

# Farmers' Union of Wales (FUW) submission to a House of Lords International Agreements Committee (IAC) inquiry into the UK-Australia trade negotiations and agreement

6th September 2021

## About the FUW

1. The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers in Wales, and since 1978 has been formally recognised by the UK Government, and subsequently by the Welsh Government, 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 trade deal agreed in principle

5. The FUW believes that the UK Government's own figures and projections<sup>1</sup> demonstrate that the degree to which the agreement in principle published in June 2021 delivers UK interests is negligible.
6. For example, those figures suggest the UK-Australia trade deal could increase UK GDP by 0.01% or 0.02% in the long run under considered scenarios, equivalent to an increase in UK GDP of £200m and £500m respectively, with resulting increases in average UK wages of 0.01% and 0.05% respectively. The latter figures equate to an increase in the average annual UK wage in the long run of £3.15 and £15.75 respectively (based on the current average UK income).
7. It is perhaps notable that the DIT's estimated long term increases in UK GDP of £200m and £500m compare with average values for Welsh red meat production and GVA of Welsh agriculture of £690m and £469m respectively.
8. The UK Government modelling also suggests a deal similar to that proposed could lead to an increase in UK exports to Australia of 7.3%, compared with an increase in imports from

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<sup>1</sup> Department for International Trade, UK-Australia Free Trade Agreement - The UK's Strategic Approach. 2019

Australia of 83.2%, with a large portion of the latter expected to comprise Australian food imports, predominantly beef and lamb.

9. 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.
10. Such a reduction in food security would come at a time when the coronavirus pandemic has highlighted the fragility of both domestic and global food supply chains, and how rapidly changes can occur due to unforeseen circumstances.
11. In terms of the specific impacts for devolved nations, and Wales in particular, the FUW notes the absence of specific data for impacts on Wales, and therefore supports the Welsh Affairs Committee's recommendation that "...the UK Government should publish a Wales-specific impact assessment for free trade agreements (FTAs), including the UK-Australia FTA."<sup>2</sup>
12. Notwithstanding the absence of such an analysis, the FUW would emphasise the necessary (given Wales' geography and topology) reliance of Welsh farmers on sheep and beef production.
13. Specifically, in 2019-20 sheep and beef production made up 44% of Wales' Agricultural Gross Output, while grazing livestock farms made up 62% of all main Welsh agricultural holdings<sup>3</sup>.
14. In terms of employment, in 2019 the agricultural sector was responsible for 3.5% of the Welsh labour force (52,860 persons), compared with 1.1% in England and 2.5% in Scotland.<sup>4</sup>
15. It must also be noted that the local percentages employed in agriculture in Wales is between 15% and 28% in large areas of Wales, particularly in sheep and beef producing areas (*Figure 1*).<sup>5</sup>
16. In light of such figures, and the likely increase in Australian livestock product imports in certain trading conditions as trade is liberalised, the FUW believes that the risks for Wales and other UK nations that rely to a greater degree on livestock production are significant, particularly when the cumulative impacts of other similar trade deals are taken into account.
17. In terms of the degree to which trading conditions can be influenced by factors such as fluctuations in markets and exchange rates, and given claims by some, including UK Government Ministers, that future market conditions are unlikely to result in Australian imports placing pressures on UK farmers, it is worth noting historical trading and price patterns for beef and lamb.

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<sup>2</sup> Implications of the UK-Australia FTA for Wales, Welsh Affairs Committee. 22nd July 2021

