

Introduction

1. NFU Cymru is pleased to have the opportunity to submit written evidence to the National Assembly for Wales' External Affairs and Additional Legislation Committee enquiry into Wales' future relationship with the European Union.
2. The importance of the farming industry in rural Wales cannot be over-stated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. With a gross output of £1.5 billion, Welsh agriculture provides the raw ingredients that are the cornerstone of a £6.9bn Welsh food and drink industry, which is Wales' largest employer, employing over 240,000 people.
3. Agriculture stands as one of the sectors most heavily shaped by the UK's membership of the European Union, in terms of support under the Common Agricultural Policy, in terms of our trading relationship with Europe, and in terms of the amount of EU derived legislation which impinges on the sector.
4. Agriculture is a strategically important industry, which is economically, environmentally and culturally important to Wales. NFU Cymru do not want to see agriculture used in any way as a bargaining chip when it comes to trade negotiations with third countries, where it might for example be traded off in return for access to the service sector.

The essential aspects of the UK's future relationship with the EU, from a Welsh perspective

5. Although we will no longer participate in the CAP after Brexit is complete, beyond Brexit there are two significant, closely interlinked aspects of our current relationship with the EU which will be very significant determinants of the shape and future success of the industry for many years to come, namely future trading arrangements with the EU, and the degree and extent of regulatory alignment with the EU.
6. Whilst Brexit may eventually give the UK the freedom to conclude trade agreements with trading partners other than the EU27, NFU Cymru is firmly of the view that the UK government's focus for the immediate future has to be securing a free trade agreement with the EU27.
7. The EU's single market is by far our largest, and most proximate export destination. Over a third of our lamb crop ends up on the European market as do around 75% of Welsh food and drink exports. Participation in the EU's single market means that our access to this market is on the basis of a level playing field, unhindered by tariff and non-tariff barriers. For our members, it is vital that our access to the European Union's single market, remains unfettered by tariff and non-tariff barriers.

8. Our dependency on the EU export market means that Wales' farmers would be incredibly exposed in the event of a precipitous, cliff edge Brexit in Spring 2019, under which the UK leaves the single market, not having secured a free-trade agreement with the EU27. Were our exports subject to tariffs at WTO rates, then chilled lamb carcasses would attract effective tariff rates as high as 46%, whilst tariffs of 65% would apply to fresh boneless beef.

9. If such an agreement cannot be concluded by the end of the two year negotiating period, the time at which the UK leaves the EU, there must be transitional arrangements put in place in good time to ensure a smooth and orderly Brexit, allowing for current free and frictionless trade between the UK and EU to be maintained until such a time as a formal free trade agreement comes into effect.

10. NFU Cymru believes that any trade agreement with the EU27 must be comprehensive and encompass all sectors including agriculture. We would for example be concerned if the future trading relationship between the UK and EU27 were to be predicated on a series of bilateral agreements. Constructing a relationship based on a series of bilateral agreements would be complex, cumbersome and could be disadvantageous to agriculture in particular. We are concerned about the fact that agriculture can often prove to be one of the last areas for agreement in trade negotiations, and the fact that this can lead to it not being included or being used as a bargaining chip in such a scenario.

11. The UK Government must continue to value the UK's high standards of food production by ensuring that Wales' farmers are not put at a competitive disadvantage in relation to trade with non-EU countries. We would therefore be staunchly opposed to any trade liberalisation scenario which would see food produced to lower standards coming into the UK and undercutting domestic produce. Furthermore, NFU Cymru believes that the UK government should work to ensure that upon departure, the UK adopts no more than its fair share of Tariff Rate Quotas for products such as New Zealand lamb.

12. Whilst many have alighted on the issue of tariff barriers as the major risk facing the sector in the event of a hard Brexit, non-tariff barriers will also have very harmful impacts if they are allowed to impede trade flows. As producers of what are largely perishable products, Wales' farmers cannot afford to see their produce held up at international borders by red-tape and bureaucracy. We very much need the free and frictionless trade that the Prime Minister spoke of in January 2017 at Lancaster House, and this must include tariff and non-tariff barriers.

13. Whilst the threat posed by tariff barriers can be quantified and understood comparatively easily by reference to tables of data and figures, the detrimental impact of non-tariff barriers is something which does not appear to have resonated as strongly since the referendum.

14. The 'costs' of non-tariff barriers include measures such as proving conformity with technical regulations and standards, rules of origin as well as hygiene,

veterinary and phytosanitary control are far more difficult to quantify. In relation to third countries documentary and identification checks apply to 100% of all beef, lamb, pork and poultry meat, whilst 20% of beef, lamb and pork, and 50% of poultry meat is subject to a physical check.

15. European markets are relatively mature, and so access to new and emerging markets is therefore seen as increasingly important in future. Whilst we recognise the value and importance of non-EU export destinations, for the foreseeable future EU export destinations are likely to remain our most significant owing to both their proximity and value. Although Brexit will eventually give the UK the freedom to conclude its own trade agreements with other countries outside of the EU27, from NFU Cymru's perspective the UK Government's focus for the immediate future must be the securing of a trade agreement with the EU27.

16. The European Union Withdrawal Bill is a vital part of the process of legislating for Brexit, in order to offer certainty and continuity by ensuring the on-going legal effect of the vast bulk of EU, which is a well-established part of our legal system.

