

Farmers' Union of Wales response to a House of Lords International Agreements Committee Inquiry into UK-New Zealand trade negotiations

23rd November 2021

Background

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 this written evidence the FUW has sought to respect the word quota set out in the Committee guidance while focusing on responding to those questions set by the Committee of most relevance to Welsh Agriculture.
4. The FUW would also draw the Committee's attention to the statements highlighting the importance and nature of Welsh agriculture and employment in the industry, made in its written submission of the 6th September 2021.

Does the Agreement in Principle published on 20 October 2021 deliver on UK interests? What are the costs and benefits? How reliable do you find the Government's assessment of the potential impacts set out in its strategic approach?

5. The UK Government's strategic approach document provides a high-level overview of potential impacts rather than precise forecasts.
6. Nevertheless, the modelling presented in that analysis predicts 'limited' (i.e. zero) benefits to human welfare in the UK in a scenario where substantial UK tariff liberalisation is agreed ('Scenario 1'), and a decrease in human welfare where a 'deeper' trade agreement is reached with full tariff liberalisation

(‘Scenario 2’) (‘a long run annual decrease in welfare in the UK by around £200 million’)

7. The modelling predicts that, in Scenarios 1 and 2, exports to New Zealand from the UK could increase by 3.8% or 7.3% while imports from New Zealand could increase by 15% and 40% respectively.
8. The analysis implies that the bulk of increases in imports from New Zealand would be made up of agricultural imports, leading to a particular adverse impact for and contraction in the UK semi-processed food and agriculture sectors, stating ‘New Zealand producers may be able to supply UK retailers and UK producers at lower cost relative to domestic producers...New Zealand has an export comparative advantage in vegetables, fruits and nuts, dairy products, swine, poultry and other live animals compared to the UK...New Zealand also has a comparative advantage in the bovine meat products, sheep, goats and horses (CMT) sector, which includes sheep meat, an important New Zealand export to the UK’.
9. The strategic approach makes it clear that the agriculture and semi-processed food sectors are estimated to see a reduction in output GVA and employment relative to the baseline as UK market access in these sectors increases.
10. Such adverse impacts must also be viewed in the broader context of the cumulative impacts of trade deals with other nations and trading blocs, and it is notable that the modelling outcomes published by the UK Government in relation to other agreements are similar, qualitatively and/or quantitatively, to those published in the New Zealand strategic approach document.
11. It is clear that such changes would reduce UK food security, the importance and fragility of which has been brought into sharp focus by the disruption to local and global food supply chains caused by the recent pandemic, and which has already fallen by almost twenty percentage points since the mid 1980s.
12. While it is acknowledged that a UK-New Zealand FTA could increase UK exports to New Zealand ‘by up to £100 million’, it must be noted that this represents 0.03% of the value of UK exports to the EU.
13. The FUW is therefore concerned that liberalisation of trade with countries such as New Zealand is likely to raise trade barriers with the EU that may more than negate benefits as the EU seeks to protect its own markets from Third Country products entering its Member States via the UK.

14. If signed, the UK-New Zealand draft agreement will eliminate tariffs on 96.7% of tariff lines on the day it comes into force, while import quotas will be raised and ultimately phased out for a number of key agricultural products, with volumes above those quotas subject to significantly reduced tariffs.
15. As such, the draft deal would appear to be a 'deeper' agreement, akin to a transition to Scenario 2 in the UK Government's analysis, and be therefore likely to have negative human welfare impacts for the UK and particularly adverse impacts for some sectors of UK agriculture - particularly those in Wales.
16. In light of the above, while the FUW accepts that such a trade deal may deliver on objectives such as 'championing' free trade in the view of other countries, this does not equate to delivering holistically on the UK's long term interests
17. Specifically, the agreement in many cases does not recognise that the UK's best interests are served by trade policies which recognises:
 - a. The inherent value of maintaining and enhancing UK food security, while recognising the importance of supply chains which spread risk through trade with our near neighbours and trade with those countries supplying produce which cannot be grown and produced in the UK
 - b. The medium and long term risks of undermining UK food security and placing control over UK food supplies in the hands of remote countries for which political and trade priorities may rapidly change
 - c. The importance of maintaining and enhancing UK food security in light of:
 - i. The experiences during 2007 and 2008, when severe weather around the world and the global financial collapse led to rapid changes in global food availability and supply chains, leading to food shortages and rapid increases in food prices around the world and sparking civil unrest in many countries and
 - ii. The way in which the coronavirus outbreak has exposed how pandemics and similar emergencies can rapidly affect global supply chains and debilitate key workers in supply chains
 - d. Ensuring that the UK behaves in a globally responsible way by avoiding the importation of food produced to lower social,

environmental and health and welfare standards than our own, and recognising the degree to which failing to do this will increase global greenhouse gas emissions and environmental damage while having a negative net impact on global animal health and welfare

- e. Protecting access to existing markets - in particular the affluent market on our doorstep - and ensuring tariff and non-tariff barriers are not raised in terms of accessing those markets
- f. Securing access to new markets in a manner that does not compromise UK businesses operating on the domestic market

In particular, does the Agreement in Principle deliver on the interests of the devolved nations?

