

Farmers Union of Wales (ABR0045)

What are the key opportunities and challenges for your members arising from the decision to withdraw from the EU in the short and medium term?

Key Challenges for FUW members in the short and medium term

1. As for all other industries, uncertainties regarding the impact of Brexit on the UK economy, and the nature of post Brexit trading arrangements and policies, bring with them major challenges, with these being compounded by the UK Government's decision to enact Article 50 of the Lisbon Treaty in April 2017, thereby limiting the period over which negotiations and legislative changes must be undertaken or prepared to two years.
2. It is for these reasons that the FUW, whilst accepting the outcome of the Referendum on EU membership, and fully appreciating the political difficulties associated with various elections, on the 24th June 2016 called for *"...the UK and EU to agree on a sensible timetable for Brexit after the UK electorate voted to leave the EU – or risk dire consequences for both the UK and the remaining 27 Member States"*, highlighting that *"There is a monumental amount of work to do in terms of changing domestic arrangements and legislation, including in terms of Welsh devolved legislation, not to mention unravelling us from the EU budget to which we were previously committed, negotiating trade deals and dealing with issues such as border controls."*
3. This concern was reiterated in a letter to the Chancellor of the Exchequer on the 3rd October 2016, in which the FUW stated:

"...the previous UK Government's agreement with the EU 2014-2020 Multiannual Financial Framework (MFF) may equate to a binding agreement with all other Member States to pay into the EU budget for the duration of the MFF...the fact that the MFF, alongside hundreds of approved EU programmes and regional budgets, will have to be altered to take account of the significant fall in the EU budget once the UK leaves the EU is a major consideration, both financially and politically.

"It is for this reason that the Farmers' Union of Wales (FUW), while fully respecting the outcome of the EU referendum, has called for the UK's exit from the EU to be aligned with the MFF period."
4. Given the current timetable and uncertainty, a major impact for FUW members in the short and medium term is the inability to adequately

plan and prepare for the future in terms of decisions relating to changes to business models, finance, borrowing and succession.

5. Such problems are compounded by the periods over which farmers need to plan, given, for instance, gestation and maturation periods of livestock.
6. Given the ongoing emphasis on agri-environmental schemes funded and implemented through the Common Agricultural Policy, and the legal requirement for agreements to last for at least five years, there has been an inevitable knock-on impact for the large number of Welsh farmers whose agreements are coming to an end or with to participate in such schemes (there are around 7,000 active agri-environmental contracts in Wales).
7. Whilst the assurances given by the UK Government that all Rural Development Programme projects, including agri-environment agreements, signed before the 2016 Autumn Statement would be fully funded, even when these continue beyond the UK's departure from the EU, without further assurances such impacts seem inevitable.
8. The proportion of Welsh cattle herds which lost their officially TB free herd status in the 12 months to December 2016 was 3.2 percent. This is many fold higher than the 0.1 percent threshold at which a region can be categorised as officially TB free (as defined in Council Directive 64/432/EEC). As such, current levels of bovine TB in Wales and England represent a significant risk in terms of negotiations and future trading arrangements with the European Union.
9. If 'medium term' is taken to include the years immediately after Brexit, and the policies advocated by some in terms of cheap food imports and abandoning agricultural support are introduced without significant improvements in farmgate returns, the implications for Welsh agriculture and the wider rural economy would be dire.
10. Direct support makes up around 80 percent of Welsh farm business income, while in the 2015-16 financial period 55 percent of farm businesses either made a loss, or would have made a loss without direct support through the Common Agricultural Policy¹.
11. Despite this, average agricultural costs exceeded £111,000 per farm businesses, more than five times the average Basic Payment received. Such costs therefore make a major contribution to the wider rural economy, as shown in *Table 1*.

¹ Farm incomes in Wales, 2015 (*Welsh Government, December 2016*)

SELECTION OF WELSH FARM COSTS IN 2014-15 FOR FARMS WITH A TURNOVER OF €25,000 OR MORE, BASED UPON FARM BUSINESS SURVEY DATA	£ (millions)
General farming costs	£114
Other livestock costs	£94
Fertilisers	£91
Fuel	£78
Contractors	£64
Unpaid labour	£59
Paid labour	£56
Machinery repair and tools	£54
Infrastructure repairs and maintenance	£51
Vets and medicines	£47
Seeds, crop protection and other crop costs	£41
Bulk feed and coarse fodder	£26