17. NFU Cymru considers there to be sound practical reasons for wishing to preserve the bulk of EU law, in that the greater the level of regulatory harmonisation between nations, the easier it should be to allow trade to flow between them, whilst greater regulatory divergence of course weighs against the facilitation of trade. We are keen to ensure that no barriers to trade are introduced between the UK and the EU27 after Brexit.

Ensuring that the issues of most importance to Wales are adequately represented in the negotiations

18. NFU Cymru is very much alive to the political and constitutional tensions that the Brexit process has already produced, and is likely to continue to produce going forward. The UK's constitutional landscape is now rather different to that which existed when the UK joined the EEC. We have moved from an arrangement in which powers were vested in the centre to one in which devolved legislatures have law making responsibility in relation to certain matters, and have become permanent features of the UK's constitutional landscape.

19. In accordance with this altered constitutional order, our view is that full account needs to be taken of the views of the devolved governments and legislatures of the home nations when it comes to the Brexit negotiations, and that Wales' devolution settlement should be respected throughout the process.

20. NFU Cymru is aware of criticisms made in the past of the infrequent nature of the meetings of various Joint Ministerial Committees, in particular the JMC on European negotiations. If constitutional difficulties between London and Cardiff are to be minimised, or indeed averted, and Wales' needs adequately taken into account during the negotiations, then it is most important that there are regular meetings of the JMC on European negotiations.

21. Brexit has created an unprecedented situation, and NFU Cymru believes that this calls for novel ways of working between the Westminster Parliament and the National Assembly. We believe that this could for example include, where appropriate, joint committee sessions between the London and Cardiff legislatures in order to ensure that Wales' needs in relation to Brexit are given due regard by the UK Parliament and the UK Government.

Future working and engagement with the EU and its institutions

22. NFU Cymru very much values the relationship it has with the European Union and its institutions. Through its office in Brussels, the Union has had a presence in Brussels since 1972, which has allowed us to build up an extensive network of colleagues within the institutions and amongst other stakeholder organisations. We fully intend to do all that we can to preserve and continue with those relationships, and ensure we are representing farmer and growers on the numerous EU issues that might impact on their businesses over the coming years.

23. We fully expect that in future we will need to continue to follow policy developments taken by the European institutions, as decisions taken by them will almost certainly impact on agriculture in Wales and our members. Understanding the challenges faced by our European neighbours, and the policy responses being developed to address these challenges will remain vital in terms of informing our own lobbying efforts.

24. Like other third countries, we still expect to be able to meet commission officials in order to share information and understand policy positions taken. The loss of the UK's MEPs when we leave the EU inevitably means that we will not engage as extensively as we currently do with the European Parliament, we will however continue to monitor developments and speak with key MEP contacts and maintain a good understanding of the Brussels political environment.

25. The Union participates in the work of COPA, (the representative body for the agricultural organisations of Europe), as a full member, and will continue to do so as long as the UK remains a member of the EU. Once Brexit is complete this relationship will change, however we will look to continue to work in close partnership with our COPA colleagues in order to preserve the networks and working relationships that we have developed and which remain important to us in future.

26. Food producers in the EU are able to use different geographical indications in order to seek to distinguish their products in both domestic and international markets, with the ultimate aim of improving returns from the market place. There are currently three different classes of EU geographical indication protection, namely Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Speciality Guaranteed (TSG). Welsh lamb, beef and Pembrokeshire early potatoes for example fall into the second of these three designations

27. Once a product (a food or drink) has been successfully registered at European level for one of these protections, it is granted legal protection against imitation throughout the EU. We will continue to enjoy this protection whilst we remain part of the EU, but it is not entirely clear whether we will retain this protection once the UK becomes a third-country. Retaining these designations is particularly important to Wales, and a mutual recognition of geographical indications needs to be covered by the exit and trade agreement with the EU.

28. Although we know that the UK will participate in the CAP until Brexit day in March 2019, and that the UK government will protect the overall cash terms allocation to agriculture right up until the end of the current Parliament in 2022, what is not clear at this stage is whether the UK will participate in the CAP or be very closely aligned to the CAP during the transition period. We consider it to be very important that the UK government provides clarity on this point as soon as possible, as if we are to depart from the CAP after March 2019, then farmers, and the devolved governments (who will presumably be responsible for designing and delivering any successor scheme to the CAP) will need as much lead in time as possible in order to be able to do so.

Observations regarding funding arrangements and conclusion

29. Future support arrangements for farmers will in due course become matters determined at the domestic level, and so are probably somewhat outside the scope of this enquiry, we would nonetheless make the point that Wales has historically secured around 9% of CAP funds that come to the UK, despite representing about 4.7% of the UK population. If future allocations of support were made to Wales on the basis of population share, Wales would stand to lose out substantially, and we would argue that they should continue by analogy to the existing needs based formula.

30. NFU Cymru continues to argue that post Brexit funding for agriculture, coming from the UK Treasury to the Welsh Government, ought to be hypothecated. If funds are not allocated on a hypothecated basis then we do consider there to be a real danger of the UK playing field becoming uneven and distorted should differing levels of treasury funds percolate through to farmers in each of the home nations.

31. Welsh agriculture is likely to be impacted by Brexit more than any other sector. We hope that the Committee will consider the points raised in our submission. NFU Cymru would be pleased to follow up on our written submission with oral evidence, should the Committee wish.