

Written evidence submitted by UK Government (HIL0020)

Joint response from the Office of the Secretary of State for Wales, Department for International Trade and Department for Environment, Food and Rural Affairs to the Welsh Affairs Committee's inquiry *The economic and cultural impacts of trade and environmental policy on family farms in Wales*

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1. Farming in Wales

Wales' identity is intrinsically linked to its landscape and topography, and the farming communities who work that land are crucial to that. Farming in rural communities in Wales is an important contributor to the Welsh economy. The upland nature of farming in Wales also makes it distinctive compared to other parts of the UK's agricultural sector. The iconic products that our Welsh farmers bring to market like the world-renowned Welsh Lamb and Welsh Beef are testament to their dedication, and to the work that they do.

It is essential that Welsh farming continues to play the important role it does today, in the Welsh way of life well into the future. That is why the UK Government is committed to supporting Welsh farmers to seize new opportunities created by exciting new free trade agreements with countries from across the globe.

2. Challenges Facing the Sector

We are aware that certain producers in the industry are currently facing a range of challenges. We recognise that the pig sector in particular is currently facing several challenges due to Covid-19 and EU Exit, and that although prices remain aligned to the five-year average, the market continues to be in a very delicate situation. Sheep-meat and beef – two of Wales' main agriculture outputs – have enjoyed high prices since the beginning of 2021. However, more recently prices have dipped. We also recognise that livestock slaughter numbers have started to decrease in the last eight weeks and a range of input costs are currently high, impacting the margins of all agriculture sectors to varying degrees.

The UK Government is committed to supporting businesses impacted by Covid-19. In April 2021, we launched the Recovery Loan Scheme, which is intended to help give UK businesses, including farm businesses, ongoing access to finance as they recover from the economic impact of the Covid-19 pandemic.

Together with the Devolved Administrations, the Department for Environment, Food & Rural Affairs (Defra) has established the UK Agricultural Market Monitoring Group (UKAMMG) to monitor and assess the impact of market developments across the UK. The group began operating formally on 01/01/2021. It monitors UK agricultural markets including price, supply, trade and recent developments, enabling it to provide forewarning of any atypical market movements. The UKAMMG will flag where further investigation of market developments is required and when policy teams and Ministers should be informed of any developments. Whilst the UK Government works closely with the Welsh Government in monitoring the UK agricultural markets, it remains sensitive to the fact that agriculture is predominantly a devolved competence.

3. New Trade Opportunities

The Government is focused on securing trade deals that protect and advance the interests of our farmers and consumers. If a deal is not the right one, we will walk away. We know that the Welsh agricultural sector has a significant interest in the UK's international trade policy agenda. The Department for International Trade (DIT) works closely with Welsh businesses, stakeholders and the Welsh Government to ensure that our Free Trade Agreements best reflect the interests of Welsh consumers and businesses, including Welsh farmers.

i. Benefits of Trade Agreements

The benefits of new trade agreements we have secured are already being realised, evident in the agreements we have progressed to date. The UK-Japan FTA will help boost Welsh agricultural exports to Japan that are already worth approximately £2m a year, whilst also containing important Geographical Indication (GI) protection for flagship Welsh products such as Welsh lamb.

Similarly, the UK's FTA with Norway, Iceland and Liechtenstein has also secured GI protection for Welsh wines in Norway and Iceland, and secured agreement that Iceland would process applications for protection for the remaining fourteen UK agri-food GIs not previously protected, including Welsh Laverbread. The agreement will also see the tariff for Traditional Welsh Caerphilly reduced from 277% to a lower specific duty of 27.15 NOK/kg when exporting to Norway (equivalent to around £2.30/kg).

The UK-Australia trade deal is a world-class partnership and goes further than ever before in many important areas. According to government analysis, Wales is among the UK regions set to see the biggest gains and the deal could boost the Welsh economy by around £60 million. The Food and Drink Federation 'Food and Drink Industry Report' predicts opportunities in Australia for UK food and drink exports, including those from Wales.

Over 450 businesses in Wales exported goods to Australia in 2020, worth £116 million and accounting for 13% of total Welsh goods exporters. Food and live animal exports from Wales to Australia jumped 12% in 2020 compared to a year before. Wales' world-famous food and drink producers will benefit from tariffs being removed on all UK exports as part of the FTA. They will also benefit from simplified customs arrangements which guarantee perishable goods will clear Australian customs in less than 6 hours provided all requirements have been met.