Table 1

Key Opportunities for FUW members in the short and medium term

12. As anticipated, the most notable opportunity for all sectors, at least in the short term, has been/will be the increase in farmgate prices and Basic Payment values resulting from the devaluation of sterling against other currencies, in particular the Euro.
13. Whilst such devaluation invariably increases the costs of inputs which are imported, they also generally serve to raise, and therefore displace, imported foodstuffs, while also raising the sterling value of exports.
14. However, the degree to which such benefits will continue depend upon future exchange rates and trading arrangements.
15. Assuming that 'medium term' includes the period immediately after Brexit, there is an opportunity for UK Governments to review and re-draft domestic regulations which respect the well intentioned principles which underpin many EU Regulations, but are more proportionate and better aligned with Welsh and domestic needs. However, such changes should not compromise the UK's ability to trade with the EU and others, or possible negotiations with the same.
16. Brexit also presents an opportunity to put in place policies which re-balance current food trade deficits by boosting domestic procurement, both by public bodies and the general public, in order to bolster and improve UK food security at a time of extreme global uncertainty and risk.

17. There may also be significant opportunities to develop new trading arrangements with other countries and trading blocs which benefit primary producers and open up new markets.
18. However, Governments and producers should be realistic about such possibilities, given past experience in trying to gain access to and expand new markets; the proximity, affluence and sizes of such markets; the time taken to negotiate most trade agreements, and the political pressures at play in terms of gaining access for other industries.

Do these challenges and opportunities vary across the devolved nations? What are the implications of leaving the Common Agricultural Policy for your members? Do these implications vary across the UK?

19. The percentages of the total agricultural land in each of the devolved regions which are permanent grassland and common, arable, and temporary grass are shown in *Table 2*.

June 2014 Survey of Agriculture and Horticulture	permanent grassland and common land	Arable crops	Temporary grass
England	44%	41%	7%
Scotland	73%	9%	7%
Wales	82%	5%	8%
Northern Ireland	79%	5%	14%
United Kingdom	59%	25%	8%

Table 2

20. The differences between these proportions are broadly reflected in the numbers of holding types in each devolved region; for example, of Wales' livestock, dairy and arable farms, 69 percent are Less Favoured Area (LFA) livestock farms; 13 percent are non-LFA livestock farms; 11 percent are dairy farms; and 6 percent are cereals, general cropping and horticulture farms².
21. Given the differences between the reliance of agricultural sectors on agricultural support and export markets, and the trade deficits for different products, the challenges and opportunities vary considerably across the devolved nations.
22. For Wales, the nature of the land (80 percent of which is LFA) and consequential dominance of livestock farming mean the adverse

² Farming Facts and Figures, Wales 2016 (*Welsh Government, 2016*) Note: the figures presented above do not take account of dormant holdings and some smaller categories of farms, such as specialist poultry

impacts of some post Brexit scenarios are acute. This is particularly the case given that during the 2015-16 financial year, agriculture contributed nearly half of average farm business income on dairy farms, made a small positive contribution on lowland livestock farms, and was negative on LFA livestock farms.

23. Welsh livestock farming is dominated by sheep production, with 29% of the UK's sheep being raised within Wales.
24. Whilst sheep numbers have risen significantly in Wales since the Second World War, the simplistic presumption that such increases occurred predominantly in the mountainous areas with which they are associated, thereby leading to widespread overgrazing, is incorrect: The most significant change in Welsh land use has been the conversion of arable land to pasture, particularly in lower lying and more fertile areas, and it is on this land that sheep numbers have risen dramatically.
25. For example, a recent study of land use changes in six Welsh parishes showed an 85 percent reduction in arable areas since the 1840s; 18 and 73 percent increases in areas of pasture and meadow in lowland (non-LFA) and intermediate (Disadvantaged Area) areas respectively; and a 22 percent fall in areas of meadow and pasture in the uplands (Severely Disadvantaged Area)³ (*Figure 1*).
26. Other studies suggest sheep numbers on many upland areas are now lower than they have been for a century or more, and that undergrazing is contributing to species decline and habitat degradation⁴.

