



House of Commons
Environment, Food and Rural
Affairs Committee

Brexit: Trade in Food

Third Report of Session 2017–19



House of Commons
Environment, Food and Rural
Affairs Committee

Brexit: Trade in Food

Third Report of Session 2017–19

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 7 February 2018*

HC 348

Published on 18 February 2018
by authority of the House of Commons

The Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department of Environment, Food and Rural Affairs and associated public bodies.

Current membership

[Neil Parish MP](#) (*Conservative, Tiverton and Honiton*) (Chair)

[Alan Brown MP](#) (*Scottish National Party, Kilmarnock and Loudoun*)

[Paul Flynn MP](#) (*Labour, Newport West*)

[John Grogan MP](#) (*Labour, Keighley*)

[Dr Caroline Johnson MP](#) (*Conservative, Sleaford and North Hykeham*)

[Kerry McCarthy MP](#) (*Labour, Bristol East*)

[Sandy Martin MP](#) (*Labour, Ipswich*)

[Mrs Sheryll Murray MP](#) (*Conservative, South East Cornwall*)

[David Simpson MP](#) (*Democratic Unionist Party, Upper Bann*)

[Angela Smith MP](#) (*Labour, Penistone and Stocksbridge*)

[Julian Sturdy MP](#) (*Conservative, York Outer*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

Committee reports are published on the Committee's website at www.parliament.uk/efracom and in print by Order of the House.

Evidence relating to this report is published on the inquiry publications page of the [Committee's website](#).

Committee staff

The current staff of the Committee are Eliot Barrass (Clerk), Sian Woodward (Clerk), Daniel Schlappa (Second Clerk), Anwen Rees (Committee Specialist), James Hockaday (Senior Committee Assistant), and Ian Blair and Annabel Russell (Committee Assistants).

Contacts

All correspondence should be addressed to the Clerk of the Environment, Food and Rural Affairs Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 7341; the Committee's email address is efracom@parliament.uk.

Contents

Summary	3
1 Introduction	5
2 Tariff Barriers	7
Tariff Barriers	7
Most Favoured Nation Principle	7
Tariffs on UK-EU exports under WTO rules	7
UK Tariffs on Imports under WTO rules	9
Fortress UK, applying WTO tariffs on imports	10
Trade liberalisation	12
Tariff Rate Quotas	14
3 Non-Tariff Barriers	16
Regulations and standards	16
Geographical indicators	18
Customs Checks	18
Increased Cross Border Administration Paperwork	19
Border Inspection Post capacity	20
Northern Ireland	22
4 Trade Agreements with Non-EU countries	24
New Market opportunities	24
Country of Origin labelling	25
5 Conclusion	27
Conclusions and recommendations	28
Formal minutes	31
Witnesses	33
Published written evidence	34
List of Reports from the Committee during the current Parliament	37

Summary

The UK's food and farming industry generates over £110 billion a year and employs one in eight people in the UK. Trade is vital to the industry. The EU is the UK's single largest trading partner in agri-food products, accounting for 60% of exports and 70% of imports.

Brexit will inevitably introduce friction to trading routes. Our Report focused on the impact to different agri-food sectors of the UK having to trade under World Trade Organisation (WTO) rules, in the event that the UK and EU fail to reach a trade agreement.

In withdrawing from the EU, the UK will withdraw from the Common Agricultural Policy (CAP). We intend to look at the Government's proposals to replace CAP later in this Session.

The Committee's key recommendations and conclusions are:

- The EU is the UK's most significant trading partner. Although the Government's intention is to agree a comprehensive free trade agreement and customs agreement with the EU, there is no guarantee that this will occur. In the event that the UK leaves the EU without a free trade agreement, UK-EU trade will proceed under World Trade Organisation (WTO) rules. Reverting to WTO tariffs will have a significant impact upon agriculture as tariffs are higher for agricultural products than for other goods and services.
- We recommend that Defra publishes a sector-by-sector analysis of the impact of Brexit before the publication of the Agriculture Bill.
- The agricultural industry needs clarity as to the Government's long-term vision and future support. We call for the publication of the Agriculture Bill as soon as possible.
- The Government needs to support British farming and agriculture in preparing for business post-Brexit. Defra should consider providing a fund to support our food producing industry to adapt effectively to the challenge ahead.
- The Government should consider what support can be offered to sectors where imports into the UK and exports out of the UK are roughly equal, such as the dairy industry, that can make us more self-sufficient. This would offer these sectors an opportunity to become more productive. It would give people the confidence to invest, keep food prices down and keep farmers in business.
- When establishing its own tariffs at the WTO, the Government must give careful consideration to the impact on the UK's agricultural industry. High tariffs on imports would raise the cost for consumers while removing tariffs could lower the cost for consumers but have a devastating effect on the long-term future of the UK's agricultural industry. Such a move could put many UK farmers out of business, which would be detrimental to the rural economy, and render the UK dependent on imported food.

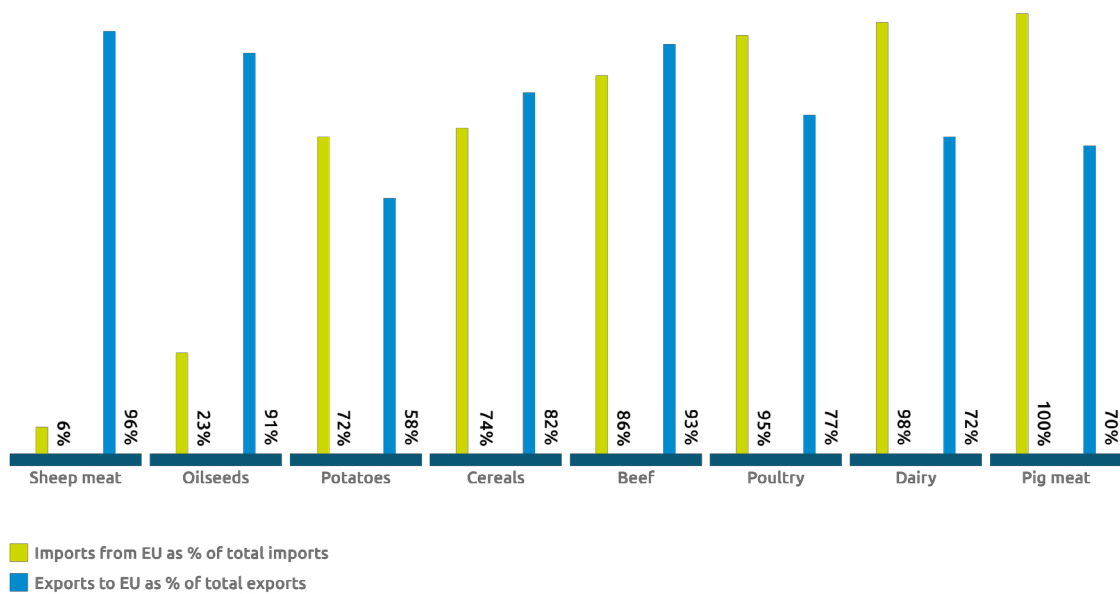
- The Government has offered no clarity to the agricultural industry on its post-Brexit policy. The Government must offer this clarity and stability so that the industry has the confidence to invest and take advantage of the opportunities offered to the sector post-Brexit. We would like to see the Government offer policies that would stimulate home grown food production.
- The UK has an international reputation for high animal welfare, environmental and food standards. These must not be sacrificed on the altar of cheap imports. Doing so could undermine the premium British brand and might affect our ability to negotiate trade deals with other countries. We will hold the Secretary of State to his assurances that there will be no compromise on animal welfare, environmental and food standards.
- The Government must make it clear to industry how it intends to deal with potential regulatory divergence with the EU, and the mechanisms it will put in place to track divergence in the future.
- The Government must ensure that protected geographical indicators are retained in a similar form after the UK leaves the EU.
- It is imperative that the Government invest in IT systems to support a more efficient export certification process in order to minimise delays to trade.
- Non-British EU veterinary surgeons are critical to the UK veterinary workforce. The Government must set out how it intends to ensure working rights for non-British EU vets currently working in the UK and to support the veterinary workforce going forward to ensure that it can meet the needs of the UK's food industry in the future.
- Delays at border inspection posts lead to increased costs, and are a threat to perishable goods. It is imperative that the Government sets out how it intends to ensure that the right IT systems and infrastructure are in place for the import and export of agricultural produce so that businesses can continue to trade smoothly with Europe, including the Republic of Ireland, and the rest of the world.
- The Government must start developing relationships at a high political level with potential trading partners in order to ensure that agreements are signed to the benefit of the UK. The Government must also investigate how it can utilise the expertise within the House of Lords and House of Commons in building relationships and representing the UK overseas.
- While we recognise the huge benefit that trade agreements could bring, these must not at the detriment of the UK's reputation for high animal welfare, environmental and food standards. The UK Government must not allow imports that have not been produced to the UK's high standards.
- We recommend that the Government improve country of origin labelling following the UK's departure from the EU. We also recommend that the Government introduce mandatory method of production labelling.

