

Welsh Government (ABR0050)

I welcome the opportunity to input given the profound implications of the EU Referendum to this policy area. The Welsh Government has set out its position in our White Paper, *Securing Wales' Future*¹.

We believe it is a comprehensive and credible plan based on solid evidence. While of course, it places Wales' priorities centre stage, it is an alternative path to the negotiations, which would work in the best interests of the UK as a whole.

We are pleased the UK Government has generally given a positive response to this and for assurances it shares our aims on many issues it shares, particularly on the issue of full and unfettered access to the Single Market.

Since the referendum, we have engaged extensively with stakeholders through an EU Exit Roundtable Group established last summer. A number of stakeholder workshops were also held. The contribution by stakeholders to our engagement has been very positive and there is a real commitment here in Wales to work together. The cross-sectorial approach we have adopted has enabled us to consider the issues in an integrated way which recognises the links between agriculture, communities and the environment.

This integrated way of working is reflective of our approach provided by our two ground-breaking Acts: the Environment (Wales) Act 2016 and the Well-being of Future Generation (Wales) Act 2015. Looking ahead, any future policies and programmes will be developed and delivered within this legislative framework.

Lesley Griffiths hosted the first of a series of cross-UK meetings with UK Government and Devolved Administration counterparts which is now meeting on a monthly basis. Separately, during a recent visit to Wales, the Defra Secretary of State, Andrea Leadsom attended a smaller group of the Roundtable to hear some of the key issues for stakeholders in Wales.

Agriculture in Wales

Agriculture is a vital industry to Wales and family farms are a significant sector of the industry. Farming accounts for the management of around 80% of our land in Wales and delivers a huge range of vital goods and services, not least in providing raw material for elements of Wales' food

¹ <https://beta.gov.wales/brexit>

and drink industry. Farming also provides multiple economic, social and environmental benefits.

Most farms in Wales are owner-occupied and family members are a notable and vital part of the labour force. Farming is a crucial backbone of the Welsh rural economy. As part of the wider food and drink supply chain, it represents the largest sector by employment in Wales.

Farm businesses are important employers and procure a wide range of services from secondary businesses. Welsh family farms, on average, procure over 80% of goods and services from within a 25-mile radius of the holding making a wider contribution to local economies and communities.

In terms of the Welsh language, agriculture has by far the highest percentage of Welsh speakers. Rural communities and the farming industry in particular, are often cited as strongholds of the Welsh language and culture. There is a long-standing recognition and appreciation of the intrinsic link between farming and the Welsh language.

I have set out below some of the specific issues under the key headings contained in our White Paper.

The Single Market and International Trade

The European market is of huge significance to Wales. Curtailing access to it for our produce will leave a hole which will not be easy or quick to fill.

The EU taken as a whole is the UK's major trading partner. Wales exports significant amounts of its produce and within the farming, fishing, aquaculture and food sectors Welsh producers exporting to this market benefit from access to EU markets without tariff or import quotas.

The food and drink supply chain, including agriculture, has contributed to a GVA of £4.2 billion in Wales. In 2015, Wales' direct food and drink exports were worth over £264m of which over 90% was exported to the EU. The biggest export markets are France (£53.2m), Ireland (£51.8m), and Spain (£34m).

The effects of trading with the EU under the WTO rules on Welsh agriculture, fisheries and food will be very significant. Products from these areas will be hit by some of the most extreme tariffs under the WTO rules. Should these tariffs come into force, a significant reduction in export trade is expected. It has been predicted trade opportunities in food related areas may fall by around 70-90%.

A key consideration is for UK producers to not be undercut by imports where production standards are poor, and consumers not put at risk.

Migration

Migrant workers are vital to the rural economy. Industries and services such as agriculture and food processing are reliant on a level of movement within the EU. The issue is relevant to both skilled and unskilled labour.

Both farming and food sectors rely heavily on labour provided by EU citizens, in particular to fill the shortfall of seasonal and casual labour. In 2015 over a quarter (27%) of those employed in food and drink manufacture in Wales were born in the EU. Since 2011, we have seen a 60% increase in the number of people born in the EU employed in food and drink manufacturing sector in Wales, compared with a 2% increase from the rest of the UK and 1% decline in those employed from Wales in the same period. Across the UK 32% of food sector employees were born in other EU countries.

There is a heavy reliance on EU labour in certain areas for key skilled jobs, for example, in the meat hygiene sector it is estimated some 95% of vets graduated overseas. A shortage here would affect not only animal health but would also affect food certification for international trade, which in turn could impact upon our reputation for high quality goods

Finance and Investment

Welsh farming businesses benefit from around €300,000,000 of EU support per annum.

It is essential, after we leave the EU, the UK Government provides the Welsh Government with at least equivalent funding to replace what is currently being received through the CAP.

The Minister of State for Agriculture and Fisheries, in an article in the Guardian in May 2016, pledged to spend £2 billion a year on farming and the environment. I welcome this assurance.

