

Farmers' Union of Wales (FUW) submission to a UK Parliament International Trade Committee inquiry into the UK-Australia Free Trade Agreement

16th January 2022

About the FUW

1. The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers in Wales. Since 1978 the union has been formally recognised by UK Governments, and subsequently by Welsh Governments, as independently representing those interests.
2. The FUW's Vision is *thriving, sustainable, family farms in Wales*, while the Mission of the Union is *To advance and protect Wales' family farms, both nationally and individually, in order to fulfil the Union's vision.*
3. In addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.
4. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

FUW comments and concerns in relation to the UK-Australia Free Trade Agreement

5. The FUW believes that the UK Government's own figures and projections¹ demonstrate that the degree to which the agreement signed in December 2022 delivers UK interests is negligible.
6. For example, those figures estimate the agreement will increase UK GDP by 0.08% (eight parts in ten thousand) in the long term (by 2035), leading to a long term increase in UK wages of 0.1%, or around 60p a week, based on 2019 figures.
7. This compares with the Office for Budget Responsibility estimate that the recently implemented changes to UK-EU trading arrangements will lead to UK GDP being 4% lower than it would otherwise have been - meaning 50 trade deals similar to that with Australia would be needed to make up for such a reduction.
8. The agreement is estimated to increase Australia's GDP by the equivalent of around £1.6 billion when compared to its 2019 level - a benefit to Australia that is 80% higher than the estimated (equivalent, based on 2019 figures) increase in UK's GDP.

¹ Department for International Trade, Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia, December 2021

9. Immediate access to duty free transitional quotas for key agriculture products, including beef and sheepmeat, sugar and dairy, with eventual tariff elimination, are estimated to lead to a fall in the GVA of the UK's agri-food sectors of more than a quarter of a billion pounds, which the UK Government admits is *"...driven by increased import competition in the beef and sheepmeat sub-sectors."*
10. These falls comprise reductions in the GVA of the 'agriculture, fishing and forestry' and 'semi-processed food' categories of £319 million.
11. Government figures estimate such impacts will lead to a reduction in gross output of *"around 3% for beef and 5% for sheepmeat as a result of liberalisation...felt gradually over the staging period...Our best estimates suggest that around three quarters of the estimated impacts to gross output reflect reductions in producer price...The remaining quarter of impact is driven by reductions in the quantity of production...If supply was more responsive in the future than suggested by the historic data, production volumes could decrease by more."*
12. Notwithstanding other concerns, inherent to such an increase in food imports would be a reduction in the UK's food security, both/either through the displacement of domestic production and/or through additional reliance on food produced many thousands of miles away as opposed to in neighbouring countries. The shipping distance between Melbourne and London is around 12,700 miles, compared to a shipping distance of 220 miles between Rotterdam and London.
13. Such a reduction in food security would come at a time when both the coronavirus pandemic and gas shortages/energy price rises have highlighted the fragility of both domestic and global supply chains, and how rapidly changes can occur due to unforeseen circumstances.
14. It is notable that while Australian beef prices are currently higher than those in the UK, historically, both beef and lamb prices have generally been significantly lower than those in the UK.
15. For example, in the period 2002-2021, Australian lamb prices were at times around half the UK value and on average 29% below those in the UK. Similarly, for beef the average Australian prices were at times half the UK value, and on average 25% below those in the UK.
16. These and other fluctuations account for the variations in the volumes of Australian livestock products previously imported to the UK.
17. For example, Australia's EU lamb import quota allocation before Brexit was 19,186 tonnes, of which it used 99%, 96% and 100% in 2015, 2016 and 2017 respectively, while from 2013-14 to 2020, Australian beef imports to the UK fell from over 7,000 tonnes to around 560 tonnes in 2020 due to changes to the price differential.

18. Given the UK Government's acknowledgement that the beef and lamb industries will pay the greatest price for such a trade deal; that 44% of Wales' gross agricultural output is in these sectors (the figure is far higher in many Welsh counties); and that grazing livestock farms make up 62% of all main Welsh agricultural holdings, major concerns exist regarding the impact of such a deal on Welsh agriculture and rural employment - particularly in certain trading circumstances and for the large number of Welsh communities where, according to ONS figures, up to 28% are employed in agriculture.
19. In terms of other differences that represent a concern or threat, it is notable that while the average Welsh cattle farm has 23 cows², 65% of Australian farms have between 100 and 400 head of cattle, while farms of over 5,400 cattle account for 30% of the country's beef cattle³.
20. Similarly, the average farm size in Australia is 4,331ha (10,700 acres), while the average farm sizes in Wales, England and Scotland are 50ha (125 acres), 90ha (222 acres) and 100 ha (447 acres) respectively.
21. Such concerns have been echoed by independent observers; for example, former Australian trade negotiator Professor Dmitry Grozoubinski, who is Executive Director of Geneva Trade Platform, told the Welsh Affairs Committee in July 2021⁴: *"Welsh farmers are right to be concerned in the long term...when you eliminate tariffs or you raise quotas to hundreds of thousands of pounds, then, if that quota were to be filled or if there were a 10,000% increase in Australian lamb to the UK, I think that would be devastating for Welsh farming. This deal means that that is now a theoretical possibility in the sense that the UK Government can no longer use tariffs to prevent it."*
22. Such concerns are exacerbated by the UK Government's stated intention to strike liberal trade deals with countries which are major exporters of agricultural products - deals which will increase many fold the adverse impacts for the agri-food sector acknowledged by the UK Government in its impact assessments.
23. The UK Government's impact assessment of the agreement reached with Australia also highlights potential adverse impacts on natural resources at a time of grave concerns regarding our environment and climate, stating that *"Increased production from trade could put pressure on water resources and quality through agricultural, industrial and urban pollution...Agriculture is the largest consumer of water in Australia."*
24. In terms of increases in Australian food imports, the UK Government argues that these should not be a concern as *"It is likely that the increase in imports will primarily displace beef imports from the EU and sheepmeat imports from New Zealand"*.
25. However, it should be noted that farming systems in EU countries are far more similar to those in the UK than those in Australia, while production standards in EU countries and the UK are effectively aligned due to the UK's recent membership of the EU.