- 18. Wales has a particular reliance on producing food and agricultural products that are a key export focus for New Zealand, particularly lamb, dairy products and beef.
- 19. Almost a third of the UK's sheep and lambs are located in Wales, despite Wales' area being less than 9% of the total area of the UK.
- 20. In 2020, sheep and beef production made up 44% of Wales' Agricultural Gross Output, and milk and dairy products made up 30%. Grazing livestock farms comprise 62% of all main Welsh agricultural holdings¹.
- 21. As such, Wales is particularly vulnerable to the adverse impacts acknowledged in the UK Government's strategic approach document, particularly in terms of the sheep sector.
- 22. In 2018, 73% of all Welsh food and drink exports were destined for the European Union. This includes the majority of exports of red meat and dairy products worth an estimated £320 million to Wales. Over a third of sheep meat produced in Wales is exported annually and, of this, more than 90% is exported to the European Union.
- 23. This makes Wales particularly vulnerable to the additional barriers to trade with the EU that may arise in the advent of a liberal deal with New Zealand that is perceived as opening a 'backdoor' to imports to the EU.

¹ Farming Facts and Figures, Wales 2021, Welsh Government. 2021

24. While the FUW fully recognises that such adverse impacts may only materialise under certain global trading conditions (exchange rates, changes to demand in China etc.), it cannot be said with any certainty that such conditions will not come to pass in the next two decades.
25. In light of this, the FUW does not believe that the Agreement in Principle delivers on Welsh interests - a view which is shared by the Welsh Government, which has stated: 'We have...consistently put forward the view that UK trade agreements should not undermine our own ambitions or our domestic legislation here in Wales...alongside the other Devolved Governments [we] have continued to raise concerns regarding the cumulative impact that offering significant increases in agricultural market access across a range of agricultural sectors could have on our domestic agricultural industry.'

How can the specific interests of the devolved nations of the UK be best protected as part of the negotiation of a UK-wide trade deal with New Zealand?

26. The FUW believes that:
 - a. Comprehensive impact analyses, including detailed modelling which encompasses a full range of future trading scenarios should be produced for each of the UK's nations and published before any final decision is made by the UK Parliament
 - b. Such analyses should include the cumulative impact of trade deals as well as the possible impacts of individual agreements
 - c. A timetable and more transparent process should be adopted, as happens in other countries and trading blocs, that allows greater scrutiny and discussion with sectors (particularly vulnerable sectors) and devolved administrations over realistic timescales
 - d. The current safeguards are insufficient to prevent significant damage to UK agriculture. Whatever trade deal is finally reached, this should include a comprehensive set of safeguards significantly over and above standard WTO measures that take account of the full range of adverse impacts that could arise under a range of scenarios - including those relating to adverse knock-on impacts on UK trade with other countries, most notable EU Member States

- e. Full details of coefficients used for calculating product volumes etc. should be discussed and agreed with UK trade representatives, most notably levy boards.
- f. The agreement should include a 'break clause' at five and ten year intervals that allows the terms of the agreement to be fully adjusted in order to reflect emerging evidence of adverse impacts for particular sectors

What are the key trade-offs the Committee should be focusing on when scrutinising the Agreement?

- 27. While the FUW appreciates that some analyses of trade deals may predict an overall economic benefit at the expense of certain industries, these must be considered in context; for example, the predicted benefit in terms of UK wages of a UK-NZ trade deal are estimated to equate to an average increase in UK wages of between 6 and 12 pence a week - i.e. a negligible amount.
- 28. Moreover, as already highlighted, such negligible benefits are against a background of an overall reduction in the welfare of the UK population.
- 29. Notwithstanding such considerations, the FUW believes that the Committee should also consider a broader set of objectives, including those relating to the long term food security of the nation and its vulnerability in this context to political instability, future pandemics, financial disruption etc.
- 30. The FUW also believes the committee should consider the particular adverse impacts for nations and regions which may be especially reliant on sectors likely to be adversely impacted by individual or multiple deals, and the political repercussions of such impacts.
- 31. It is believed the committee should also consider the political and trade implications of deals which may compromise arrangements with existing trading partners, and/or undermine the UK's negotiating hand in trade negotiations with other nations.

What assessment would you make of the commitments in the consumer protection chapter?