Similarly, on 20 October 2021, the UK and New Zealand also announced Agreement in Principle on a new Free Trade Agreement. UK exporters will no longer have to pay tariffs on any goods - so they can do business at lower costs and gain an advantage over international rivals in the New Zealand import market.

These agreements are an important link to accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), through which Welsh farmers will gain access to the millions of consumers joining the Asian middle-classes. By 2030, it is estimated that two-thirds of the world's middle class will be in Asia, which is creating unheralded new export opportunities for Welsh farming.

The Government has been clear in its commitment to upholding high environmental, food safety and animal welfare standards, and that our approach to trade must work for farmers across Wales and the whole of the UK. We have been clear that we will not compromise on the UK's core values and we will continue to work with other global trading partners to promote and advance the UK's interests. This values-led and value-generating trade policy remains at the heart of the Government's trade agenda.

This is why any FTA must respect the autonomy and sovereignty of both parties. The UK will decide how we set and maintain our own standards and regulations and operate our own autonomous SPS regime.

We are listening closely to the concerns of farmers and other stakeholders about the impacts on them of our FTAs and we will make sure that new market access arrangements are introduced in a proportionate way. For example, with Australia we have agreed to fifteen

years of capped tariff-free imports, which means that Australian farmers will only have the same access as EU farmers fifteen years after the agreement comes into force. The quotas and safeguards in this agreement provides protection and the ability to apply tariffs for the next fifteen years should volumes exceed specified triggers.

ii. Trade and Agriculture Commission

The new Trade and Agriculture Commission (TAC) will scrutinise signed new FTAs, with countries such as Australia and New Zealand, and will allow Parliamentarians access to independent and expert advice when reviewing these deals in the context of domestic statutory protections.

The TAC will be chaired by Professor Lorand Bartels, and members were selected through an open and competitive Expression of Interest (Eoi) process, chosen for their expertise on agricultural products and international trade law and policy, in relation to UK animal and plant health standards, UK animal welfare standards and UK environmental standards. The breadth of the membership ensures the Commission collectively has detailed knowledge of the regulatory landscape across the UK, including in Wales.

4. Support for the Sector

In the Conservative 2019 manifesto a promise was made to maintain the current annual budget to farmers for the lifetime of this parliament. When this commitment was made in 2019, the total farm support provided to Welsh farmers that year was £337 million. For 2021/22, the UK Government has provided new exchequer funding on top of the remaining £95 million of EU funding to ensure that £337 million of support continues to go to Welsh farmers this year.

i. Agriculture Policy

As agriculture policy is largely devolved, it is for Welsh Government to develop and implement these policies in Wales. Defra work closely with Ministers and officials in Welsh Government through the Inter-Ministerial Group (ERFA) and Senior Officials Programme Board to collaborate and share best practice on future schemes. Since leaving the EU, Ministers have agreed to establish the UK Agricultural Support Framework. The framework provides for collaboration and cooperation on agricultural support between the four UK administrations at official level, through the Policy Collaboration Group and further sub-groups such as the Cross-Border Group.

ii. Trade Policy

Trade policy is reserved, and DIT has created engagement structures at all levels to ensure a constructive approach to working the Devolved Administrations.

a) Engagement with Devolved Administrations

These include the quarterly Ministerial Forum for Trade, regular bilateral ministerial meetings, the six-weekly Senior Officials Group, Chief Negotiator calls running parallel to negotiation rounds, six-weekly chapter-specific policy roundtables and weekly working level engagement. Our programme of engagement totals hundreds of hours at official level and dozens at Ministerial level.

There is high alignment on a number of areas, and we continue to address Devolved Administration (DA) interests by working constructively across Wales, Scotland and Northern Ireland. For example, prior to Japan negotiations DA officials commented on draft negotiating mandates and during negotiations draft legal text for areas of devolved

competence. As part of this the Welsh Government welcomed the UK-Japan CEPA in its impact assessment and recognised enhancements made on the EU-Japan EPA.

b) Trade Advisory Groups

As we continue to shape the future trade policy of the UK, we recognise that it is essential to listen to our stakeholders from all nations and regions to understand their priorities and views, and to deliver trade policy that works for the whole of the United Kingdom. DIT has eleven Trade Advisory Groups (TAGs), which represent specific sectors vital to the UK economy. Their expertise is drawn upon to inform and strengthen the UK's negotiating position and trade policy more broadly.

There are Welsh-based representatives on the agri-food TAG including Nick Fenwick, Head of Policy at the Farmers Unions Wales and John Mercer, Director at NFU Cymru. We engage closely with these representatives on a continual basis to ensure our trade policy provides benefits and opportunities for Wales.