1 Introduction

1. The UK's food and farming industry generates over £110 billion a year and employs one in eight people in the UK.¹ Trade is vital to the industry. The EU is the UK's single largest trading partner in agri-food products, accounting for 60% of exports and 70% of imports.

2. The graph below shows the significance of the EU's market to UK agriculture. It sets out the imports and exports of eight key agricultural commodities to and from the EU as a percentage of the total import and export of these goods.²

Graph 1: UK agricultural trade with the EU



Source: Comtrade

3. Brexit will fundamentally change our relationship with the EU. Currently the UK benefits from tariff-free trade within the EU, and the UK and other EU members levy common tariffs on products imported into the EU from other countries.

4. The Prime Minister, the Rt Hon Theresa May MP, stated that after the UK leaves the EU, it will cease to be a full member of either the Single Market or the Customs Union. In her speech on 17 January 2017, setting out the Government's negotiating objectives for exiting the EU, the Prime Minister announced her intention to "pursue a bold and ambitious Free Trade Agreement with the European Union ... [to] allow for the freest possible trade in goods and services between Britain and the EU's member states".³

5. While we acknowledge the Government's aims, we recognise that the timetable for withdrawal negotiations is tight, and concluding a free trade agreement (FTA) in the time available may be extremely ambitious. If an FTA is not reached, World Trade Organisation (WTO) rules would automatically apply to any trade between the UK and the EU.

1 Department for Environment, Food and Rural Affairs ([BRT0042](#))

2 [Brexit: implications for agriculture & trade](#), Agriculture and Horticulture Development Board

3 [The government's negotiating objectives for exiting the EU: PM speech](#), 17 January 2017

6. We launched our inquiry on 20 October 2017. Our inquiry considered the impact of trading under WTO rules and the opportunities and challenges that different agricultural sectors could face.

7. In withdrawing from the EU, the UK will withdraw from the Common Agricultural Policy (CAP). We intend to look at the Government's proposals to replace CAP later in this Session.

8. We took oral evidence from representatives from some of the main agri-food industries, such as sheep, beef, poultry, pork, horticulture, cereals, and the dairy industry. We also took evidence from consumer organisations, academics, Tim Martin (Founder and Chairman, JD Wetherspoon), and the Department for Environment, Food and Rural Affairs. We are grateful to those who provided oral and written evidence.

2 Tariff Barriers

Tariff Barriers

9. Tariffs (or customs duties) are a state levy imposed on goods crossing from one customs territory to another. Tariffs can be imposed on exports and imports. Tariffs are the most visible barriers to trade.

10. There are no tariffs on products traded between the EU Member States, and its Common Customs Tariff applies to all goods imported from third countries (with some exceptions e.g. Tariff-Rate Quotas).

11. As soon as the UK leaves the EU Customs Union, both UK exports to the EU, and EU exports to the UK, will be potentially subject to tariff barriers. In the absence of a free trade agreement with the EU or customs union arrangement, the UK and EU will trade under the default framework governed by the World Trade Organisation (WTO).

Most Favoured Nation Principle

12. The WTO's 164 country members must observe the "most favoured nation" (MFN) principle: this "non-discrimination principle" means the same tariffs must be applied to all countries. Lower-than-MFN tariffs may only be applied where a free trade agreement (FTA) or customs union (CU) agreement has been concluded with one or more trading partners, or when preferential treatment is given to developing countries.⁴

13. In this Chapter we examine the impact that tariffs could potentially have on different agri-food sectors.

Tariffs on UK-EU exports under WTO rules

14. Individual tariffs vary between different sectors and products. For non-agricultural goods, the average tariffs are relatively small. However, tariffs on agricultural goods are typically much higher, with the intention of protecting domestic markets.

15. The average EU tariff on dairy products is over 30%, while tariffs could be as high as 87% for frozen beef. Some other examples include a tariff of 46% for cheese or 21% for tomatoes. Some individual products have tariffs over 100%.⁵

16. Witnesses told us that tariff-free access to the EU was "crucial".⁶ Tariffs would have a detrimental impact on those agricultural sectors that were dependent on EU exports for their profitability.

17. We heard particular concerns about the impact of tariffs on the sheep sector. The EU is very important for UK sheep meat exports, with more than 95% of its export volume destined for the EU. The Welsh lamb market is very dependent on the EU market, with 92% of exports (by value) and 85% (by volume) destined for the EU.⁷

4 [World Trade Organisation website](#)

5 [WTO World Tariff Profiles 2016](#)

6 [National Farmers Union \(BRT0030\)](#)

7 [Hybu Cig Cymru \(BRT0034\)](#)

18. Sheep exports, with a tariff of at least 50%, would become uncompetitive on the EU market.⁸ The Agriculture and Horticulture Development Board (AHDB) told us that this would have a “devastating” effect on the sector.⁹ The Andersons Centre estimated that in Northern Ireland alone, exports to the EU would drop by about 90%.¹⁰ It would have serious consequences in Wales, where sheep farming was such a vital part of the Welsh economy, with producer prices estimated to decrease by 30%.¹¹

19. The EU market is also important to the beef market, with more than 90% of UK beef exports shipped to other EU countries in 2015/16.¹²

20. In addition to their raw value, exports are important in the meat sector in helping to secure value for the whole carcass, finding markets for parts of the animal that are less favourable in the domestic market. In the UK, consumers prefer to eat chicken breast, lamb legs, mince, beef steaks, pork chops. There is little or no domestic market for dark chicken meat, chicken necks, chicken feet, sow meat and pigs trotters, for example.¹³ Exporting these allow producers to maximise their return.

21. The EU is also a key market for an “export-focused and orientated” dairy market.¹⁴ Currently, 15% of current output in the sector is exported, with 85% to 90% going to mainland Europe.¹⁵ In Northern Ireland, the situation is exacerbated by the fact that, unlike other regions of the UK, it exports between 70%–85% of its milk product, mostly as milk powders, and does not have a reliance on the liquid milk market.

22. AHDB noted that the introduction of tariffs would prevent most imports of dairy products into the EU.¹⁶ Dairy UK stated:

If you take cheese as an example, WTO tariffs on dairy will do what they are designed to do: they will stop trade. The WTO tariff on cheese is of the order of 40% to 50% depending on the cheese variety. We do not make 50% margins in this sector, so the ability to absorb is minimal, if not non-existent.¹⁷

23. In the cereals sector, wheat and barley exports would be most affected. Approximately 80% of exports go to EU markets.¹⁸ AHDB told us that cereals would find it difficult to compete in the EU market with other third country wheat producers, such as Russia, Ukraine, the US or South America: “They not only have been exporting effectively for a very long time, but they do it in volumes we cannot imagine”.¹⁹

24. An exception to the general concern was fruit and vegetables. Exports are minimal, with most trade focused on the domestic market.²⁰

8 Agriculture and Horticulture Development Board ([BRT0029](#))

9 Q98

10 Q89

11 Hybu Cig Cymru ([BRT0034](#))

12 Agriculture and Horticulture Development Board ([BRT0029](#))

13 International Meat Trade Association ([BRT0002](#))

14 Q283

15 Q280

16 Agriculture and Horticulture Development Board ([BRT0029](#))

17 Q296

18 Q205

19 Q210

20 Agriculture and Horticulture Development Board ([BRT0029](#))

25. George Eustice MP, Minister of State for Agriculture, Fisheries and Food, Defra, recognised that the lamb industry and cereals industry would be affected by tariffs on exports.²¹

26. During our evidence session with Rt. Hon. Michael Gove MP, Secretary of State, and the Minister of State for Agriculture, Fisheries and Food, we were surprised to hear that Defra had not completed work on sector by sector analysis.²² More surprising was the admission that this work may not be completed before the publication of the Agriculture Bill. Although DexEU had produced Brexit impact assessments and made them available for Members to view, we were not impressed with the depth of analysis in the documents.

27. The EU is the UK's most significant trading partner. Although the Government's intention is to agree a comprehensive free trade agreement and customs agreement with the EU, there is no guarantee that this will occur. In the event that the UK leaves the EU without a free trade agreement, UK-EU trade will proceed under World Trade Organisation (WTO) rules. Reverting to WTO tariffs will have a significant impact upon agriculture as tariffs are higher for agricultural products than for other goods and services.

28. We note that the sheep, dairy and cereals sectors, those particularly dependent on the export market, will be most affected.

29. While we recognise and welcome work that has been done by organisations such as AHDB in providing detailed sectoral analysis on the impact of tariffs on the UK's agricultural sectors, it is imperative that Defra undertakes similar work as a matter of urgency to evaluate the impact of any deal that the Government might be negotiating.

30. We recommend that Defra publishes a sector-by-sector analysis of the impact of Brexit before the publication of the Agriculture Bill.