<sup>3</sup> Farming Facts and Figures, Wales 2021, Welsh Government. 2021

<sup>4</sup> Little book of Meat Facts, Hybu Cig Cymru. 2020

<sup>5</sup> HMSO National Census data provided by Welsh Government

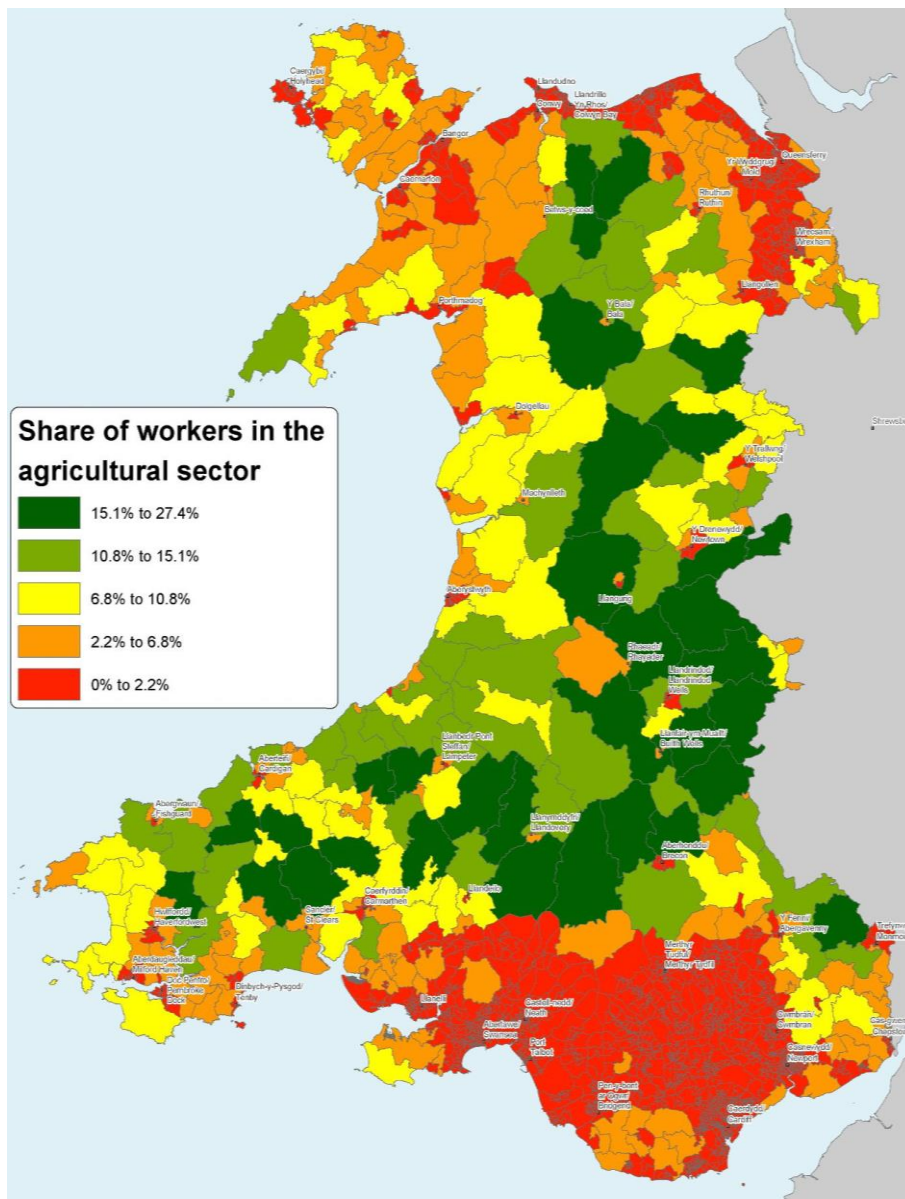


Figure 1

18. *Figure 2* shows the differences between deadweight prices for cattle and sheep in the UK and Australia over the past two decades, demonstrating 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.
19. 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.
20. These and other fluctuations account for the variations in the volumes of Australian livestock products imported to the UK.