³ A summary of preliminary comparisons between Welsh land use in the 1840s and 2015 in Wales' non-LFA, DA and SDA areas (*N. I. D. Fenwick, E. Gruffudd, 2016*)

⁴ The Role of Grazing Animals and Agriculture in the Cambrian Mountains (*Ieuan M. Joyce, 2013*)

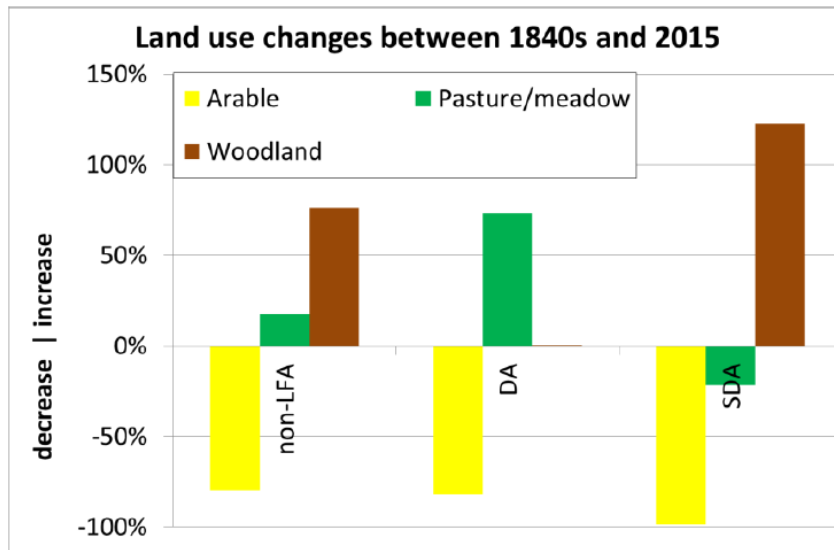


Figure 1: Land use changes between the 1840s and 2015 in six Welsh parishes where SDA = Severely Disadvantaged Area (largely mountainous), DA= Disadvantaged Area (more fertile 'intermediate' land), and non-LFA = non Less Favoured Area (generally fertile lowland)

- 27. As such, in many areas of Wales any post Brexit policies which lead to changes in grazing animal numbers are likely to have detrimental impacts for a variety of habitats and species.
- 28. Table 3 shows the UK's self-sufficiency in Wales' main agricultural commodities.

	UK SELF SUFFICIENCY
Butter	~75%
Cheese	~55%
Beef	~75%
Sheep meat	~100%

Table 3

- 29. Superficially, such figures suggest that leaving the EU's free trade area may benefit some products through the removal of imported produce. However, such benefits could only be realised if there is political support for trade policies which reduce imports from all other countries.
- 30. Complicating such perceived benefits is the seasonality of production, the perishability of goods, and the degree to which sectors rely on exporting certain types of products and cuts ('quarters') which do not generally appeal to UK consumers, in order to balance carcass and product value (Table 4).

Lamb Cut	% of UK retail market
Legs	41%
Loin i.e. chops/steaks	24%
Shoulder	12%
Other i.e. mince	23%
[Source: Kantar Worldpanel]	

Table 4: Percentage of UK market share for key lamb cuts in 2015

31. This is a particular concern for the Welsh sheep sector, where production is necessarily extremely seasonal and includes a significant proportion of lighter lambs (around 15 per cent) for which there is little domestic demand, and exports to the continent of certain cuts and offal make up a significant proportion of carcass value for the same reason.
32. In this context, it is important to note the collapse in farmgate prices which resulted when disease related export bans were placed on many UK agricultural products (BSE in 1996, and Foot and Mouth Disease in 2001 and 2007).

Product	Standard WTO tariff (Euros)
Butter	€1,896/tonne
Cheddar	€1,671/tonne
Beef	12.8 per cent of product value plus €1,414 to €3,041 (depending on cut)
Sheep meat	12.8 per cent of product value plus €902 to €3,118/tonne (depending on cut)
Wheat	€95/tonne
Barley	€93/tonne
Fresh/chilled potatoes	11.5 per cent of market value

Table 5 UK agricultural products (BSE in 1996, and Foot and Mouth Disease in 2001 and 2007)

33. World Trade Organisation tariffs on various agricultural products are shown in Table 5, highlighting the degree to which exchange rates or market prices would have to alter for current farmgate returns on exports to remain unchanged by such tariffs.

34. As such, if post Brexit policies have the effect of severing well-established supply chains which currently extend across the current EU, disruption would be widespread, with impacts varying between sectors and devolved regions. Given livestock and livestock products make up 51 and 35 percent of Welsh agricultural output respectively, and the particular importance of the sheep industry, the adverse impacts for Wales could be particularly acute.
35. As well as being economically important, agriculture also plays a central part in terms of Wales' culture, in particular in relation to the Welsh language.
36. Welsh speakers make up 61 percent of all Celtic language speakers, despite the fact that Wales' population comprises less than 20 percent of the population of all Celtic countries and communities (*Figure 2*).

