

Wales' future relationship with the European Union
EAAL(5) FRL05
Evidence from National Sheep Association Wales

NSA Cymru welcomes the opportunity to provide evidence from the sheep industry to the points below. NSA Cymru is one of the nine regions that make up National Sheep Association (NSA) a membership organisation representing the views of up to 7000 sheep farmers UK wide.

With the political and social changes experienced and likely in future years the NSA believes sheep farming in Britain has the potential to expand and improve from its current position, delivering economic, environmental and social benefits to all four UK nations. In Wales, with around 80% of the land mass being less favoured area type land and unsuitable for many other farming activities, sheep farming is already the most significant and readily identified farming enterprise. Sheep farming in Wales is a multi-functional land management activity, producing high quality food and breeding animals almost entirely from grass, at the same time as creating attractive landscapes and wildlife habitats, maintaining natural capital in the form of soils, carbon storage and water, and regularly forming the foundation of rural communities and economies. Our belief is that sheep farming can further develop and grow its contribution to the Welsh economy, its environment, and its heritage and culture.

Key opportunities post Brexit includes:

- Increasing global population and growth of middle classes that want to eat red meat – so ongoing export opportunities to add value and drive demand
□ Wales is good at sheep farming and we are established – the UK as a whole is the 3rd largest exporter of sheep meat and much of this comes from and is processed in Wales.
- Acceptance of the many public goods and benefits that come from sheep farming - landscape, wildlife habitat, natural capital, social benefits and supports local rural economies. Stands us in good stead regarding the direction of farm support.
- Potential for wider acceptance of the nutritional benefits of grass fed red meat
- Potential for new collaborative relationship between industry and Welsh Govt, and a new collaborative relationship between the farming industry and environmental bodies in Wales.
- Much scope for production efficiency, much of this can come from health and disease improvements that we have answers to. The focus needs to be on implementation at a farm level
- Many young and new entrants keen to come into sheep farming. Small and mid-scale enterprises attract independent minded British individuals looking for business opportunity. Sector (with the exception of abattoirs) low dependence on migrant labour.

The risks we need to guard against now (beyond the risk of losing free EU access) include:

- We may be driven towards higher environmental and welfare standards but may still allow/even encourage cheaper and lower standard products to outcompete us on price – simply pushing environmental and welfare problems out of sight.
- New free trade deals with NZ and Australia that may have wide economic benefits but a one way sheep meat trade.
- The future of our geographical indicators – we need them although collectively UK nations should agree where it is best to market as a British brand.
- Maintaining R&D funding and ensuring more investment in not KT but implementation.
- Inadequate focus on our domestic market – 60% of our UK production is sold domestically and it is the most secure market we have.

The objectives of the inquiry are:

- To identify the most essential aspects of the UK's future relationship with the European Union from a Welsh perspective;

The most essential element of Wales' future relationship with the EU with respect to sheep farming is the need to agree a free and frictionless trading relationship. Within agriculture the sheep sector is recognised as the farming enterprise that is most at risk from Brexit. The big threats affect the two main strands of income for sheep farmers – disruption in trade – and changes to farm support. In terms of trade we have between 35 and 40% of our production reliant on exports, and 96% of that volume goes to the EU – hence a trade deal that results in tariffs (as high under WTO rules as 50% on average and adding a cost of more than £2 a kg of meat) would crucify our trade. The possibility is remote of new markets such as China, the United Arab Emirates, or the US stepping in to replace that trade within necessary timescales if we were to fall back to WTO rules with the EU in March 2019 – or even two years later. In terms of farm support then the extensive nature of sheep farming and the environmental and welfare standards UK sheep farmers comply with mean most businesses are heavily reliant on pillar 1 and 2 support to be viable. Some upland sheep farms are in a situation where 70% of their income comes from farm support. If we were to see reductions in farm support then the heavy reliance of sheep farms means their viability again could be threatened.

To avoid business disruption there needs to be a realistic transition period of access to the EU Single Market while new trade agreements are discussed.

The PGI status for Welsh lamb has been heavily invested in and will be valuable in future to establish and secure trade. A mechanism to maintain PGI status once we have left the EU will be essential.

Migrant Labour- There will be a need for visas for migrant labour from other countries where the need exists, e.g. permanent positions in abattoirs and for seasonal shearing work. There are few other solutions to staffing these essential businesses and there is a risk that some could be lost, even increasing demand for live exports and losing the opportunities to add value and contribute to the Welsh economy.