UK Tariffs on Imports under WTO rules

31. If no trade deal with the EU is struck, any food or agricultural product that we need to import from the EU will be subject to UK tariffs. Under WTO rules, the UK will not be able to set tariffs that discriminate between trading partners, except as part of a free trade agreement or to give developing countries special access to its markets.

32. The Government has said that it wishes to replicate as far as possible the EU's existing set of tariffs, at least in the short term.

33. Looking ahead, a decision would then need to be taken over whether to maintain the current high level of tariffs or to lower them. The UK would need to set out its own schedule of tariffs and TRQs at the WTO. The two main scenarios discussed by the agri-food sector focus on:

- Fortress UK, applying WTO tariffs on imports
- versus
- Trade liberalisation with low/no tariffs on imports.

21 Q530

22 Q543

34. In this section, we look at possible outcomes of both scenarios.

Fortress UK, applying WTO tariffs on imports

Increased prices for consumers

35. Some witnesses told us that applying tariffs on imports would lead to increased costs for importers, leading to higher costs for consumers.²³ Which? stated that there was the potential for “stark price rises”.²⁴ The British Retail Consortium told us that, having applied the current WTO tariffs to four typical products in supermarkets, they were able to show that consumer beef and cheese prices could increase by up to 30%, tomatoes by up to 18% and broccoli by up to 10%.²⁵

36. In contrast, Tim Martin, Founder and Chairman of Wetherspoon, has said that no-deal Brexit fears are “overblown”.²⁶ He told the Committee that he disagreed that no-deal would result in higher food and drink prices. He estimated that it would actually reduce the price of a Wetherspoon meal by 3.5p, and reduce the cost of a pint by 0.5p: “We simply looked at all our supplies, found out the tariffs that apply on food that comes from outside of the EU, and then averaged it across all food, including from the UK, etc.”.²⁷

37. George Eustice MP told us that the impact on retail prices would be quite modest, with retail prices rising by 4.3%.²⁸

Opportunities for UK businesses

38. 30% of the food consumed in the UK is imported from the EU.²⁹ Some witnesses told us that high tariffs on imports offered an opportunity for import substitution. Price rises on imported products could give an opportunity to British products, making them more attractive to domestic consumers with the potential to displace imports.³⁰ This was particularly significant for certain sectors with high levels of imports.

39. AHDB identified dairy as the sector with the most scope to displace imports. Currently the UK produces approximately 14.5 billion litres of milk per annum, depending on weather conditions and milk prices. For the UK to become self-sufficient, it would need to produce another 3.3 billion litres of milk, which was an extra 20%.³¹ The UK also currently imports two-thirds of its cheese from the EU.

40. The pig sector was also identified as one with potential to grow, with the UK only 56% self-sufficient in pig meat.³² However, imports would still be required to meet UK consumers demand for certain type of meat. Tulip Ltd told us:

23 Hybu Cig Cymru ([BRT0034](#))

24 Which? ([BRT0071](#))

25 British Retail Consortium ([BRT0061](#))

26 [No deal Brexit fears overblown, says JD Wetherspoon boss](#), The Guardian, 8 November 2017

27 Q399

28 Q530

29 Q393

30 Agriculture and Horticulture Development Board ([BRT0029](#))

31 Q300

32 Q336

We require a funny pig in the UK ... we want it with lots of legs and lots of loins, but not so much shoulder and belly, so we have a rather interesting scenario where we are exporting shoulders and fifth quarter, but we are massively importing loins and legs from Europe.³³

41. The horticultural sector was very positive about the opportunities around import substitution. The UK berry industry was approximately 90% self-sufficient from May to October and year-round opportunities could be provided by using technology, such as LEDs and glass houses. It could provide £350 million of sales extra.³⁴ The sector was also importing approximately £350 million a year of hardy nursery stock, and domestic production could be increased with minimal output.³⁵

42. Witnesses agreed that it was unrealistic to think that import displacement would totally remove the need for exports. It was not possible to grow all products that consumers demanded in the UK: “We cannot grow bananas or citrus, and those are the key products that we import in high volumes. There is a lot we can do to improve, but we need to have a realistic perspective on the situation”.³⁶

43. Witnesses agreed that opportunities to increase domestic agri-food sectors would be affected by a decline in attracting overseas labour to the UK. We examined the issue of labour shortages earlier in the Session in our Seventh Report of Session 2016–2017, in [Feeding the nation: labour constraints](#).³⁷ We will return to this issue later in this Session, and therefore do not intend to comment further in this Report.

44. Ladies in Beef told us that there was an increased appetite for British products amongst domestic consumers.³⁸ However, witnesses agreed that import substitution would take time and were concerned that their industry would not be able to adapt to the new requirement post-Brexit—as they were unknown at this stage of the Brexit negotiations. For example, increasing the amount of beef took two years “from conception to killing”.³⁹ Cargill Meats Europe spoke of similar timescales in the poultry sector, and highlighted that getting planning permission to up-scale premises could often take up to three years.⁴⁰ Ladies in Beef noted that this was a long time to “have your cash and risk tied up”.⁴¹

45. We also heard concerns that businesses were afraid to invest without stability and clear direction from the Government: “The willingness is there. The environment needs to be there. You need capital to invest ... We need stability in the market to access the capital to do that. We need to be assured that what we are competing with is of a similar standard, so we are not suddenly hit by price falls”.⁴²

46. The National Farmers’ Union (NFU) Dairy Board noted the support that US farmers had received from the US Department of Agriculture’s insurance scheme, in order to

33 Q330

34 Q144

35 Q146

36 Q189

37 Environment, Food and Rural Affairs, Seventh Report of Session 2016—2017, [Feeding the nation: labour constraints](#) HC 1009

38 Q32

39 Q29

40 Q347

41 Q29

42 Q111

help them manage the impact of price volatility on their businesses: “In the first year, the uptake was quite substantial. ... As the market has gone the right way, fewer and fewer farmers have bought into it”.⁴³

47. *The agricultural industry needs clarity as to the Government’s long-term vision and future support. We call for the publication of the Agriculture Bill as soon as possible.*

48. *The Government needs to support British farming and agriculture in preparing for business post-Brexit. Defra should consider providing a fund to support our food producing industry to adapt effectively to the challenge ahead.*

49. *The Government should consider what support can be offered to sectors where imports into the UK and exports out of the UK are roughly equal, such as the dairy industry, that can make us more self-sufficient. This would offer these sectors an opportunity to become more productive. It would give people the confidence to invest, keep food prices down and keep farmers in business.*

Trade liberalisation

Cheap imports

50. The UK Government could decide to remove all tariffs on imports into the UK. This would lower the cost of imported goods, leading to reduced prices for UK consumers. Removing tariffs on imports does not guarantee any reciprocal arrangement for our exported goods.

51. Witnesses expressed concern that the removal of tariffs would result in the UK market being flooded with imports produced to different and by inference, lower welfare, environmental and health standards. Which? told us that, although prices were important, they should not be delivered at the sake of undermining standards: “Food safety is absolutely critical ... If we compromise on standards, it will have an effect on consumers but also on the wider economy”.⁴⁴

52. Witnesses highlighted products produced with different methods of farming across the globe that included, higher level of pesticides use, genetically modified organisms (GMOs), growth hormones, animal cloning and cultured meat.⁴⁵ Two high profile examples are hormone-treated beef and chlorinated chicken. We return to the issue of standards later in this Report when discussing free trade agreements.

53. We also heard concerns about lower farm animal welfare standards in overseas countries, including the EU.⁴⁶ Although the UK upheld high animal welfare and environmental standards, it was pointed out that they came at a cost to UK producers.⁴⁷ Dairy UK told us that it was important that UK farmers competed with imports on an even playing-field, with equivalence on animal welfare, quality standards and health

43 Q309

44 Q392

45 Dr Ludvine Petetin ([BRT0056](#))

46 Compassion in World Farming ([BRT0003](#))

47 Q78

standards: “That is a key concept that needs to be borne in mind as we go forward ... We compete on a global stage, but we want to compete on an equal footing, so the concept of equivalence is key as far as we are concerned”.⁴⁸

54. We heard that if UK farmers had to compete with such imports, welfare and environmental standards could fall. Dr Petetin, from the School of Law and Politics at Cardiff University, warned of a potential “race to the bottom”.⁴⁹ The National Beef Association agreed there was a risk, but told us that this was a situation no farmer wanted.⁵⁰

55. Many British brands are seen as premium products domestically and across the world, and are in high demand. Any lowering of standards would affect consumer confidence about the farming industry and the product amongst domestic consumers. Hybu Cig Cymru (Meat Promotion Wales) (HCC) told us that being perceived as a country that had lowered animal welfare and environmental standards would make it difficult to maintain trade and establish new markets.⁵¹

56. There seemed to be some confusion over whether imports could be restricted on the basis of animal welfare. WTO rules impose limits on the extent to which countries can restrict imports on the basis of welfare concerns. However, Compassion in World Farming were of the opinion that recent developments in WTO case law indicated a shift towards such restrictions.⁵²