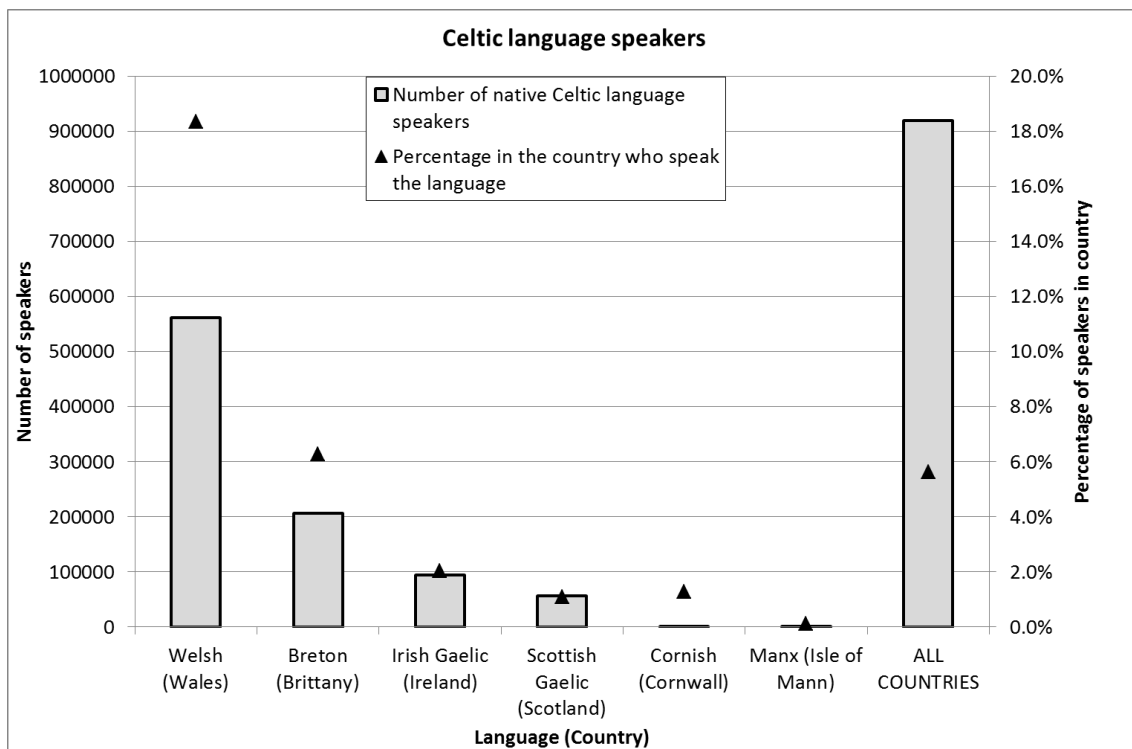


Figure 2

37. The average proportion of the population of Celtic countries and regions other than Wales who speak their respective Celtic language is around 3%, with the proportion highest in Brittany (6%); by comparison, the proportion of adults and children in Wales who speak Welsh is around 18%.
38. Those who speak Welsh within the employment category which includes agriculture make an essential contribution to the preservation of the language in terms of numbers, and in particular in terms of the

proportion within the category who speak Welsh (29.5%), which is higher than in any other employment category (*Figure 3*).

39. Moves which undermine the viability of Welsh agriculture are therefore likely to represent a significant threat to the Welsh language, particularly in communities where the overall proportion of the population who speak Welsh is low or intermediate.