32. Whilst the FUW has no particular observations to make in terms of the specific points raised in the consumer protection chapter, we would highlight the following in terms of the broader issue of consumer protection against products that do not meet the same standards as those required by law of UK farmers.
33. The FUW recognises that the UK and New Zealand are largely aligned on many aspects of animal health and welfare policy as a result of the inherited EU-NZ trade agreement and its Sanitary and Phytosanitary Standard requirements.
34. However, the FUW has major concerns that significant divergences exist between UK and NZ requirements relating to animal health and welfare, including those currently recognised as 'equivalent'.
35. Examples include:
 - a. Transportation of livestock: In the UK, those transporting animals more than 65km or for more than 12 hours require type 1 transporter authorisation for journeys over 65km and up to 8 hours and type 2 transporter authorisation for journeys over 8 hours. Animal movements are generally subject to maximum journey times of 8 hours, rest times, requirements for the provision of feed and water etc., and the UK Governments intends to raise these standards significantly, as consulted upon in 2020/21².

By comparison, New Zealand has a set of welfare codes, including one for the transport of animals, which are '...flexible enough to be modified and improved as community expectations, good practice, scientific knowledge and technical advances allow'. The code relating to the transport of animals is ambiguous and open to interpretation compared with the UK and as a consequence far less prescriptive and restrictive - for example, a maximum journey time only applies for 'young animals' and this is 33% longer than required for the same category in the UK.
 - b. Animal identification: Cattle: In the UK, cattle must be identified with two unique identification numbers within 20 days or before the animal

² Improvements to animal welfare in transport consultation, launched 3rd December 2020

leaves the holding, whichever is sooner, and missing or illegible eartags must be replaced within 28 days of noticing the loss. A cattle passport must be applied for within 27 days of birth of a calf, and this must include date of birth, sex, breed, and the dam's tag number. Movements of cattle onto or off a holding must be reported within 3 days and deaths must be reported within 7 days. An up-to-date on-farm herd register to show eartag number, dam ID, date of birth, breed and sex must be kept, dates of movement on and off farm, addresses of animal origins and destinations and dates of all deaths and the destinations of carcasses. This register must be kept for ten years.

In New Zealand, cattle must be tagged within 6 months of birth or when they leave the holding, whichever is sooner, but in some cases cattle don't have to be tagged. Tagged animals should be registered on the NAIT system within 7 days of tagging but the provision of additional information such as the sex of the animal is optional. Animals arriving at a destination without a tag can be reregistered with a new unique tag.

- c. Animal identification: Sheep: All sheep have to be fully identified with an electronic tag within 6 months (housed) or 9 months (kept outside) or before they move off the holding of birth. All sheep movements must be reported to a central government database within three days.

Regulations require keepers to keep a flock book including records of:

- i. The identification code (CPH) of the holding
- ii. The address of the holding and the geographical coordinates (OS 6 digit map reference) or equivalent indication of the geographical location of the holding
- iii. The type of production
- iv. The numbers recorded in the latest annual inventory and the date on which it was carried out
- v. The name and address of the keeper
- vi. The full individual identification number of the animal
- vii. The holding of birth, year of birth and the date the animal was identified
- viii. The month and year of death
- ix. The breed and (if known) genotype
- x. In case of animal leaving the holding, the name of the transporter, the registration number of the transport/ haulier carrying the animals, the CPH number or name and address of the holding of destination or, in case of animals moved to

slaughterhouse, the identification code or name of the slaughterhouse and the date of departure

In New Zealand, there is no sheep tagging nor identification system.

- d. Fallen stock: In the UK, the burial, or burning in the open, of dead livestock is illegal in order to minimise the risk of spreading disease from residues in the soil, groundwater or air pollution. This ban extends to afterbirths and stillborn animals. Costs of disposal are typically £8-15/ewe and £75-180/cow.

In New Zealand farms are encouraged to use fallen stock collection services where available but have the option of burying, composting or burning dead stock.

- e. Medicine records: UK farmers must, by law, record animal medicine
- i. Names
 - ii. Purchase dates
 - iii. Volumes purchased
 - iv. Supplier names and addresses
 - v. Batch numbers
 - vi. Expiry dates
 - vii. Withdrawal periods (the time after treatment after which animal products from an animal can safely enter the food chain)
 - viii. Administration dates
 - ix. Quantities used
 - x. The identity of the animal/group of animals treated
 - xi. The number of animals treated
 - xii. The person(s) administering the treatment

Records must be kept for five years and be made available when requested by officials.

In New Zealand, there appears to be no specific requirement for records of animal medicine purchases and usage to be kept - although it is 'mentioned' in the NZ assurance scheme.

How do you assess the commitments included in the environmental chapter? Are they sufficiently ambitious?

36. Notwithstanding commitments on environmentally harmful subsidies, clean energy and sustainable trade, the environmental chapter appears to largely comprise commitments already in place under respective domestic laws and existing international agreements while intentionally omitting environmental requirements that may restrict trade and investment.

What effect could a UK-New Zealand trade deal have on the UK's future ability to negotiate deals with other countries, and to what extent does it set a precedent for future negotiations?

37. As already indicated above, and as highlighted in numerous statements by the governments of those countries with which the UK is negotiating trade deals, there is no doubt that the New Zealand and other trade deals are seen as setting precedents for future negotiations.