57. The Secretary of State told us that there would be no compromise on animal welfare and environmental standards.⁵³

Continued viability of UK businesses

58. High tariffs on agricultural goods have offered a degree of protection from non-EU countries. Witnesses expressed concern that a liberalisation of tariffs could cause “irreversible damage” to the agricultural sector in the UK, affecting the viability of many British farms.⁵⁴ Scenario forecasting by AHDB show that cereals, upland beef and sheep producers would be most impacted by decreases to farm business income.⁵⁵

59. HCC projected that producer prices in the beef and sheep sectors could decrease by 45% and 29%, respectively, compared with reductions of 12%, 9% and 10% in producer prices for the pig, poultry and dairy sectors respectively.⁵⁶ The National Beef Association reported: “If you want to close down the beef sector, including processing, et cetera, you allow as much cheap beef in as possible”.⁵⁷

48 Q322

49 Dr Ludivine Petetin ([BRT0056](#))

50 Q104

51 Hybu Cig Cymru ([BRT0034](#))

52 In *EC-Seal Products*, the WTO Appellate Body ruled that in the EU (and therefore in the UK) animal welfare is a concern that comes within the field of public morals. WTO dispute panels and the Appellate Body have stated on several occasions that WTO member countries have the right to determine the level of protection that they consider appropriate to achieve a given policy aim for example as regards public health, conservation, prevention of deceptive practices or public morals.

53 Q564

54 NFU Scotland ([BRT0035](#))

55 [Brexit Scenarios: an impact assessment](#), Agriculture and Horticulture Development Board, October 2017

56 Hybu Cig Cymru ([BRT0034](#))

57 Q104

60. The dairy industry would also be affected, with domestic products such as butter and cheese under increased competition from global exporters.⁵⁸

61. The Secretary of State told us that, in the event of no free trade agreement with the EU, he would argue for WTO tariffs to remain.⁵⁹ He recognised that the removal of tariffs, while leading to reduced food prices, would “put considerable strain on farmers”.⁶⁰

62. When establishing its own tariffs at the WTO, the Government must give careful consideration to the impact on the UK’s agricultural industry. High tariffs on imports would raise the cost for consumers while removing tariffs could lower the cost for consumers but have a devastating effect on the long-term future of the UK’s agricultural industry. Such a move could put many UK farmers out of business, which would be detrimental to the rural economy, and render the UK dependent on imported food.

63. The Government has offered no clarity to the agricultural industry on its post-Brexit policy. The Government must offer this clarity and stability so that the industry has the confidence to invest and take advantage of the opportunities offered to the industry post-Brexit. We would like to see the Government offer policies that would stimulate home grown food production.

64. The UK has an international reputation for high animal welfare, environmental and food standards. These must not be sacrificed on the altar of cheap imports. Doing so could undermine the premium British brand and might affect our ability to negotiate trade deals with other countries. We will hold the Secretary of State to his assurances that there will be no compromise on animal welfare, environmental and food standards.

Tariff Rate Quotas

65. Tariff Rate Quotas (TRQs) have been set for some products to allow some countries preferential access into the EU Single Market for these products. The UK does not currently have its own national tariffs. They are set for all member states by the EU.

66. WTO members may establish autonomous TRQs at any time. As part of establishing UK-specific WTO schedules, it will be necessary to decide how the EU28’s WTO TRQs will be apportioned between the UK and the EU27. There are currently 128 TRQs on agri-food imports covering approximately 6% of EU agri-food imports by value.

67. The UK and EU have brokered a preliminary agreement on dividing current EU28 WTO Tariff Rate Quotas. The proposed deal does not expand overall quotas, instead it divides up current quotas according to where the goods have historically been consumed amongst the EU28.

58 NFU Scotland ([BRT0035](#))

59 Q559

60 Q530

68. The idea of dividing up current TRQs was rejected in a public letter signed by major agricultural exporters including the US, Argentina, Brazil and New Zealand.⁶¹ Commentators have suggested that they fear the chosen methodology would lead to loss of access for their agricultural exporters to both the EU and UK markets.⁶²

69. The British Retail Consortium stated that they wanted to maintain the same tariff rate quotas. They expressed concern about any delay to agreements as their members needed to agree contracts for 2019 onwards. NFU Scotland told us that any change to the current agreement had the potential to drive down prices and undermine domestic production standards in the UK.

70. George Eustice MP told us that countries such as Thailand and New Zealand had an interest in continuing the current quotas, as the lion's share of their quotas came to the UK.

71. Post-Brexit, the UK will be responsible for setting its own Tariff Rate Quotas. This should be carefully considered as it will have an impact on England, Scotland, Wales and Northern Ireland. We call on the Government to announce these quotas as soon as possible, so that the UK agricultural industry can have trading certainty for 2019 and onwards.

61 [Letter to the Permanent Representative of the European Union and the Permanent Representative of the United Kingdom, 26 September 2017](#)

62 [Dividing EU-UK farm trade quotas: no friends, just interests](#), Global Counsel, 6 October 2017

3 Non-Tariff Barriers

72. A non-tariff barrier is any measure, other than a customs tariff, that acts as a barrier to international trade. The UN Conference on Trade and Development classifies 16 types of non-tariff barriers.⁶³ Examples include sanitary and phytosanitary measures, labelling requirements, pre-shipment inspection and formalities, subsidies and rules of origin as well as protected product descriptions known as Geographical Indicators (GIs).

73. Witnesses expressed concern that, following Brexit, non-trade barriers could pose significant obstacles to trade in goods. In this Chapter, we focus on two major non-trade barriers: regulations and standards; and customs checks.

Regulations and standards

74. The regulatory environment can be an important factor in trade as it can be an impediment to trade. Membership of the Single Market removes many regulatory barriers to trade, through harmonisation of standards⁶⁴ and mutual recognition of standards,⁶⁵ which are underpinned by supranational institutions.⁶⁶

75. Immediately after leaving the EU, the UK will be fully aligned with EU rules. It will then be for Parliament to decide whether to keep current regulations or to change them. But even if the UK has (as it intends to through the EU (Withdrawal) Bill) transferred EU laws into UK law, that will not in itself prevent new regulatory barriers. As the Institute for Government stated in a recent report, “There is a difference between having the same rules and having those rules legally recognised as being the same as the EU’s”.⁶⁷

76. Witnesses told us that they wanted to see limited regulatory divergence so that no non-tariff barriers were introduced. The Andersons Centre said: “If you keep the standards aligned and harmonised, you make the challenges a lot more attainable in terms of managing the changeover into the post-Brexit world”.⁶⁸

77. British Summer Fruits put it in starker terms: “There is a risk that, if you diverge from the EU standards, the export opportunities that exist will disappear”.⁶⁹

78. Witnesses highlighted the increased costs to businesses that regulatory divergence would cause. As Sustain noted, “Generally, when standards start to diverge then costs start to accrue in tracking the difference between the products. What kind of paperwork will have to be provided? What kind of proof of certification or standard-setting will there have to be, and also what kind of inspection regimes, particularly at borders?”⁷⁰

63 [International Classification of Non-Tariff Measures](#), United Nations Conference on Trade and Development, 2012

64 In some areas the EU replaces national legislation with harmonised rules. These are common standards which exist in areas such as technical regulations, and food safety and animal health.

65 Where rules are not harmonised, the Single Market guarantees that products and services can be sold irrespective of their differences through mutual recognition of member state regulations.

66 The rules of the Single Market are underpinned by institutions to ensure they are enforced.

67 [Trade after Brexit: Options for the UK’s relationship with the EU](#), Institute for Government, 18 December 2017

68 Q137

69 Q167

70 Q441

79. We also heard concerns that regulatory divergence from the EU could have a negative impact on seeking FTAs with non-EU countries post-Brexit. AHDB told us:

We are already experiencing questions from third-country markets about how the UK, post Brexit, proposed to maintain the current EU standards, which were the standards that were agreed with these importing countries that we have historic agreements with.⁷¹

80. Some witnesses told us that Brexit was an opportunity to seek some degree of change in regulations to better target them to the United Kingdom. But they recognised that any change in regulations would be constrained by the need for some sort of continued alignment in order to facilitate trade with the EU.⁷² Some examples included: “streamlining and rationalising” the pig sector;⁷³ and introducing a more open, more risk-based approach to certain niche sectors in plant health regulation.⁷⁴

81. We heard that Brexit would be an opportunity to re-develop regulation around animal disease and animal welfare policy. The National Pig Association spoke of the current threat to the pig sector from African swine fever, and the danger it posed to our export market if it reached the UK. It continued:

There is definitely an opportunity to rationalise our policy on imports in particular, and to look at a more country-by-country profile in Europe as to where risks are generated. At the moment, it is a common trade area and products can move very freely. We can look at that and rationalise it. Being an island nation, ... we at least have the ability to look at it again and decide how we can implement a policy that keeps disease out properly.⁷⁵