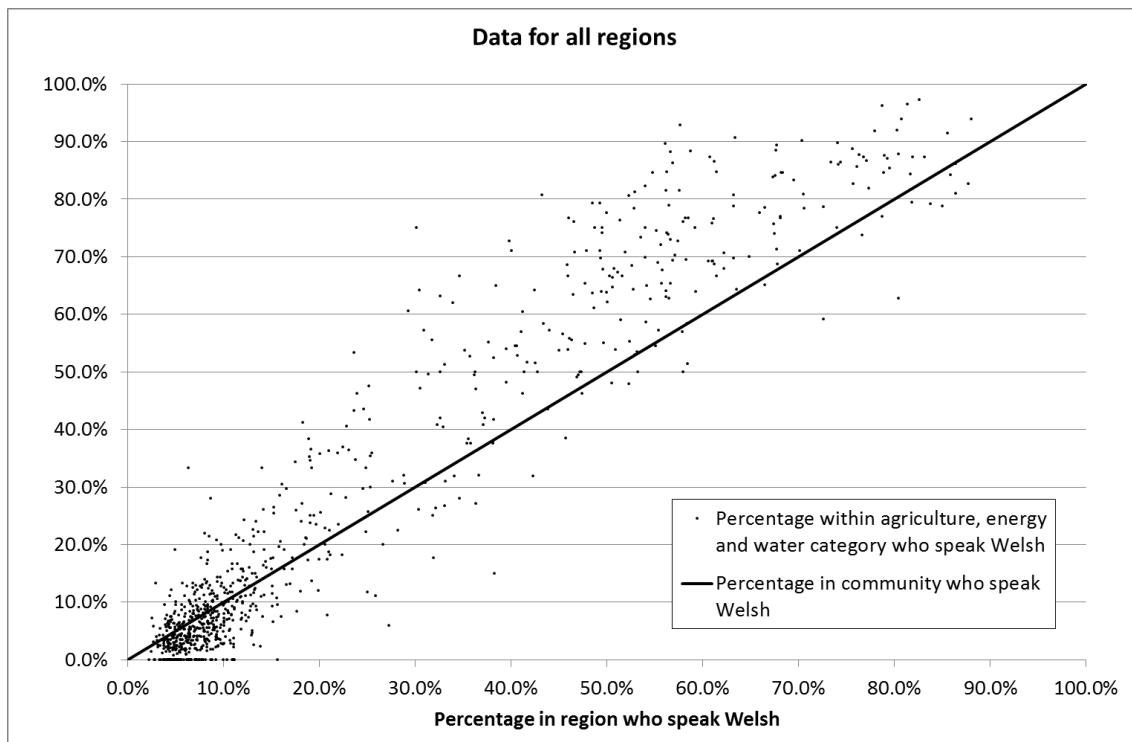


Figure 3: Analysis of the proportion of the population who speak Welsh in 868 regions of Wales

In your view, what are the critical policy decisions the Government must consider and/or implement before the UK leaves the EU?

40. The FUW's concerns regarding the volume of work which must be undertaken ahead of the UK leaving the EU have already been highlighted. Like others, the FUW also has numerous aspirations in terms of the opportunities Brexit may present for the agricultural industry; for example, in relation to accessing new markets, improving efficiency and regulation, and better targeting support.
41. However, a balance must be struck between what must be done ahead of Brexit and the aspirations of the general public, politicians and various bodies in terms of post Brexit policies, given the acute dangers

of attempting to implement ambitious plans ahead of trade negotiations and without proper analysis, evidence or preparation.

42. As such, it is essential that efforts to collect and analyse data relating to all aspects of agricultural supply chains are stepped up in order to ensure policy decisions are evidence based, and likely outcomes understood.
43. Such decisions must be made over an appropriate time period in agreement with all devolved regions, and it is therefore essential that the Government agrees on an appropriate and realistic timetable over which decisions should be made and policies then implemented.
44. Given past experiences in relation to transitions between agricultural policies; the time taken for most trade negotiations; and the possible or likely disruption to supply chains, the FUW believes that a transition period of ten years should be agreed, despite the political difficulties this may cause.
45. Under the current Common Agricultural Policy, agricultural and Rural Development spending in devolved regions is effectively ring-fenced outside the Barnett Formula, with some limited flexibility to move monies between pillars.
46. Given the need for farming businesses to plan for the future, and the uncertainty which already exists in relation to policies and funding post-Brexit, the FUW believes agreement should be reached to maintain agricultural and rural development budgets at levels which at least reflect those which would have been in place should the UK have voted to remain within the EU.
47. Such budgets should be administered by devolved regions within an agreed UK framework which prevents unfair competition between those regions, while also respecting devolved powers over agriculture and the need for flexibility which allows governments to make decisions which are appropriate to their regions.
48. In terms of current and imminent discussions and negotiations with the EU and others, it is also important to recognise that current policy frameworks comply with WTO rules and those of our most important trading partners, namely the other 27 EU Member States. Moreover, discussions regarding the future nature of those frameworks are underway at an EU level, and it is therefore essential that account is taken of those discussions and any developments.

49. Given this, and the dangers associated with attempting to rapidly introduce sweeping changes soon after Brexit, there is much merit in agreeing that, as part of a lengthy transition, the principles which underpin the current CAP regulations should continue to operate post-Brexit, with improvements to regulations being made wherever possible provided these do not undermine key principles.
50. Agreement to such a transition, and to maintain current devolved responsibilities in terms of implementing such common policies and administering budgets, would also reduce the risks caused by divisive and politically motivated debates over devolved powers, at least in the short term.

