

Senedd Cymru
Y Pwyllgor Materion Allanol a
Deddfwriaeth Ychwanegol
Ymadael â'r Undeb Ewropeaidd:
Paratoadau yng Nghymru ar gyfer
diwedd y cyfnod pontio
EAAL(5) EUP11
Ymateb gan Hybu Cig Cymru

Welsh Parliament
External Affairs and Additional
Legislation Committee
Exiting the European Union:
Preparedness in Wales for the end of
the transition period
Evidence from Meat Promotion Wales

Hybu Cig Cymru - Meat Promotion Wales (HCC) is the statutory industry-led levy organisation responsible for the development, promotion and marketing of Welsh lamb, beef and pork. It undertakes promotional campaigns at home and abroad, is involved in research and development which benefits the efficiency and sustainability of the whole red meat supply chain, as well as collating and analysing market intelligence.

HCC has been asked to comment on the preparedness in Wales for the end of the transition period (31 December 2020).

With only five percent of the red meat produced in Wales consumed in the home (Wales) market, Wales is heavily dependent on domestic markets (particularly England) and global export markets.

Brexit poses a serious risk to the UK sheep industry, probably more so than any other domestic agricultural sector and this presents a significant risk for Wales as it has more than 30 percent of the GB flock. More than a third of lamb produced in Wales is exported outside the UK, predominantly to the EU.

Tariffs and trade are the foremost concerns relating to the UK's future relationship with the EU. Anything other than unfettered access to the EU market is likely to result in severe disruption, representing an existential threat to Welsh agriculture and processing as currently constituted. Issues of farm payments, regulation, brand protection, labelling and labour are also significant.

Agriculture is vital for Wales. The role of agriculture (particularly red meat production) has a wide macro-economic reach well beyond its own sphere, impacting on economic resilience of both the rural Welsh economy and the wider national economy. Farm businesses and the wider Welsh agricultural supply chain are important employers and the agricultural sector in Wales supports rural community cohesion and provides additional cultural and well-being benefits. Agriculture also has a key role in maintaining the landscape of Wales, supporting tourism, preserving the Welsh language and can contribute to delivering against all seven goals in the Well-being of Future Generations (Wales) Act 2015.

Failure to agree a trade deal with the EU before 31 December could result in supply and demand issues, loss of markets and ultimately could result in the closure of many businesses operating within the Welsh red meat supply chain.

A No Deal scenario would cause significant upheaval for beef and sheepmeat as trade would default to WTO terms which for red meat would mean tariffs of between 40 percent - 90 percent. Modelling work has indicated that trade, under these terms, with the EU27 would plummet - combined beef and sheepmeat exports to the EU would decline by 93 percent - with sheepmeat export trade almost completely wiped out. A severe producer price decline is also anticipated under a No Deal scenario. Sheepmeat is particularly exposed, with projections suggesting a 24 percent decline (*source: AHDB, HCC & QMS*).

HCC has the following comments to make on the areas of work the Committee will be considering.

1. Welsh Government action to prepare Wales for the end of the transition period

1.1 Given HCC's status as an executive agency of Welsh Government and a statutory body wholly-owned by Welsh Ministers, we are not in a position to give an objective view.

2. Preparedness of key economic sectors in Wales

2.1 HCC have been working with Welsh abattoirs and processors to prepare them for anticipated changes in the rules on labelling, health certificates and other requirements, to ensure businesses are as informed as possible ahead of the end of the transition period.

2.2 In September 2020, HCC undertook a survey of Welsh red meat exporting businesses, including large, medium and small abattoirs and further processors, to gauge Brexit readiness amongst businesses.

2.3 The unknowns around tariffs and ability to source and employ EU nationals were reported as the greatest concerns. Businesses reported they were prepared as much as possible (given the uncertainties) in terms of new paperwork and administration for the end of the transition period; and they would look to respond quickly to adapt their systems once the type of deal was confirmed.

2.4 Small businesses who currently do not export to EU reported the uncertainties over Brexit meant they had no plans to export outside the UK in the foreseeable future. Some reported that if they were to develop their export business it would be to third countries only (i.e. outside the EU27).