82. The RSPCA told us that there was also an opportunity to go further than current EU legislation to improve farm animal welfare standards, for example, for the UK to develop animal specific legislation in sectors such as ducks, dairy and beef cattle standards.⁷⁶

83. Some witnesses, on the other hand, cautioned that raising standards could undermine UK farmers’ competitiveness. The British Retail Consortium told that there was a need to “be careful about raising regulations to a certain point simply for the sake of it, but you may not always be able to pass the value of that on to consumers. The last thing we want to do is look at a higher tier of regulation that is not valuable to the consumer”.⁷⁷

84. Food and Drink Federation (FDF) Scotland spoke of the need to ensure that the EU recognised UK regulations in any post-Brexit scenario: “The whole point of Brexit is to make sure that we can make our own rules in the UK, but without mutual recognition of those standards between the UK and EU there is an enormous amount of additional work that businesses will have to do, in particular to export into the EU”.⁷⁸

71 Q126
 72 Q167
 73 Q381
 74 Qq144,167
 75 Q372
 76 RSPCA ([BRT0025](#))
 77 Q505
 78 Q469

85. **Leaving the Single Market could lead to regulatory divergence. It is not yet clear if the Government intends to maximise UK sovereignty, at the cost of less access, or whether it intends to achieve maximum access, but with the loss of opportunity to create bespoke regulations for the UK's benefit.**

86. *The Government must make it clear to industry how it intends to deal with potential regulatory divergence with the EU, and the mechanisms it will put in place to track divergence in the future.*

Geographical indicators

87. A geographical indicator (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. The United Kingdom has a total of 65 products with protected status. Examples in the UK include cornish clotted cream, stilton cheese, welsh lamb, and scotch beef. Witnesses mentioned geographical indicators (GIs) as a priority for a trade agreement with the EU.

88. HCC told us that GIs added value to products such as Welsh Lamb and Welsh Beef: “In some established EU markets there is high consumer recognition of this designation, but more generally in the global food industry, it is recognised as a mark of quality”.⁷⁹ Ladies in Beef told us that more could be done in promoting geographical indicators. She noted that the Protected Geographical Indicators of West County Beef and Lamb had been “hard won” and that it had huge potential, but there needed to be an increased marketing budget behind it.⁸⁰

89. HCC told us that the loss of PGI status might require a fundamental re-branding exercise for Welsh lamb and Welsh beef, which could entail “very substantial costs”.⁸¹

90. The EU scheme for GIs allows for international registration, for example Colombian Coffee. However, HCC told us that legislation giving mutual equivalent protection for European food names had to be incorporated into the third country's law.

91. **Geographical indicators enable UK businesses to add value to their product and to assert provenance and quality. The Government must ensure that protected geographical indicators are retained in a similar form after the UK leaves the EU.**

Customs Checks

92. UK membership of the EU Customs Union means that there are no customs duties inside the union and there is no need for UK traders to prove the origin of their goods at internal borders. Trade in food products of animal origin for human consumption between Member States takes place without certification or controls at borders between the different Member states. There are no charges or any specific hygiene inspections on these consignments.⁸²

93. During the inquiry, we took evidence on the impact that the UK trading as a “third country” would have. Our witnesses told us that Brexit presented challenges to maintaining

79 Hybu Cig Cymru ([BRT0034](#))

80 Q61

81 Hybu Cig Cymru ([BRT0034](#))

82 Mr Neil Brooks ([BRT0005](#))

the current flow of trade. As a “third country” the UK will be subject to strict customs checks and controls at the first point of entry into the territory of the EU, to ensure that products are of a satisfactory standard.

94. For example, exporters of products of animal origin will need to go through the following steps:

- (1) register with the EU as a third country company that is authorised to export animal products to the EU;
- (2) apply for relevant import licences along with documentary proof of the product’s country of origin;
- (3) apply and pay for veterinary certificates to show that the product meets EU public health standards;
- (4) notify the relevant EU Border Inspection Post (BIP) in advance of the arrival of the goods;
- (5) arrive at the first point of entry into the EU only at an approved EU Border Inspection Post;
- (6) submit the goods for veterinary inspection before the consignment is permitted to freely move on to its destination within the EU.⁸³

95. During the inquiry we looked at two impacts of trading outside a customs agreement: an increase in cross border administration paperwork; and border inspection post capacity.

Increased Cross Border Administration Paperwork

96. Witnesses told us that new checks on rules of origin⁸⁴ and new declarations would be a significant barrier to the smooth flow of goods between the UK and EU. Rules of origin would apply to the UK both were it to agree a FTA with the EU, and also if it were to trade under WTO rules.

97. Rules of origin are an “incredible complex subject”, and many UK small and medium-sized businesses will not have had experience of dealing with them.⁸⁵ The British Meat Processors Association noted the negative affect it would have on supply chains, particularly on the pork sector: “The real complications come when you bring something into a country, make it in another product and then export it. Then you have to start deciding what percentage of that product has come from one particular country. It is a pretty complicated area”.⁸⁶

98. If the UK is treated as a third country post-Brexit, exports or imports of animals or animal products to and from the EU must be accompanied by a health certificate, signed by a veterinary surgeon. The British Veterinary Association estimated that post-Brexit the volume of products requiring veterinary certifications could increase by 325%.⁸⁷

83 Mr Neil Brooks ([BRT0005](#))

84 Rules of origin are used to determine where a product and its components were produced, thereby ensuring that the correct customs is levied.

85 Q61

86 Q61

87 British Veterinary Association ([BRT0027](#))

99. The current system for veterinary certificates is a paper-based system. AHDB told us there was a need to transition towards an electronic health certificate type arrangement. The NFU agreed that the Government needed to invest in IT systems to improve traceability that enabled data to be shared along the supply chain and to ensure that export health certificates were in place.⁸⁸

100. There are currently 1,063 Official Veterinarians authorised by the Government's Animal and Plant Health Agency (APHA) to certify food products for export to third countries. The British Veterinary Association told us that this would have to be significantly increased.⁸⁹ The Royal College of Veterinary Surgeons highlighted the UK's reliance on non-British vets. The Food Standards Agency estimated that 95% of veterinary surgeons working in the meat hygiene sector graduated overseas.⁹⁰ They stated that any threat to the inflow of EU vets would be a threat to the UK's ability to trade animal products internationally.⁹¹

101. Witnesses told us that it was important for the UK to retain veterinary equivalence once it left the EU in order to maintain access to third markets. The NFU cited the example of South Africa (the UK's biggest export market for poultry), where the EU has a veterinary agreement with South Africa, which grants EU Member States, including the UK, veterinary equivalence.⁹²

102. Export certification demands are likely to increase dramatically. We recommend that the Government set out how it intends to increase resources to ensure that trade is not affected by delays in the process. It is imperative that the Government invest in IT systems to support a more efficient export certification process in order to minimise delays to trade.

103. Non-British EU veterinary surgeons are critical to the UK veterinary workforce. The Government must set out how it intends to ensure working rights for non-British EU vets currently working in the UK and to support the veterinary workforce going forward to ensure that it can meet the needs of the UK's food industry in the future.

Border Inspection Post capacity

104. Any consignment of animals or animal products from third countries to the EU, may only enter the EU at a designated border inspection post (BIP). All such consignments of imported animal food products are subject to a documentary, identity and possibly physical examination at the first point of entry into the EU, and all consignments must pay a hygiene inspection charge depending upon the type and amount of the commodity being examined. These charges are harmonised, laid down in EU legislation and quite independent of any customs dues payable.⁹³

105. On the northern coast of the EU nearest to Britain there are only a limited number of approved EU border inspection posts. Mr Neil Brooks, former Principal Veterinary

88 National Farmers' Union ([BRT0030](#))

89 British Veterinary Association ([BRT0027](#))

90 Written evidence received from the Food Standards Agency as part of our Feeding the nation: labour constraints inquiry, Session 2016-17, ([LSH0010](#))

91 Royal College of Veterinary Surgeons ([BRT0054](#))

92 National Farmers' Union ([BRT0030](#))

93 Mr Neil Brooks ([BRT0005](#))

Administrator at the European Commission, told us that this would limit the ports through which UK exporters of products of animal origin may initially send or route their consignments of these products.⁹⁴ Calais and Boulogne are not currently listed as border inspection posts; while the only listed BIP in the Republic of Ireland is Dublin. There are no control points at the land border between the Republic of Ireland and Northern Ireland.

106. Witnesses expressed concern that additional checks at the border would lead to delays and affect the flow of trade. FDF Scotland described the physical delays that additional customs checks would cause:

[They] require[...] a lorry to stop. It requires someone to look in the lorry, it requires the paperwork to be checked. It requires the lorry to go back in line and it requires it to go on to the train or on to the boat, or across the border between Ireland and Northern Ireland. All that is something that is currently in play with countries outside the European Union when it comes in. All of that can be a delay.⁹⁵

107. Current border inspection posts are not capable of dealing with additional checks required from imports and exports to and from the EU. The primary freight port between Europe and the UK is the Port of Dover. On an average day, almost 16,000 trucks pass through the Port of Dover.⁹⁶ This capacity was achieved through dismantling all checks at both Dover and Calais.

