to other Government departments or bodies, and there have been communication issues in ensuring that they were aware of this designation. However, this is not entirely unexpected given the speed at which policy had to be developed during the pandemic. Where problems have arisen, such as exporting live animals for breeding purposes to the EU, we have been able to filter this through our Government contacts for resolution very quickly.
3. It should be recognised that the opening of 'green lanes' for live animals or genetics has been of significant impact to British businesses, and UK co-operation in this area has been equally as important. Looking ahead, it is clear that perishable food items, such as meat, should be prioritised as supply chains struggle to return to normal trading conditions and where inevitable frictions to trade will exist across borders.
4. The role of the UK's overseas posts has been extremely important in allowing exports to continue to key markets. A good example of this is with China, a crucial export market for the pork sector, and growing as a result of pork shortages arising from the spread of African swine fever. No longer having to have physical visits by Chinese authorities of British meat processing sites is a very welcome development, although systems audit will have to continue. The NPA would encourage Government to continue this where possible, and use the same approach for other export markets.

What medium- and long-term negative impacts could arise from the pandemic for UK businesses trading internationally? What steps could the Government take to mitigate these impacts?

5. A key priority in the medium to long term for the UK Government and DIT is to ensure that a responsible approach is taken in the rhetoric surrounding Covid-19. Prior to the virus' spread, there had been many instances in which negative assertions had been made about countries where the UK exports to – and in many cases this can have a seriously damaging effect on trade. China is one example. We know from experience that hostile political rhetoric towards China or its public policy from any country has a major knock on effect to their willingness to progress trade with that country in question. We had seen instances of this before Covid-19 started, however there has been an escalation in such rhetoric since the spread of the virus and parliamentarians appearing to assign blame to individual countries or the development of conspiracy theories, again apportioning blame of the disease to individual countries.

6. This is extremely unhelpful. Whilst the UK Government should always speak openly with its trading partners on all matters, there is no clear benefit whatsoever in engaging in a blame game between individual countries. Multilateral co-operation and a resumption of normal trading relationship must be the priority for the UK and DIT, and the initiation of new trading relationships and trade deals is a good way of demonstrating this goodwill.
7. It cannot be overstated the importance and value of the UK being able to trade and export to developing economies such as China, not only because of its potential to grow UK business, but in the case of meat sectors, its ability to help balance the carcasse, and achieve good prices for parts of the carcasse that have low demand domestically, which in turn bolsters the UK pig price.

What steps can UK businesses take to mitigate the negative impacts of the pandemic on international trade?

8. The UK pork industry is well geared towards mitigating the impacts of Covid-19. The industry has shown great leadership in its partnership model with the AHDB, who benefit the industry by opening up new markets around the world, and financing permanent representation in countries such as China.
9. The most important issue for UK pork exports is to be able to continue our ability to move, process and slaughter animals. Livestock production, especially in pigs, cannot simply stop. Animals will continue to grow, and as a result it would be catastrophic if those pigs cannot move off farm because abattoirs are unable to slaughter them. One only has to look at the problems that have been experienced in the USA to see how dire the situation can get. The high levels of infection with Covid-19 in staff at certain slaughterhouses there has meant they cannot operate, leading to the closure of numerous integral slaughter and processing facilities and therefore pigs remaining on farm. This in turn poses a threat to animal welfare, loses producers and processors money, whilst at the same time causing food shortages on both the domestic market and for international customers. British pig farms and processors will always seek to prioritise these pigs moving, and as a result it is important that industry and producers are articulating these concerns to government departments, so that government is in a position to then help industry help itself.
10. Businesses have been extremely proactive in finding short and medium-term labour to fill the gap of staff members who have either been infected with Covid-19, or who have been forced to self-isolate or look after family members. This has been the case both on farms and in processing facilities, and at time of writing appears to have been sufficient in keeping pigs moving along the supply chain. The Government should be commended for including food producers in the list of those rolled out for initial testing.

How best can the UK Government facilitate trade in essential goods during the pandemic?

11. In order to be able to trade in essential goods, it is vital that pinch points to trade, such as border crossings, allow priority to matters of human health or animal welfare. We have so far been fortunate as an industry to benefit from an ongoing supply of veterinary medicines and feed for delivery to farms.
12. On exports, we did see initial trade friction, notably on cull sow carcasses to the EU, however this appears to have now subsided. It is an absolute priority to ensure that trade in and out of the UK can continue in whatever form owing to animal health and welfare concerns, and the perishable nature of animal by-products. A small but important trade also takes place in live, breeding animals and genetic material between the UK and EU. There had been additional checks and administration imposed by the French authorities, and co-operation between Government and industry is vital to ensure this can continue, in order for UK pig producers to have access to high quality genetics.

How should the Department for International Trade work with the rest of central government, as well as devolved, local and regional government, to deliver a coordinated response to the pandemic?

13. As mentioned above the department must work to reassure export markets that the UK is open for business as far as it possibly can be, and to make sure no departments or ministers feel the need to make negative statements or briefings against export partners.
14. Instead, the department should be looking to work with other departments, especially Defra, to explore other countries that have been affected by the virus and specifically if their own livestock sectors are struggling as a result. The UK has an excellent track record of opening markets for breeding stock and genetics, which then indicates to those countries that we are committed to partnerships as we are working together on genetic improvement to develop and grow their own industries. This demonstrates good will on the part of the UK and more importantly it also acts as a useful method of opening up markets for pork products that are hard to sell here. DIT should be working with industry to identify those markets that have been unusually affected by Covid-19 to understand the greatest need to rebuild its livestock industries. The UK has a number of world leading genetics businesses that can help them achieve this.

How can the UK Government engage with countries at the World Trade Organization and bilateral trading partners – including those with which the UK has a significant trading relationship or one facilitating trade in priority goods – to promote international cooperation and a coordinated global response to the pandemic?

How might the pandemic impact global trade patterns and international supply chains in the long-term?

15. The longer-term impacts of Covid-19 could lead to more countries engaging in more self-sufficient policies and turning away from multilateral trade. This could represent a significant risk to the UK pig sector, which has seen such a significant growth in exporting to developing economies which have been badly affected by the pandemic and other issues (such as African swine fever). It cannot be overstated how much time, energy and capital has been invested in opening up new export markets either for immediate benefit, or as potential future key markets. It can take very little for export partners to stop this level of trade co-operation; as mentioned above some export partners are very sensitive to negative briefings against their policies and this can stop trade very quickly. Others may well try and use the pandemic to argue for more protectionist measures, and the UK must stand ready, working together with other countries where possible, to take measures through the WTO or unilateral counter-measures as a deterrent to such protectionist policies.
16. It should also be noted that the pandemic could also force some countries to have to open up their markets. One only has to look at the USA to see how shortages of pork products have been seen at retail, and this could extend to food service after lockdowns have been lifted. The USA placed a number of punitive measures on UK exports of pork as part of the Airbus dispute, and this could be an opportunity to revisit this issue whilst demand for pork in the USA remains high but supply is low. It is clear that the post-Covid-19 world will be a rapidly changing environment for trade, and the most dynamic and adaptable countries will be able to benefit from this. This is why Government must work alongside industry to help fulfil this newly created demand, and look to work with those countries that have genuine demand that will benefit UK businesses.