² Farming Facts and Figures, Welsh Government, 2021

³ Agricultural Commodities 2015-16, Australian Bureau of Statistics

⁴ One-off oral evidence session of the Welsh Affairs Committee, 15th July 2021

26. Such alignment includes those standards relating to animal health and welfare, disease traceability and the environment, whereas practices which are routine in Australia would not only breach UK standards but likely lead to farmers being prosecuted.
27. Examples of practices banned in the UK but legal in Australia include: “mulesling” (cutting skin and flesh off sheep rear ends); battery hen cages; chlorinated chicken; sow stalls; growth hormone treatment of livestock; animal journey times of up to 48 hours without food or water; dehorning of cattle without pain relief; hot branding; and differing pesticide standards.
28. In the context of differing standards, it is also notable that UK Governments intend to ban the live export of animals and are considering a raft of additional restrictions on what are already extremely strict rules regarding domestic livestock movements.
29. In terms of the former, it is notable that the live export of animals from the UK overwhelmingly involves movements of around 60 miles or less, across the Irish Sea, or 27 miles across the English Channel, whereas 47% of Australian live exports of sheep and cattle (2.4 million animals in 2019) are transported over 9,000 miles by ship⁵.
30. In terms of the latter (animal transport rules), farmers in the UK are already subject to animal movement and movement reporting rules that are amongst the strictest in the world, whereas in Australia such standards are largely absent or at best voluntary.
31. In terms of the animal welfare measures proposed as part of the trade deal agreed in principle in June 2021, Prof. Dmitry Grozoubinski told the Welsh Affairs Committee in July 2021 that *“Australia will not be obligated to treat an animal in any way differently because of this deal than they were a week before it was signed.”*⁴ The text of the final deal suggests that this remains largely the case (for example, the non-regression clause meaning the UK and Australia *“...are committed to not lowering their animal welfare standards for the purpose of encouraging trade”*)
32. While the UK Government places great stock in demand for beef and lamb increasing in the Asian market, *“...increasing the opportunities for high-quality British meat in this region”* and *“...strong ‘Buy British’ trends in the UK and strong support for British farmers”*⁶, the modelling undertaken by the DIT provides no such assurances.
33. The FUW believes that any new markets opened up through trade deals should complement the existing trade we have with the vast and prosperous EU market which is on our doorstep, which is the destination for around a third of Welsh lamb, 90% of Welsh beef exports and 95% of Welsh dairy exports.
34. In this context, it is a major concern that the UK-Australia deal may raise the already highly problematic non-tariff barriers for UK food exports to the EU, as EU countries tighten

⁵ All Livestock Exports Report, Australian Government

⁶ Agri-food in the UK-Australia Free Trade Agreement, DIT, December 2021

controls to ensure the UK does not become a back-door for Australian imports that fall outside existing EU-Australia trade arrangements.

35. Whilst the FUW appreciates the importance of seeking trade deals and accession to trading partnerships where these can be shown to be genuinely in our national interests, we remain unconvinced that membership of the Comprehensive and Progressive Transatlantic and Pacific Partnership (CPTPP) on the terms likely to be achieved will bring any major benefits for UK agriculture. This is a view shared by Sam Lowe, Senior Research Fellow at the Centre for European Reform, who told the Welsh Affairs Committee that “*In terms of the benefits of CPTPP membership, the economics are negligible*”⁴
36. It is also notable that four out of the eleven current members of the CPTPP are net exporters of red meat and already have established markets in countries such as China, while members Australia and New Zealand together make up 70 percent of total global trade of sheepmeat.
37. In terms of all concerns regarding the benefits or adverse impacts of the trade deal, it must be emphasised that (notwithstanding the inclusion of cursory safeguarding measures for certain agricultural products) trade agreements are international treaties that, once implemented, and particularly after the transition to full liberalisation, are extremely difficult or impossible to change or revoke - even if severe adverse impacts are identified.
38. In light of the above concerns, the FUW believes that the UK-Australia trade deal is of negligible value to the UK economy as a whole; would undermine UK food security; will have an adverse economic impact on a range of UK sectors - most notably agriculture and livestock production - particularly when combined with impacts of other planned trade deals; and will result in a net reduction in global animal welfare and environmental standards due to the displacement of food produced by those in the UK who are legally required bound by far higher standards than those required of Australian farmers.