108. At ferry terminals, disembarkation is free flow unless a vehicle is pulled aside, and vehicles travel through the ports incredibly quickly, with very limited human intervention.⁹⁷ There is no parking space for disembarking from the ships and there are no services in the terminal for any truck that does have to stop. The ferry terminal has a just-in-time logistics model which is dependent on goods arriving punctually and predictably. The British Meat Processors Association expressed concern that Dover and Holyhead would be unable to cope with the likely amount of border clearances involved unless suitable arrangements were put in place.⁹⁸

109. The RSPCA expressed concern that, on leaving the EU customs union, the UK would no longer have access to TRACES (Trade Control and Expert System). This is a web-based veterinarian certification tool used by the European Union for controlling the import and export of live animals and animal products within and without its borders. It facilitates the exchange of information between all trading parties and control authorities, speeds up the administrative procedures when trading in plants and animals and can even aid as an enforcement tool. The RSPCA told us that continued access to the system needed to be a “fundamental goal”.⁹⁹

94 Mr Neil Brooks ([BRT0005](#))

95 Q464

96 [Catastrophe looms at ports after Brexit, shipping industry warns](#), The Guardian, 12 April 2017

97 Q126

98 British Meat Processors Association ([BRT0007](#))

99 RSPCA ([BRT0025](#))

Northern Ireland

110. There are specific issues relating to trade between Northern Ireland and the Republic of Ireland due to the complexity of the land border. Trade between the two countries is interlinked.

111. The trade in live cattle and sheep, and beef and lamb across the Northern Ireland/ Republic of Ireland border takes place on a daily basis, with approximately 390,000 live lambs crossing the border annually.¹⁰⁰ The Livestock and Meat Commission for Northern Ireland told us that the Northern Ireland sheep industry was particularly exposed to the effects of more complicated border arrangements, with approximately 45% of all lambs born in Northern Ireland exported to the Republic of Ireland each year. In 2016, the value of this live trade was approximately £31.5 million.¹⁰¹

112. The dairy industries in Northern Ireland and the Republic of Ireland act as one through the supply chain, and dairy products cross the border several times between the farm gate and the consumer. Republic of Ireland dairy co-operatives own approximately 60% of the processing capacity in Northern Ireland. Exports to the Republic of Ireland were approximately 15% of total sales of the Northern Ireland dairy industry in 2015.¹⁰²

113. Witnesses told us that it was essential that two-way access between Northern Ireland and the Republic of Ireland remained “without tariffs and free from burdensome non-tariff administrative measures”.¹⁰³ Dairy UK said that a hard border would be the least desirable option for the dairy industry.¹⁰⁴

114. On Friday 8 December 2017, a Joint Statement from the negotiators of the European Union and the United Kingdom Government on Phase 1 included commitments on the approach to be taken to avoid a “hard border” between the Republic of Ireland and Northern Ireland. This entails a commitment, if agreed solutions with the EU are not found to achieve this, to maintaining a “full alignment” with the rules of the Internal Market and the Customs Union in respect of “North-South cooperation, the all island economy and the protection of the 1998 [Belfast] agreement”. The document also commits to ensuring there are no new regulatory barriers between Northern Ireland and the rest of the United Kingdom.¹⁰⁵

115. The Secretary of State told us that the Government was aiming to secure a trade deal overall that would work in the “interests” of the Republic and the UK. He continued that “full alignment [...] means that we seek to achieve the same goals, but we reserve the right to achieve them through different means”.¹⁰⁶

116. Any change in our trade arrangements has implications for the smooth movement of goods between the EU and the UK, and could lead to serious disruption to supply chains. A future bespoke agreement must address the costs and delays associated with customs and border controls.

100 Q115

101 The Livestock and Meat Commission for Northern Ireland ([BRT0013](#))

102 Dairy UK ([BRT0059](#))

103 Dairy UK ([BRT0059](#))

104 Dairy UK ([BRT0059](#))

105 [The Government's negotiating objectives for exiting the EU](#), 17 January 2017

106 Q575

117. Delays at border inspection posts lead to increased costs, and are a threat to perishable goods. It is imperative that the Government sets out how it intends to ensure that the right IT systems and infrastructure are in place for the import and export of agricultural produce so that businesses can continue to trade smoothly with Europe, including the Republic of Ireland, and the rest of the world.

4 Trade Agreements with Non-EU countries

New Market opportunities

118. EU members have a common trade policy and are represented by the EU in all international trade negotiations. Post Brexit, the UK would be free to seek its own trade deals with the rest of the world.

119. 10% of UK trade currently comes through bilateral agreements that the EU has with third countries. The British Retail Consortium told us that the UK needed to prioritise agreements with those countries, such as South Korea, South Africa, Peru, Chile and Iceland.¹⁰⁷

120. Witnesses agreed that opportunities for growth areas were outside Europe, in countries such as China, India and the United States. However, the National Sheep Association expressed concern at the length of time it could take to agree such deals, with some taking 8 to 10 years.¹⁰⁸ In addition, the UK would be competing with others for these export markets. For example, the US was a threat to increasing the poultry market for dark meat, as it had a large established export market in this product.¹⁰⁹

121. In countries such as China, where status was important, we heard that relationship building at a high level was extremely important in order to achieve trade agreements. While organisations such as AHDB were invaluable in terms of international marketing, sectoral organisations told us that Government to Government relationships were key.¹¹⁰ The National Sheep Association criticised the current level of engagement: “Where we have fallen down is at a governmental and ambassadorial level, in terms of relationship building at the highest possible level”.¹¹¹

122. Witnesses expressed concern that not enough resources were being put into marketing the UK abroad. The National Pig Association said there was a need to better finance and equip “UK plc” to promote exports abroad:

When you look at our competitors outside the European Union—the United States is a good example—the amount of resource they put in to promoting their export agendas, particularly in south-east Asia, is huge. It is seismic in comparison to anything that we do. If we really want those economies, not just in south-east Asia but around the world, to seriously think that the UK is looking to export quality products that have full traceability ... we have to look at properly resourcing UK plc exports so that we are taken seriously as a serious exporting nation.¹¹²

In agreeing with that, Tulip Ltd. told us “Denmark is a major exporter of pig meat and has 20 people sitting in China. In the UK pig sector, we have one person in China”.¹¹³

107 Q471

108 Q90

109 Q367

110 Q214

111 Q92

112 Q343

113 Q343

123. We have already examined the risk of food produced to lower animal welfare and environmental standards entering the UK when operating under WTO terms (see para 51). Witnesses also expressed concern that welfare standards would be sacrificed in order to achieve free trade agreements. This was felt to be particularly relevant in discussions with the USA, where there has been a lot of media focus on chlorinated chicken and hormone-treated beef.

124. Compassion in World Farming told us that it was “vital” that any new trade agreement included a clause requiring imports to meet UK animal welfare and environmental standards.¹¹⁴

125. In an earlier appearance before the Committee, the Secretary of State went on record saying *yes* to the question as to whether a trade deal could be thwarted on standards issues.¹¹⁵ During this inquiry, he told us that the Government would be assertive in defence of its own interests. He agreed that high welfare standards were not only important to consumers but also to the UK’s international reputation.¹¹⁶

126. It was recognised that new market opportunities would not replace EU trade, particularly as it was a natural trade partner.¹¹⁷

127. On leaving the EU, if there is no customs union, the UK will be able to pursue free trade agreements with non-EU countries. It is essential that the Government identify those countries where resources should be targeted. The Government must start developing relationships at a high political level with potential trading partners in order to ensure that agreements are signed to the benefit of the UK. The Government must also investigate how it can utilise the expertise within the House of Lords and House of Commons in building relationships and representing the UK overseas.

128. While we recognise the huge benefit that trade agreements could bring, these must not at the detriment of the UK’s reputation for high animal welfare, environmental and food standards. The UK Government must not allow imports that have not been produced to the UK’s high standards.

Country of Origin labelling

129. Witnesses told us that leaving the EU would allow the Government to frame its own food labelling legislation. Improved legislation would allow consumers to distinguish between food produced domestically and to high welfare standards, and imports where standards were not as high.