Do any particular issues or challenges arise from the proposed Great Repeal Bill for your members?

51. The majority of FUW members who voted to leave the EU did so due to frustrations over disproportionate EU Regulations and/or their interpretation by the Welsh Government. As such, many individuals may be frustrated by any legislation which does not lead to a rapid reduction in levels of regulation and bureaucracy.
52. Whilst individual challenges arising for FUW members from the Bill are difficult to identify, there may be significant impacts as a direct consequence of the magnitude and complexity of the task, given it will be one of the greatest legislative projects ever undertaken by the civil service, and that some EU laws cannot easily be transcribed into domestic law.
53. If the process results, inadvertently or otherwise, in the Sewel Convention being contravened by reducing devolved powers over agriculture, this would cause numerous complications, not least given the period over which farmers and civil servants on both sides of Offa's Dyke have dealt with devolution.

Are there elements of the EU acquis that you would like to retain through the Bill?

54. As an organisation which has supported the UK's membership of the EU for more than a decade, it stands to reason that the FUW would see those areas of the EU acquis relating to agriculture being retained and improved, particularly the need for access to EU markets a positive outcome to negotiations with the EU.

How important is access to labour from the EU?

55. Given the profile of Welsh agriculture already described, and in particular the low number of fruit and vegetables farms, overall there is little direct reliance by farms on access to labour from the EU mainland – although the numbers of migrants employed on dairy farms have increased over the past decade, particularly in some areas of Wales.
56. However, there is significant reliance on such labour in the food processing sector, notably in Wales' slaughter industry, which employs thousands and makes a major contribution to the Welsh economy. It is important to note that such workers are not seasonal, and often stay within communities for a number of years.

Is there a distinction between skilled and unskilled labour?

57. The farming and food processing sectors demand a range of skills, and it is notable that the definition of 'skilled' can be subjective; moreover, many continental Europeans who work in the farming and food processing sectors are highly skilled, but may not necessarily have formal qualifications. As such, care should be taken to ensure preconceptions of what constitute skills, and how skills are qualified, do not undermine important industries and components in food supply chains.
58. In the meat processing sector, a 25 percentage point increase in demand for boneless meat exports since 2010 has led to a significant increase in demand for skilled workers capable of deboning.

What proportion of your labour force comes from the EU?

59. The proportion of the Welsh agricultural labour force from continental Europe would be extremely small. However, across the UK, a significant proportion of those employed on farms and in the food processing sector are EU migrants; for example, the meat processing industry employs around 75,000 people, some 63 percent of whom are from continental EU countries, and it is expected that this proportion would be reflected in Wales' slaughterhouses.

Funding

Would you like to see Pillar I and Pillar II subsidies replaced by UK subsidies, on what grounds and in what form?

60. Given that production subsidies were abolished in Wales in 2004, and that the majority of Pillar 2 payments compensate farmers for income foregone as a result of undertaking environmental work, the term 'subsidies' may be misleading.
61. As already indicated, it seems inevitable that a UK framework will be put in place, and the FUW believes such a framework should respect devolved powers while ensuring markets are not distorted.
62. While the FUW has numerous aspirations in terms of what a future policy could and should deliver (be that under 'pillars' or some other description of categories), governments should recognise the dangers of attempting to draft and implement new policies over a short period of time. The problems experienced in England from 2004 to 2006 during the implementation of the Single Payment Scheme, and more recently in England and Scotland, demonstrate the types of problems which can occur when new systems are introduced.
63. As such, and as already stated, decisions should be made over a realistic and safe timescale/transition period; be informed by data and detailed analysis of the possible consequences of policies; and take full account of developments in terms of trade negotiations and the agricultural policies drafted and implemented in those countries against which we will compete.
64. The FUW therefore believes policies should be developed in partnership with the farming industry and devolved governments, with a key set of agreed high-level objectives in mind, analyses and modelling of which should then be undertaken before decisions are made, taking account of impacts on the upstream and downstream supply chains which rely on farm businesses, as well as farm businesses themselves.
65. Examples of overarching principles suggested by FUW members during a recent internal consultation include:
 - a. A needs-based allocation of post-Brexit budgets based upon the proportion of a region which is subject to handicaps such as climatic conditions and soil productivity, socio-economic constraints and the proportion of businesses affected by market failure.
 - b. The introduction of a cap on all future payments which is well below the level currently applied in Wales (no cap is applied in England) but takes employee numbers into account
 - c. Stricter rules which ensure non-active farmers and charities are excluded from support systems

d. Competition and procurement policies which favour UK producers

The Minister of State, George Eustice MP, has suggested he would like to see a system that supports farmers who deliver ecosystems services. How would such a system affect your members?