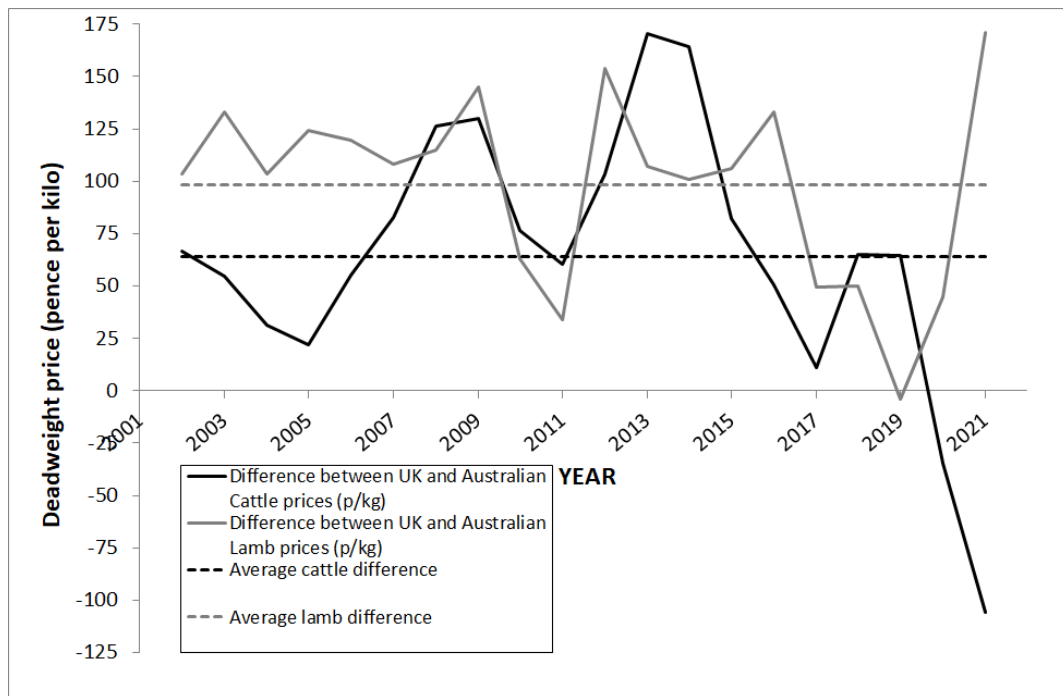


Figure 2 (differences above zero indicate lower prices in Australia)<sup>6</sup>

21. 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.
22. It should also be noted that one of the drivers of current high prices in the southern hemisphere is the high demand for imported meat in China, due to severe outbreaks of swine flu in Chinese domestic pig herds. It might therefore be assumed that such demand will at some point fall, thereby reducing prices and demand and once again making imports from Australia to the UK more attractive and likely.
23. The FUW accepts that there is no certainty as to how global meat markets, trading and exchange rates might change over the course of the 15 year trade liberalisation period agreed in principle by the UK and Australian Governments.
24. However, given past patterns and changes to markets and prices, and the large proposed increases in import quotas, in circumstances where conditions favour Australian imports there can be no doubt that this could have a major adverse impact for Welsh farmers. Moreover, the FUW believes that the safeguard mechanisms aimed at providing a safety net if industry faces serious injury from increased imports as a direct result of the agreement is rudimentary at best and set at levels which are far too high to be of any value<sup>7</sup>.

<sup>6</sup> Source: Hybu Cig Cymru and Meat and Livestock Australia

<sup>7</sup> It is proposed that a safeguard be applied in years 11-15 imports exceeding a threshold rising in equal instalments to 170,000 tonnes for beef and 125,000 tonnes for sheep

25. 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 2021<sup>8</sup>: *“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.”*
26. In terms of such increases in imports, some have argued that these should not be a concern as they will merely displace imports from other countries as opposed to domestic production, citing the fact that around 25% of the beef consumed in the UK is imported - most notably from the Republic of Ireland, which provides around 80% of beef imports.
27. However, it should be noted that farming systems in European countries are far more similar to those in Wales and the UK than those in Australia, while production standards in EU countries and the UK are effectively aligned due to the UK’s former recent membership of the EU.
28. 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.
29. 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.
30. In the context of differing standards, it is also notable that UK Governments intend to ban the live export of animal and are considering a raft of additional restrictions on what are already strict rules regarding domestic livestock movements - including effectively banning the transport of animals for movements over 40 miles where external temperatures fall outside the range 5° to 30° centigrade.
31. 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 ship<sup>9</sup>.
32. 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.
33. In terms of the animal welfare measures proposed as part of the trade deal, Prof. Dmitry Grozoubinski told the Welsh Affairs Committee in July 2021 that *“Australia will not be obligated*

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<sup>8</sup> One-off oral evidence session of the Welsh Affairs Committee, 15th July 2021

<sup>9</sup> All Livestock Exports Report, Australian Government

*to treat an animal in any way differently because of this deal than they were a week before it was signed.*<sup>8</sup>

34. As such, UK Government claims that the UK-Australia agreement will “...*include not compromising on our high environmental protection, animal welfare and food safety standards,*”<sup>1</sup> appear disingenuous or misleading, while UK Governments are exacerbating threats to UK farmers by introducing additional restrictions which will provide greater competitive advantages to farmers elsewhere, including in Australia.
35. In terms of other differences that represent a concern or threat, it is notable that while the average Welsh cattle farm has 23 cows<sup>4</sup>, 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 cattle<sup>10</sup>.
36. 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.
37. 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.
38. In this context, it is a major concern that the UK-Australia trade deal agreed in principle may raise the already highly problematic non-tariff barriers for UK food exports to the EU, as EU countries tighten controls to ensure the UK does not become a back-door for Australian imports that fall outside existing EU-Australia trade arrangements.
39. 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 the UK. This is a view shared by Sam Lowe, Senior Research Fellow, Centre for European Reform, who told the Welsh Affairs Committee that “*In terms of the benefits of CPTPP membership, the economics are negligible*”
40. 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 sheet meat.
41. In light of the above concerns, the FUW believes that the UK-Australia trade deal agreed in principle is of negligible value to the UK economy as a whole; would undermine UK food security; may have an irreversible adverse economic impact on a range of UK sectors - most notably agriculture and Welsh livestock production - particularly when combined with impacts of other possible 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 who are legally required bound by far higher standards than those required of Australian farmers.

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<sup>10</sup> Agricultural Commodities 2015-16, Australian Bureau of Statistics