130. Currently, EU regulations on country of origin labelling of meat allow for meat products to be labelled with the country where the last significant change in production took place—and not necessarily where the animal had spent its entire life. If the UK continued with current practice, the Royal Institute of International Affairs noted that this could lead to a situation where, were chlorine-washed US chicken used as an ingredient in a UK-made chicken pie, it would not require labelling.¹¹⁸

114 Compassion in World Farming ([BRT0003](#))

115 [The work of Defra](#), Oral Transcript, Environment, Food and Rural Affairs Committee, Session 2017-2019 HC 321

116 Q565

117 Hybu Cig Cymru ([BRT0034](#))

118 The Royal Institute of International Affairs ([BRT0058](#))

131. Sustain also spoke of the need to introduce mandatory method of production labelling.¹¹⁹ At present, meat and milk do not have to be labelled to identify how they were produced. We heard that mandatory egg labelling had seen free-range sales increase dramatically, and that this should be replicated into other areas.¹²⁰

132. George Eustice MP told us the UK had always supported more mandatory country of origin labelling, and that the EU has resisted clearer labelling on processed food such as bacon, sausages and cheese. He recognised that this was an area that the UK could introduce nationally post-Brexit.¹²¹

133. It is essential that consumers be fully informed about the food that they are consuming. Current food labelling under EU regulations is not sufficient. We recommend that the Government improve country of origin labelling following the UK's departure from the EU. We also recommend that the Government introduce mandatory method of production labelling.

119 Sustain ([BRT0039](#))

120 RSPCA ([BRT0025](#))

121 Q649

5 Conclusion

134. For over 40 years, the UK has shared a strong trading relationship with the EU. Brexit will inevitably introduce friction to trading routes.

135. During trade negotiations, it is vital that the impacts of tariffs on the agricultural industry are fully understood and taken account of. The Government must ensure that the interests of the industry are not pushed aside for the benefit of other higher-profile industries, such as financial services. Different scenarios will affect agri-food sectors differently.

136. Non-tariff barriers are also a huge concern to the agricultural industry. These will add additional paperwork and checks to trade, with the potential to cause an additional expense and delays to businesses. The Government must be prepared for a situation where we trade under WTO rules, and start preparing accordingly.

137. There are opportunities for different sectors to improve their domestic markets. However, this will not happen overnight. The Government must look at ways to support the agricultural industry during this transition.

138. As the Government looks beyond the EU for new free trade agreements, it must not sacrifice our reputation for animal welfare and environmental standards. Cheap imports into the UK could have a huge impact on how the British brand is viewed overseas and affect our long term prospects.

Conclusions and recommendations

Tariffs on UK-EU exports under WTO rules

1. The EU is the UK's most significant trading partner. Although the Government's intention is to agree a comprehensive free trade agreement and customs agreement with the EU, there is no guarantee that this will occur. In the event that the UK leaves the EU without a free trade agreement, UK-EU trade will proceed under World Trade Organisation (WTO) rules. Reverting to WTO tariffs will have a significant impact upon agriculture as tariffs are higher for agricultural products than for other goods and services. (Paragraph 27)
2. We note that the sheep, dairy and cereals sectors, those particularly dependent on the export market, will be most affected. (Paragraph 28)
3. While we recognise and welcome work that has been done by organisations such as AHDB in providing detailed sectoral analysis on the impact of tariffs on the UK's agricultural sectors, it is imperative that Defra undertakes similar work as a matter of urgency to evaluate the impact of any deal that the Government might be negotiating. (Paragraph 29)
4. *We recommend that Defra publishes a sector-by-sector analysis of the impact of Brexit before the publication of the Agriculture Bill.* (Paragraph 30)

Fortress UK, applying WTO tariffs on imports

5. *The agricultural industry needs clarity as to the Government's long-term vision and future support. We call for the publication of the Agriculture Bill as soon as possible.* (Paragraph 47)
6. *The Government needs to support British farming and agriculture in preparing for business post-Brexit. Defra should consider providing a fund to support our food producing industry to adapt effectively to the challenge ahead.* (Paragraph 48)
7. *The Government should consider what support can be offered to sectors where imports into the UK and exports out of the UK are roughly equal, such as the dairy industry, that can make us more self-sufficient. This would offer these sectors an opportunity to become more productive. It would give people the confidence to invest, keep food prices down and keep farmers in business.* (Paragraph 49)

Trade liberalisation

8. When establishing its own tariffs at the WTO, the Government must give careful consideration to the impact on the UK's agricultural industry. High tariffs on imports would raise the cost for consumers while removing tariffs could lower the cost for consumers but have a devastating effect on the long-term future of the UK's agricultural industry. Such a move could put many UK farmers out of business, which would be detrimental to the rural economy, and render the UK dependent on imported food. (Paragraph 62)

9. The Government has offered no clarity to the agricultural industry on its post-Brexit policy. The Government must offer this clarity and stability so that the industry has the confidence to invest and take advantage of the opportunities offered to the industry post-Brexit. We would like to see the Government offer policies that would stimulate home grown food production. (Paragraph 63)
10. The UK has an international reputation for high animal welfare, environmental and food standards. These must not be sacrificed on the altar of cheap imports. Doing so could undermine the premium British brand and might affect our ability to negotiate trade deals with other countries. We will hold the Secretary of State to his assurances that there will be no compromise on animal welfare, environmental and food standards. (Paragraph 64)

Tariff Rate Quotas

11. *Post-Brexit, the UK will be responsible for setting its own Tariff Rate Quotas. This should be carefully considered as it will have an impact on England, Scotland, Wales and Northern Ireland. We call on the Government to announce these quotas as soon as possible, so that the UK agricultural industry can have trading certainty for 2019 and onwards.* (Paragraph 71)

Regulations and Standards

12. Leaving the Single Market could lead to regulatory divergence. It is not yet clear if the Government intends to maximise UK sovereignty, at the cost of less access, or whether it intends to achieve maximum access, but with the loss of opportunity to create bespoke regulations for the UK's benefit. (Paragraph 85)
13. *The Government must make it clear to industry how it intends to deal with potential regulatory divergence with the EU, and the mechanisms it will put in place to track divergence in the future.* (Paragraph 86)

Geographical indicators

14. Geographical indicators enable UK businesses to add value to their product and to assert provenance and quality. *The Government must ensure that protected geographical indicators are retained in a similar form after the UK leaves the EU.* (Paragraph 91)

Increased Cross Border Administration Paperwork

15. Export certification demands are likely to increase dramatically. We recommend that the Government set out how it intends to increase resources to ensure that trade is not affected by delays in the process. *It is imperative that the Government invest in IT systems to support a more efficient export certification process in order to minimise delays to trade.* (Paragraph 102)

16. *Non-British EU veterinary surgeons are critical to the UK veterinary workforce. The Government must set out how it intends to ensure working rights for non-British EU vets currently working in the UK and to support the veterinary workforce going forward to ensure that it can meet the needs of the UK's food industry in the future. (Paragraph 103)*

Border Inspection Post capacity

17. Any change in our trade arrangements has implications for the smooth movement of goods between the EU and the UK, and could lead to serious disruption to supply chains. A future bespoke agreement must address the costs and delays associated with customs and border controls. (Paragraph 116)
18. *Delays at border inspection posts lead to increased costs, and are a threat to perishable goods. It is imperative that the Government sets out how it intends to ensure that the right IT systems and infrastructure are in place for the import and export of agricultural produce so that businesses can continue to trade smoothly with Europe, including the Republic of Ireland, and the rest of the world. (Paragraph 117)*

Trade Agreements with Non-EU countries

19. On leaving the EU, if there is no customs union, the UK will be able to pursue free trade agreements with non-EU countries. It is essential that the Government identify those countries where resources should be targeted. *The Government must start developing relationships at a high political level with potential trading partners in order to ensure that agreements are signed to the benefit of the UK. The Government must also investigate how it can utilise the expertise within the House of Lords and House of Commons in building relationships and representing the UK overseas. (Paragraph 127)*
20. *While we recognise the huge benefit that trade agreements could bring, these must not at the detriment of the UK's reputation for high animal welfare, environmental and food standards. The UK Government must not allow imports that have not been produced to the UK's high standards. (Paragraph 128)*

Country of Origin labelling

21. It is essential that consumers be fully informed about the food that they are consuming. Current food labelling under EU regulations is not sufficient. *We recommend that the Government improve country of origin labelling following the UK's departure from the EU. We also recommend that the Government introduce mandatory method of production labelling. (Paragraph 133)*

Formal minutes

Wednesday 7 February

Members present:

Neil Parish, in the Chair

Alan Brown	Mrs Sheryll Murray
Paul Flynn	Angela Smith
Sandy Martin	Julian Sturdy
Kerry McCarthy	

Draft Report (*Brexit: Trade in Food*) proposed by the Chair, brought up and read.

Question put, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 47 agreed to.

Motion made, and Question put, That paragraph 48 stand part of the Report.

The Committee divided.

Ayes, 4	Noes, 2
Alan Brown	Paul Flynn
Sandy Martin	Kerry McCarthy
Mrs Sheryll Murray	
Angela Smith	

Question accordingly agreed to.

Paragraph—(*Neil Parish*)—brought up and read, as follows:

“The Government should consider what support can be offered to sectors where imports into the UK and exports out of the UK are roughly equal, such as the dairy industry, that can make us more self-sufficient. This would offer these sectors an opportunity to become more productive. It would give people the confidence to invest, keep food prices down and keep farmers in business.”