66. Over three quarters of the Welsh countryside has some environmental or conservation designation, highlighting the important role farming continues to play in maintaining our natural resources and delivering ecosystem services; over recent years, that role has expanded significantly in terms of renewable energy production.
67. As such, Welsh farming families have an indispensable part to play in terms of food production, changing weather patterns, increased environmental pressures, carbon sequestration and greenhouse gas reduction.
68. Around 7,000 farmers in Wales are participants in one of the Glastir agri-environmental schemes, which, in line with EU and WTO rules on funding such environmental work, *compensate* farmers for the costs incurred as a result of delivering a range of ecosystem services.
69. Whilst support for agri-environment schemes must be continued, the far-reaching adverse consequences of an inappropriate balance between direct support and agri-environment payments must be recognised, given the limitations set out in Annex 2 of the World Trade Organisation (WTO) Agreement on Agriculture, which states that "*The amount of [agri-environment] payment shall be limited to the extra costs or loss of income involved in complying with the government programme.*"
70. The replacement of direct support with greater funding/support for 'farmers who deliver ecosystems services' would, in order to comply with WTO rules, generally mean an increase in income foregone payments for costs incurred as a result of undertaking environmental work, rather than providing direct income for farmers.
71. There is a clear distinction between the direct and wider economic value of direct financial support for a business, and payments which compensate a business for costs incurred.
72. As such, given the economics of Welsh agriculture, and the proportion of secondary and tertiary businesses which rely on expenditure by farms, further moves towards payments subject to WTO environment programme restrictions may well undermine farm incomes and the central role played by agriculture in terms of Wales' rural and wider

economies – unless commensurate moves were made to boost farm incomes.

73. Notwithstanding this, means by which farmers are properly rewarded (as opposed to being compensated) for their contributions to water management, carbon sequestration and the delivery of other public goods, should be investigated. In addition, the infrastructure and investment needed to increase on-farm renewable energy production should be increased, and barriers removed.

Trade

What value and volume of your members’ trade is with the EU? Does this vary between sectors?

74. The need to gain a better understanding of the possible implications of Brexit in terms of trade has highlighted the complexity of supply chains, and shortcomings in terms of the data collected relating to trade in agricultural produce⁵.
75. As such, there are numerous Welsh agricultural commodities for which it is difficult to assess the proportions which are exported to the mainland EU.
76. *Table 6* shows the estimated volume and value of Welsh sheepmeat and beef exported to the mainland EU, while *Table 7* shows UK export figures for dairy, beef and sheepmeat.

	Volume (t)	Value (£)
Sheepmeat		
Fresh/ Frozen	27,780	£105,857,276
Offal		£2,245,741
		£108,103,017
Beef		
Fresh/ Frozen	15,073	£51,290,239
Offal		£9,112,849
		£60,403,088
Total		£ 168,506,105

Table 6

⁵ Horizon Market Intelligence; What might Brexit mean for UK trade in agricultural products? (AHDB, October 2016)

	Proportion of UK exports which go to the EU (by volume)	Overall value of UK exports
Dairy products	90%	£1.1 billion
Beef products	15-17%	£400 million (including offal)
Sheepmeat	~33%	£300 million

Table 7

Are there potential significant or new markets for your members that are non-EU?

77. There are certainly *potential* significant or new markets for Welsh agricultural produce, and a great deal of effort has been made to attempt to develop and access such markets over the past decade.
78. It is therefore necessary to be realistic about the impacts of losing nearby and relatively affluent continental markets (through a 'hard Brexit'), and the degree to which these can be realistically replaced by markets which are much further afield, given the perishability of some agricultural goods, and the costs, logistics and reality of gaining similar access to alternative markets where other exporters are already well-established.

What are your priorities for the future trading relationship with the EU and the wider world?

79. As already indicated, whilst efforts to gain access to and develop non-EU markets should continue, tariff-free access to EU markets is essential for Welsh agriculture given the proximity and affluence of those markets, and current levels of exports.