3. The implications for preparedness arising from the negotiation of UK international agreements, including the UK-EU future relationship agreement (or agreements), other significant free trade agreements (e.g. UK-USA, UK-Japan, UK-Australia, UK-New Zealand etc.), and the Continuity Negotiations and Coordination programme (formerly referred to as the Trade Agreement Continuity Programme)

3.1 Opportunities to trade around the World are important to the Welsh red meat industry, as currently Welsh red meat exports are worth £200 million a year. Achieving market access with minimal barriers (both tariffs and non-tariff measures) is therefore important, however these countries are not key target markets for Welsh red meat. Many of the countries identified (such as Australia, NZ and the USA) are largely seeking greater access to the UK market for their agri-food products. This, if achieved, will provide a potential threat to the Welsh, and UK, agricultural sector through a disparity in standards and therefore producer cost base.

3.2 There is a need to ensure that trade negotiations do not disadvantage UK red meat businesses in the home market and to ensure that any imported meat into the UK adheres to the same standards (or above) as UK production, specifically in terms of animal welfare, environmental standards, food safety and food hygiene. Welsh red meat is currently produced to world-leading standards of welfare and environmental management, underpinned by the PGI scheme for lamb and beef which is administered by HCC. The industry would be opposed to any reduction in standards for UK consumers through free trade agreements.

UK-EU

3.3. It is crucial that Wales retains relationships with existing, geographically close customers in the EU and seeks to develop relationships and expand trade opportunities in developing premium EU markets.

UK-USA

3.4. If access for Welsh Lamb could be achieved then the American market could be a lucrative export destination. Currently the TSE rule prevents exports of Welsh Lamb to the US market.

3.5 A key concern in relation to a trade agreement is the possible barriers (both tariffs and non-tariff measures) that might be applied, restricting achievable market access for Welsh red meat businesses.

3.6. The reciprocal market access agreements for meat trade into the UK from the US needs careful consideration. Increasing the opportunities for US meat in the UK market would disadvantage UK red meat businesses in their home market

(at a time when there is also likely to be oversupply in the UK as EU market access could be affected).

3.7. The worst possible scenario for the Welsh red meat industry would be a lack of access to EU export markets (where a large proportion of Welsh Lamb and Welsh Beef is currently sold) combined with trade agreements between the UK and the US which would allow increased volume of supply into a saturated domestic market.

UK-Japan

3.8. Access to a range of markets outside the EU is imperative to the Welsh red meat industry, both to support trade and spread economic risk. The Japanese market conditions combined with a growing demand for high quality and good value products create an opportunity for Welsh Lamb and Welsh Beef.

UK-Australia and UK-New Zealand

3.9. In red meat, trade between the UK and Australia/ New Zealand is almost entirely one-way, namely produce being imported into the UK. The division of the current Tariff Rate Quota (TRQ) – particularly for sheepmeat – poses a challenge for the future of livestock agriculture in the UK, as does the prospect of future trade deals in which Australia and New Zealand may be expected to negotiate for greater access for its red meat products into the UK market.

3.10. Although the current quota is not met, if anything was to happen to the current New Zealand trade to China, it is anticipated that additional product from New Zealand would be re-directed to the UK market, creating supply pressures in the domestic market.

3.11. The worst possible scenario for the Welsh sheep industry would be a lack of access to EU export markets combined with trade liberalisation between the UK and Australia/ New Zealand which may allow increased competition in the domestic market from countries with a competitive advantage to their potential lower regulatory (environmental/ animal health) baselines.

Continuity Negotiations and Coordination programme

3.12. Market access to countries across the World supports trade opportunities and spreads economic risk. Continuity negotiations, alongside trade deals are therefore important to the Welsh red meat industry.

4. Intra-UK intergovernmental agreements relating to the end of the transition period, including the common frameworks programme

4.1. The common framework programme, specific to the needs of individual policy areas, is essential for fairness in the UK market. However, close working

between the Devolved Administrations and the UK Government is essential to ensure the frameworks are developed in a transparent way.