Continued financial support for agriculture and environmental measures beyond 2019 is vital to protect farm businesses and ensure the environmental constraints linked to agricultural activities continue. The loss of EU subsidy for our farmers – if no replacement funding is available – will put our producers at a competitive disadvantage compared with

those neighbouring countries remaining in the EU e.g. the Republic of Ireland and countries in mainland Europe.

The Welsh Government's aim is to safeguard Wales' rural and environmental interests and we are exploring every opportunity to benefit our farming, land management and food sectors. Our focus remains on continuing to deliver key economic, social and environmental benefits to Wales.

The move away from CAP offers genuine opportunities to improve the signals and type of support we offer to our land managers. Replacing the two pillar system of direct support and rural development would enable us to develop a more strategic and integrated package of investment and land based support, which puts land managers at the heart of a sustainable and vibrant rural economy.

Our vision is for us to develop a future support programme outside of CAP, better designed to deliver public goods and support rural businesses. We have already been actively working with stakeholders to ensure we develop a policy both tailored to Welsh needs and responsive to key opportunities.

Constitutional and Devolution issues

Agriculture and the environment are devolved to Wales and the future of policy relating to these matters is for the Welsh Government. Successive Government of Wales Acts do not make the devolution of powers dependent on the UK continuing to be a member of the EU. The referendum on the UK's membership of the European Union did not deliver a mandate to reverse the devolution of powers we have held in Wales for 18 years. It is vital devolution is fully respected and the ability devolved administrations have to tailor policy in devolved areas to our very different contexts is not restricted. Since devolution, there has been significant divergence of policy direction between the different parts of the UK. Our stakeholders have underlined the need to respect the devolved nature of our responsibility in these areas, which is crucial in ensuring they can respond to the unique context in Wales.

Powers already devolved to Wales must not be given to Westminster as part of the Brexit process. To impose constraints on our ability to develop and deliver an agriculture policy which responds to Wales' needs and opportunities, would mean new legislation to overturn the devolution settlement – which we, not to mention Scotland will vigorously oppose.

Exit negotiations

In order to ensure the best possible outcome, a UK position must reflect the interests of the UK as a whole. Reaching a UK position will require clear UK machinery to ensure these principles are adhered to. This includes the need for devolved administrations to be much more actively engaged on non-devolved issues such as trade, competition policy and migration, given these have a direct impact on devolved areas.

There are key areas where we deal directly with the European Commission, for example in relation to funding programmes and agricultural payments and we must therefore be fully involved in the process of exiting those arrangements.

It is essential the devolved administrations play a full part in discussions as this will avoid unintended consequences and allow the unique context in each area to be fully reflected in the wider UK position. As we have devolved competence on these matters, we have a responsibility to speak on behalf of the people of Wales and protect Wales' best interests.

The Great Repeal Bill

We expect to be fully involved in discussions regarding the Great Repeal Bill with the UK Government. It is difficult to envisage a situation where a Bill of such constitutional significance would not have an impact on matters which are devolved to Wales.

We need further clarity in respect of the extent to which the Bill will save the suite of legislation currently provided by the EU and how it will respond to any forthcoming changes at a European level in these areas.

UK Frameworks and governance arrangements

We have acknowledged the need for UK Frameworks in some areas to replace those currently set by the EU, however, these should be collectively developed and agreed, based on common consent by all four Governments within the UK, and not imposed.

For example, there is a clear need for new governance arrangements to support how the UK will collectively deliver on international agreements or obligations, particularly in areas devolved to Scotland, Wales and Northern Ireland.

In addition, the arrangements for the supporting administrative structures currently provided by European institutions and agencies is also an area on which it is vital for the UK Government to work with the devolved administrations in order to identify the most effective approach for the UK as a whole.

Social and Environmental Protections and Values

Although we are leaving the EU, it does not mean we should sacrifice the principles which will protect our future. At a minimum standards must be maintained and any reduction in regulation should be based on clear evidence.

The current EU framework of policy, legislation and finance has delivered important benefits for Wales - from standards which protect people's health and tackle pollution levels, to measures which safeguard the natural environment and promote more responsible uses of our natural resources.

There will need to be considerable analysis on whether there are areas which could be amended or repealed to ensure the benefits we have received from EU law are not reduced. This will require consideration of the cross-cutting nature of the legislative framework and the impacts which may arise where EU legislation cannot be rolled over into domestic law.

Regarding food safety, animal welfare and environment protection, the UK has amongst the highest standards in the world and has a reputation for quality as a result. These standards play a critical role in human health and environment. De-regulation could put these standards in jeopardy. Smarter regulation, looking to see how we might adapt the current rules to fit our needs better, is a much more appropriate approach.

Our engagement with stakeholders has reinforced the crucial importance of maintaining Wales' reputation for high quality produce and high standards in food, environment and animal health.

We still need to uphold existing legislative requirements regardless of EC obligations or operate at significant risk to public health.

17 March 2017