In your view, should the UK preserve the EU's current, or adopt equivalent, standards for agricultural goods, food safety, animal welfare, pesticides and plant protections etc. as the EU?

80. The FUW fully supports the development of proportionate rules, and for equivalency to be applied in a way which ensures continued access to important markets while reducing costs and bureaucratic burdens. As such, we fully support a review of all such legislation.
81. However, given the discussions and negotiations over trade deals which must take place over the coming years, particularly with the EU,

changes which compromise the UK's negotiating position should be avoided.

How would divergence in such standards impact your members?

82. FUW members are already adversely affected by divergence, for example in terms of the differences between the interpretations of strict EU Regulations by which they must abide, and equivalent or different rules applied in non-EU countries which are less restrictive.
83. As such, there is clearly scope to reduce costs and bureaucracy while ensuring standards are maintained and access to markets not compromised.

What impact would new or higher tariffs and non-tariff barriers for exports have on your members?

84. As already stated, and is clear from *Table 5*, new or higher tariffs would have severe detrimental impacts, particularly for the sheep sector. Non-tariff barriers would be similarly detrimental.

Is the impact the same for imported goods and agrisupplies?

85. Any tariffs applied to imported goods and supplies would add to production costs. However, it is generally the case that such tariffs are lower than for agricultural produce.

What steps, if any, must the Government take to ensure that UK farmers are competitive in the global market?

86. Brexit provides an opportunity to review and change agricultural support systems in a manner which better achieves numerous objectives, including with regard to efficiency. However, such changes must recognise the economic realities of agriculture and agricultural supply chains, and the central role played by the family farm in terms of rural economics, cultures, public perception and managing and maintaining the environment.

Do you think restrictive tariffs or non-tariff barriers on importing agriculture and food products into the UK would be positive for UK farmers?

87. Tariff and non-tariff barriers on agricultural and food products already benefit UK farmers, as they are applied to many imports into the EU

for a range of reasons, including to maintain EU food security and protect human and animal health.

88. As such, the merits of mirroring existing EU barriers and tariffs applied to third country produce should be considered, and would presumably be necessary under some UK-EU trade agreements.

To what extent are agricultural products processed in the UK only?

89. It is the FUW's understanding that vast volumes of agricultural products are processed only in the UK, but that vast volumes are also processed in more than one EU country. Moreover, the production of some products produces bi-products which are exported and enter other supply chains, with the sale of such bi-products being an important part of the economics of production.

To what extent and how will food and agriculture supply chains be affected by Brexit? How could any adverse impact be mitigated?

90. It is impossible to predict how food and agricultural supply chains will be affected by Brexit, given the uncertainties around trade deals and the UK's relationship with the EU. However, it seems likely that the impact will be dire if the UK Government's stated political priorities take precedence during negotiations.
91. In the absence of the sort of post-Brexit agreement favoured by the FUW (i.e. membership of the Common Market, European Economic Area, Customs Union etc.) some mitigation could occur through sufficient prior warning of the nature of a likely trade deal with the EU, and preparation in light of such changes.

Regulations

In repatriating agricultural policy, should the Government review, diminish or strengthen regulations that affect the agricultural sector? What examples of legislative areas/legislation merit such de-regulation?

92. As already stated, the FUW favours a review of all relevant areas of regulation, with a view to reducing the costs and administrative burdens associated with such regulations. However, such a review should not compromise the UK's negotiating position with the EU and others.

93. Whilst such a review should be comprehensive, priority should be given to those areas which are most costly and disproportionate and frequently result in punitive sanctions for farmers.
94. Particular areas of concern for Welsh farmers would include the rules and penalties relating to schemes currently operating under the Common Agricultural Policy; Nitrate Vulnerable Zones; Environmental Impact Assessment requirements; animal movement recording and reporting; and fallen stock burial – all of which could be improved and made more proportionate without compromising overarching objectives.

To what extent could, or should, the UK pursue a different approach to the legislation of pesticides, chemicals, plant protection, animal welfare and environmental standards than the EU?

95. There is significant scope to pursue different approaches in all these areas which would reduce costs and bureaucratic burdens without compromising overarching objectives.
96. Conversely, changes which increase such burdens, as advocated by some, would not only have a severe detrimental impact on UK agriculture and rural communities, but would also lead to a global increase in environmental degradation and a fall in global animal welfare standards through increased agricultural production outside the UK.
97. Notwithstanding the above, it is also important that, where possible, the UK remains part of EU and international networks which protect and provide early warning systems regarding plant and animal health.

6 March 2017