

HCC response to the International Trade Committee UK trade negotiations: Agreement with Australia

14 January 2022

1. Thank you for the opportunity to input into your discussions relating to the FTA between the UK and Australia.
2. Hybu Cig Cymru - Meat Promotion Wales (HCC) is the industry-led organisation responsible for the development, promotion and marketing of Welsh red meat. HCC's stakeholder representatives implement, on behalf of all Welsh farmers and other key industry participants, a strategic plan to develop profitable and sustainable markets for Welsh red meat to derive benefit for all in the supply chain.

How good a deal is the UK-Australia FTA for the UK?

3. FTAs in principle offer global market opportunities for Welsh red meat exports and achieving market access with minimal barriers (both tariffs and non-tariff measures) is therefore important.
4. There is a however a need to ensure that trade negotiations do not disadvantage UK (and Welsh) red meat businesses in the home market and to ensure that any imported meat into the UK adheres to the same standards (or above) as UK production, specifically in terms of animal welfare, environmental standards, food safety and food hygiene.
5. HCC are of the view that the FTA between the UK and Australia - which offers immediate access to duty free transitional quotas for key agriculture products, including beef and sheepmeat, with eventual tariff elimination - is unsupportive of the UK agricultural industry as it threatens to distort the market through its failure to ensure a level playing field. Furthermore, the FTA comes at a time when the industry is already facing multiple challenges, including inflationary pressure and sustained labour shortages, and the effects of the FTA are expected to be significant and wide ranging, felt both in the short- and long- term.
6. The UK produces red meat to high standards in terms of welfare, not using hormones and other supplements used in some production systems overseas. Allowing increased imports from Australia risks undermining UK production as there will be increased competition in the domestic market from Australian beef and lamb which may have a competitive advantage as a result of their potential lower regulatory (environmental/ animal health) baselines.

To what extent has the Government achieved its stated negotiating objectives?

7. The Government was seeking an agreement that works for UK consumers, producers and companies; however there appears to be very little in the FTA

to benefit British farmers. From a red meat point of view (where trade between the UK and Australia is almost entirely one-way, namely produce being imported into the UK), the FTA appears to be one-sided. Australia has achieved trade liberalisation (allowing for an increase in exports to the UK) whilst farmers in the UK face increased competition in a potentially unfair playing field.

8. The Government also committed to upholding high environmental, labour, food safety and animal welfare standards. However, little appears to exist within the FTA that will allow imports of food to be controlled so that any imported meat into the UK adheres to the same standards (or above) as UK production.

To what extent does the FTA deliver on the UK-Australia Agreement in Principle?

9. The detail of the FTA appears to be broadly similar to the plans outlined in the Agreement in Principle.

How are the terms of the FTA between the UK and Australia likely to affect you, your business or organisation, or those that you represent?

10. It is currently difficult to assess accurately how much Australian product is likely to come onto the market in the short- and medium- term; however, without long-term safeguards to protect domestic production, there is a risk that the UK industry will face increased competition from Australian imports which could be produced to lower standards of animal welfare, environmental standards, food safety and food hygiene.

What is likely to be the impact of the agreement on:

- a. **the UK's economy as a whole?**
 - b. **particular sectors of the UK economy?**
 - c. **the UK's devolved nations and English regions?**
 - d. **UK consumers?**
11. The FTA between the UK and Australia threatens to distort the market through its failure to ensure a level playing field. We therefore have significant concerns around the increased market access included in this agreement, the impact this may have on Welsh red meat producers and the precedent it may set for future deals.
 12. The Government's Impact Assessment of the FTA with Australia, which considers the impact of the agreement on a sector specific basis, concludes that there will be a reallocation of resources within the UK economy and that significant resources will move away from agriculture, forestry and fishing (of around £94 million) in favour of growth in the manufacturing sectors.¹

¹ **Source:** Department for International Trade. Impact assessment of the FTA between the UK and Australia. 16 December 2021.

13. HCC is also concerned as to the extent to which increased Australian imports of premium cuts may impact on carcass balance and profitability throughout the UK sector. Sales of premium cuts within the domestic market help to ensure sufficient income for the whole carcass, by balancing the price for premium cuts against the price for cheaper cuts and mince. Increased international competition may lead to a lowering of prices for premium cuts, having a negative knock-on effect on the value of the whole carcass.
14. Increasing the UK's dependence on foreign produce also risks importing food with a higher carbon footprint, which cannot be positive for our commitments on climate change or our food security. Welsh red meat is some of the most sustainable and ethical in the world. The Government's Impact Assessment of the FTA with Australia concludes that the economic improvements and increased trade arising from the FTA will entail consequences for the environment. The analysis suggests that the agreement is expected to lead to a 31 percent and 40 percent increase in transport related emissions.²

How well has the Government communicated its progress in negotiations – and how much has it listened to stakeholders during those negotiations?

15. Significant concerns were raised by the red meat industry following the announcement of the Agreement in Principle, which have not been addressed in the FTA with Australia. It was highlighted that the planned trade deal had the potential to harm the domestic red meat industry and could compromise the UK's high standards, unless long-term safeguards were put in place; and yet no changes appear to have been incorporated into the FTA to reflect these concerns.

How well has the Government communicated the possible impact of the FTA, to enable you or other stakeholders to prepare for its implementation?

16. Aside from the Government's Impact Assessment of the FTA with Australia, published in December 2021, which analyses the macroeconomic impact of the FTA on the UK economy, HCC is not aware of any substantive communication regarding the possible impact of the FTA on the UK agricultural industry.

What lessons and inferences for other current and future negotiations can be drawn from how the Government approached, and what it secured in, the FTA with Australia?

17. There is a serious concern that the FTA sets a precedent for other countries to demand similar unrestricted access to the UK market. This poses a significant risk to the UK agricultural industry.

² **Source:** Department for International Trade. Impact assessment of the FTA between the UK and Australia. 16 December 2021.