Question put, That the paragraph be read a second time.

The Committee divided.

Ayes, 4	Noes, 2
Alan Brown	Paul Flynn
Sandy Martin	Kerry McCarthy
Mrs Sheryll Murray	
Angela Smith	

Ordered, That the paragraph be read a second time.

Paragraph (now paragraph 49) agreed to.

Paragraphs 49 to 137 (now 50 to 138) agreed to.

Summary agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 21 February at 2.30 p.m.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 1 November 2017

Nick Allen, Chief Executive, British Meat Processors Association; **Jilly Greed**, Co-founder, Ladies in Beef; **Christopher Dodds**, Executive Secretary, Livestock Auctioneers' Association Limited; **Jane Basset**, Sheep Farmer, Peak District

[Q1–87](#)

Phil Stocker, Chief Executive, National Sheep Association; **Michael Haverty**, Senior Agricultural Economist, The Andersons Centre; **Chris Mallon**, Chief Executive, National Beef Association; **Dr Phil Hadley**, Agriculture and Horticulture Development Board

[Q88–138](#)

Wednesday 15 November 2017

Siân Thomas, Communications Manager, Fresh Produce Consortium; **Raoul Curtis-Machin**, Director of Horticulture, Horticultural Trades Association; **Nick Marston**, Chairman, British Summer Fruits

[Q139–204](#)

Sarah Mukherjee, Chief Executive, Crop Protection Association; **Dr Martin Grantley-Smith**, Strategy Director Cereals & Oilseeds, Agriculture and Horticulture Development Board (AHDB); and **Michael Hambly**, Chairman, NFU Crops Board

[Q205–277](#)

Wednesday 29 November 2017

Michael Oakes, Chairman, NFU Dairy Board; **Paul Vernon**, Chair, Dairy UK; **Nick Whelan**, Group Chief Executive, Dale Farm; **Ash Amirahmadi**, Senior Vice President of Sales, Arla Foods UK

[Q278–327](#)

Edward Barker, Senior Policy Adviser, National Pig Association; **Richard Griffiths**, Chief Executive, British Poultry Council; **Peter Allan**, General Manager, Cargill Meats Europe; **Andrew Saunders**, Agriculture Director, Tulip Ltd

[Q328–385](#)

Wednesday 6 December 2017

Sue Davies, Strategic Policy Adviser, Which?; **Kath Dalmeny**, Chief Executive, Sustain; **Tim Martin**, Founder and Chairman, JD Wetherspoon

[Q386–461](#)

Andrew Opie, Director of Food and Sustainability, British Retail Consortium; **David Thomson**, CEO, Food and Drink Federation Scotland

[Q462–526](#)

Wednesday 20 December 2017

Rt Hon. Michael Gove MP, Secretary of State for Environment, Food and Rural Affairs, and **George Eustice MP**, Minister of State for Agriculture, Fisheries and Food, Department for Environment, Food and Rural Affairs

[Q527–659](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

BRT numbers are generated by the evidence processing system and so may not be complete.

- 1 38 Degrees ([BRT0062](#))
- 2 Agricultural Biotechnology Council ([BRT0070](#))
- 3 Agricultural Christian Fellowship ([BRT0057](#))
- 4 Agriculture & Horticulture Development Board (AHDB) ([BRT0029](#))
- 5 AIC Ltd ([BRT0026](#))
- 6 Association of Licensed Multiple Retailers ([BRT0050](#))
- 7 Arla Foods UK ([BRT0074](#))
- 8 Association of Independent Meat Suppliers ([BRT0036](#))
- 9 British Meat Processors Association ([BRT0007](#))
- 10 British Retail Association ([BRT0061](#))
- 11 British Egg Industry Council ([BRT0072](#))
- 12 British Poultry Council ([BRT0048](#))
- 13 British Sugar plc ([BRT0055](#))
- 14 British Veterinary Association ([BRT0027](#))
- 15 Burges Salmon LLP ([BRT0052](#))
- 16 Centre for European Studies (CEFEUS), Canterbury Christ Church University ([BRT0078](#))
- 17 Chartered Institute of Environmental Health ([BRT0041](#))
- 18 Chartered Trading Standards Institute ([BRT0080](#))
- 19 Chatham House, the Royal Institute of International Affairs ([BRT0058](#))
- 20 Compassion in World Farming ([BRT0003](#))
- 21 Conservative Animal Welfare Foundation ([BRT0015](#))
- 22 Country Land & Business Association (CLA) ([BRT0008](#))
- 23 Countryside Alliance ([BRT0022](#))
- 24 Crop Protection Association ([BRT0017](#))
- 25 Dairy UK ([BRT0059](#))
- 26 Department for Environment, Food and Rural Affairs ([BRT0042](#))
- 27 Diabetes UK ([BRT0018](#))
- 28 Dr Cecilia Juliana Flores Elizondo ([BRT0024](#))
- 29 Dr Ludivine Petetin ([BRT0056](#))
- 30 Dr Mary Dobbs ([BRT0077](#))
- 31 Eating Better ([BRT0047](#))
- 32 Export Certification Ltd - UK Export Certification Partnership ([BRT0075](#))
- 33 Farmers' Union of Wales ([BRT0069](#))

- 34 Farmwel ([BRT0032](#))
- 35 Food and Drink Federation (FDF) ([BRT0063](#))
- 36 Fresh Produce Consortium ([BRT0023](#))
- 37 GAFTA ([BRT0084](#))
- 38 GM Freeze ([BRT0045](#))
- 39 G's Fresh ([BRT0037](#))
- 40 Highland Cattle Society ([BRT0083](#))
- 41 Hybu Cig Cymru - Meat Promotion Wales ([BRT0034](#))
- 42 Institute of Development Studies ([BRT0064](#))
- 43 Jim Taylor ([BRT0082](#))
- 44 Minister of State for Agriculture , Fisheries and Food ([BRT0085](#))
- 45 Miss Tessa Burrington ([BRT0004](#))
- 46 Mr Neil Brooks ([BRT0005](#))
- 47 Mrs Mary Thornbury ([BRT0010](#))
- 48 Ms Mary Watt ([BRT0009](#))
- 49 National Farmers' Union ([BRT0030](#))
- 50 National Pig Association ([BRT0033](#))
- 51 National Sheep Association ([BRT0021](#))
- 52 NFU Scotland ([BRT0035](#))
- 53 NFU Sugar ([BRT0012](#))
- 54 Northern Ireland Meat Exporters Association ([BRT0066](#))
- 55 Northway Mushrooms ([BRT0067](#))
- 56 Professor David Main ([BRT0019](#))
- 57 Professor Erik Millstone ([BRT0040](#))
- 58 Provision Trade Federation ([BRT0043](#))
- 59 Pwet Food Manufacturers Association ([BRT0046](#))
- 60 Rare Breeds Survival Trust ([BRT0038](#))
- 61 Royal College of Veterinary Surgeons (RCVS) ([BRT0054](#))
- 62 RSPCA ([BRT0025](#))
- 63 Scottish Salmon Producers Organisation ([BRT0044](#))
- 64 Sheila Moorcroft ([BRT0068](#))
- 65 Soil Association ([BRT0079](#))
- 66 Sue Scott ([BRT0006](#))
- 67 Susan Hedley ([BRT0020](#))
- 68 Sustain: The alliance for better food and farming ([BRT0039](#))
- 69 Tate & Lyle Sugars ([BRT0049](#))
- 70 Tenant Farmers Association ([BRT0081](#))
- 71 The Food Foundation ([BRT0051](#))

- 72 The International Meat Trade Association ([BRT0002](#))
- 73 The Landworkers Alliance ([BRT0060](#))
- 74 The Livestock and Meat Commission for Northern Ireland ([BRT0013](#))
- 75 Timber Trade Federation ([BRT0028](#))
- 76 Unite the Union ([BRT0076](#))
- 77 History & Policy Global Economics and History Forum, University of Exeter ([BRT0016](#))
- 78 Which? ([BRT0071](#))
- 79 Wine & Spirit Trade Association ([BRT0053](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

Second Report	Pre-Legislative Scrutiny of the draft Animal Welfare (Sentencing and Recognition of Sentience) Bill 2017	HC 709
First Report	2 Sisters and Standards in Poultry Processing	HC 490 (HC 772)
Fifth Special Report	2 Sisters and Standards in Poultry Processing: Government Response to the Committee's First Report	HC 772
Fourth Special Report	Post-legislative scrutiny: Flood and Water Management Act 2010: Government Response to the Committee's Sixth Report of Session 2016–17	HC 447
Third Special Report	Feeding the nation: labour constraints: Government Response to the Committee's Seventh Report of Session 2016–17	HC 446
Second Special Report	Forestry in England: Seeing the wood for the trees: Government Response to the Committee's Fifth Report of Session 2016–17	HC 445
First Special Report	Food waste in England: Government Response to the Committee's Eighth Report of Session 2016–17	HC 444