DIT also has a Strategic Trade Advisory Group (STAG) which provides a forum for discussions between government and stakeholders from a cross-section of society with a key interest in UK trade policy. These higher-level strategic discussions help to shape our future approach to trade and to secure opportunities in every corner of the UK.

Membership of the STAG was refreshed in 2020 to ensure a diverse range of views are represented. The group was expanded to include five 'nationwide' business representatives from across England, Scotland, Wales and Northern Ireland. Andy Richardson, Head of Corporate Affairs at Volac International and Chair of the Welsh Food and Drink Industry board, holds the seat for Welsh business representation.

iii. Geographic Indications

GIs are a form of intellectual property protection for food and drink products. GI status provides registered products with legal protection against imitation and protects consumers from being misled about geographical origin of goods. GIs are also important for regional producers in the UK, with DAs being strong supporters of the UK GI schemes.

The UK is proud to have bespoke schemes for the protection of agri-food, wine and spirit GIs, as they recognise the heritage and provenance of products, which have a strong traditional or cultural connection to a particular place. There are eighteen GIs for Wales alone, including iconic products like Welsh Lamb, Gower Salt Marsh Lamb, Welsh Beef and Traditional Welsh Perry. The UK will always look to maintain effective protection of food and drink names in a way that reflects their geographical origins, getting the balance right for consumers to ensure they are not confused or misled about the origins of goods, and have access to a competitive range of products.

Trade deals are opportunities for the UK to secure protection for UK GIs internationally. We can provide assurance to our international consumers on the identity of goods they purchase and give confidence to our producers at home, to be sure that the reputations of their products, often built over generations, will not be undermined, misused or evoked abroad. Recent trade agreements ensured unique products such as Welsh wines are protected in Norway and Iceland, and Welsh GIs have been put forward for protection in Japan.

The UK has a proud and growing food reputation, and GIs play an important role as exemplars of our quality produce. GIs are highly valued both in the communities that produce them and as illustrations of the wide range of quality British products. We are

committed to celebrating the success of these products and driving further market access to make sure they are enjoyed around the world. We will continue to seek protection for all UK GIs in future deals.

iv. Export Opportunities

DIT is establishing a Trade and Investment Hub in Cardiff this year that will employ up to one hundred people. The Hub will bring more jobs to Wales as part of the cross-government Places for Growth programme.

DIT has also dedicated a specific team to focused on bringing in further export and investment opportunities to Wales. This team will work with the Welsh Government to ensure a collaborative approach to support farmers wanting to export across Wales. We recognise and welcome the efforts of the Welsh Government in providing export and investment promotion support. We are working to ensure that businesses and people in Wales can benefit from the two governments working hand in hand. This is why we have been working cooperatively and constructively with the Welsh Government and will continue to do so. We will ensure that we apply this closer working to minimise potential duplication in line with the devolution settlement.

DIT has put in place a range of services to support exporters in the agriculture sector. Businesses are able to access this through the GREAT.GOV.UK platform, and obtain advice on drawing up export plans, as well as information about different markets. Businesses are able to access finance and insurance support through the UK Export Finance programme, via GOV.UK.

DIT is providing additional bespoke support for the agriculture sector through its Food and Drink Export Campaign, which has included expert webinars on meat and dairy exports, and a mentoring scheme to enable newer agricultural exporters to secure ongoing advice from more experienced partners. DIT has teams across more than one hundred markets ready to support agriculture, food and drink exporters, and Defra is working with DIT to expand this capacity with more dedicated agriculture expertise in priority markets, building on the existing agriculture counsellor roles that are operating in China and the UAE. The DIT Wales team will also support a critical link with the Office for Investment and broader DIT investment services, to help channel investments into Wales. Our work will enable Wales to benefit from a sovereign, independent trade policy as part of a strong and enterprising United Kingdom.

5. Levelling Up & The Union

The UK Government is committed to levelling up across the United Kingdom, and farming communities are a key part of that. Wales' family farms are part of the fabric of Welsh culture and heritage, and the iconic high-quality goods that they produce are part and parcel to the UK's broader international image. That is why the Union is strengthened when family farms prosper. There is no reason why family farms shouldn't go from strength to strength in the coming years.

The protections put in place by the UK Internal Market Act 2020 ensures that regulation by one administration of the UK cannot block goods and services originating in another part of the UK simply for being regulated differently. This guarantees the continued ability for farmers in Wales to trade across the UK, and for goods and goods processing to flow freely within our internal market.

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