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Lord Teverson
EU Energy and Environment Sub-Committee
House of Lords
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Dear Robin

Following the House of Lord's EU Energy and Environment Sub-Committee's inquiry into Brexit: agriculture and the subsequent publication of your Committee's report, please find attached the Government response.

GEORGE EUSTICE MP

Government response to the House of Lords EU Energy and Environment Sub-Committee report into Brexit: Agriculture

Introduction

Withdrawing from the Common Agricultural Policy

1. Leaving the Common Agricultural Policy and the European Union will have fundamental implications for the agricultural sector in the UK. In the long term the UK has an opportunity to review and improve its agriculture, environment, and food policy, better meeting the needs of the agriculture sector, the environment and consumers. But in the short term, the Government will need to work closely with the industry to help it respond to critical challenges: forging new trading arrangements with the EU and the rest of the world; providing regulatory stability and clarity; addressing the future of funding for the agricultural sector; and ensuring access to labour. (Paragraph 21)

The Government is grateful to the House of Lords EU Energy and Environment Sub-Committee for its report, 'Brexit: Agriculture'. The report is a thoughtful, lucid and important contribution to the debate on our future agricultural policy.

Leaving the EU presents a once in a generation opportunity to transform our food and farming policies, improve our environment and protect our rural landscapes. We will be able to develop new policies that specifically benefit British agriculture and provide better value for the taxpayer.

As we move towards a more productive and sustainable farming industry, the Government wants to make sure the industry does not face a precipitous cliff edge in funding, following our withdrawal from the EU. We continue to commit the same cash total in funds for farm support until the end of the parliament, providing stability and a smooth transition for the farming industry.

We are determined to create the best trading framework for both consumers and producers. As part of the EU exit process, we must consider the impacts of changes to tariffs and trade policy on the industry and consumers, as well as how we will negotiate our WTO (World Trade Organisation) commitments. We are already having constructive discussions with partners about this.

The Great Repeal Bill will end the authority of EU law in the UK and return powers from Brussels to the UK. Transferring powers under the Great Repeal Bill and negotiating new trading agreements will be a significant undertaking. The Government is analysing in detail the range of impacts of these processes on the UK agricultural sector. As referenced in the Queen's Speech, we also intend to introduce an Agriculture Bill to deliver on our manifesto commitment to "provide stability for farmers as we exit the EU" and to protect our precious natural environment for future generations. We recognise the vital importance of agriculture for the Devolved Administrations and to a wide range of stakeholders. We will be working closely with stakeholders and the Devolved Administrations to deliver a more productive and environmentally sustainable future for UK farming.

Our response to the Committee's report mirrors the headings given in its recommendations and conclusion sections.

Future trade in agri-food products

The UK's new WTO schedules of concessions (2-4)

2. In our report Brexit: trade in goods we concluded: "When establishing its own schedules at the WTO, the UK Government must give particular consideration to the implications of tariffs on the UK agricultural sector. High tariffs on imports would raise the cost to UK consumers, whereas lower tariffs could reduce the cost of food to consumers, but might undermine the domestic agricultural sector's competitiveness." We endorse this conclusion and underline its importance. (Paragraph 67)

3. Reaching agreement on dividing the EU's Tariff Rate Quotas for agricultural products could be challenging, not least because the proposed reallocation will be open to negotiation by WTO members, not only the EU. We urge the Government to analyse the current patterns of trade under existing TRQs and the implications of a proposed split on the agricultural sectors and food manufacturers that benefit from the current TRQs in preparation for these negotiations. (Paragraph 68)

4. There is no precedent for splitting the Aggregate Measurement of Support—or the Amber Box entitlement—and in our view the Minister was over-confident that other WTO members would accept such a split. We invite the Government to confirm that it is considering alternatives, should the split be contested. (Paragraph 69)

The Committee highlights the implications of changes to tariffs on the UK agricultural sector and urges the Government to fully consider future arrangements for the split of current Tariff Rate Quotas (TRQs) and levels of support for the sector.

EU tariffs in the agriculture sector are typically higher and more complex than other sectors and the Government is carefully assessing the potential impact on consumers and producers of changes to the tariff regime in agriculture.

The UK's WTO schedule will set the upper limit on the tariffs the UK can apply as well as future Tariff Rate Quotas (TRQs) and limits on certain types of agricultural support. The Government's approach is to establish schedules which replicate as far as possible our current obligations. This will minimise disruption to trade at the point of exit and maximise certainty for producers, consumers, importers and exporters.

The Government agrees with the Committee that understanding current trade patterns is critical as we prepare to leave the EU. We are in the process of detailed analysis to supplement our current understanding of the use of WTO TRQs.

We are considering a wide range of future farming policy options and we will assess their compliance with WTO rules and agreements. We look forward to collaborating with other WTO members on the breadth of the UK WTO schedule.

Negotiating a UK-EU trade agreement (5-11)

5. The UK is a net importer of food and therefore a very attractive market for agri-food products both from the EU and globally. We expect this to give the UK a strong position during trade negotiations for those products both with the EU and, after Brexit, with third countries. (Paragraph 107)

6. Nevertheless, leaving the Single Market and the Customs Union will create significant uncertainty for the UK agri-food sector. The EU is the single largest market for UK agriculture and food products, and our witnesses were clear that preserving tariff and non-tariff barrier free trade with the EU should be a priority. If the UK leaves the EU without agreeing a comprehensive UK-EU FTA, or a form of transitional arrangement, UK-EU trade would have to proceed according to WTO rules. Many of our agricultural producers, and our food manufacturers, would incur substantial costs associated with tariff and non-tariff barriers when exporting to the EU, with sectors such as pig and sheep meat at particular risk. (Paragraph 108)

7. Moreover, the agricultural and food manufacturing sectors are integrated into EU-wide supply chains. It is imperative that a UK-EU trade deal should avoid the imposition of tariffs on trade in both directions, to minimise the potential for disrupting those supply chains. (Paragraph 109)

8. Non-tariff barriers could be equally if not more disruptive to trade in agricultural products and food. Products must meet the standards of the EU market in order to enter it. If UK and EU regulatory frameworks begin to differ after Brexit, there is a risk of substantial non-tariff barriers for agri-food producers. The greater this divergence, the greater the need for customs checks and certification of products and production facilities. This could be costly and time consuming for UK farmers and food manufacturers wishing to export to the EU. (Paragraph 110)

9. In our report Brexit: trade in goods we urged the Government “to maintain close dialogue with the EU over the development of UK and EU standards post-Brexit, to avoid unnecessary divergence.” We endorse and re-state this recommendation. (Paragraph 111)

10. Customs procedures and associated delays would have a particularly strong negative impact on the agri-food sector, where products are often perishable and food supply chains are highly integrated across the UK and the EU. (Paragraph 112)

11. Agri-food supply chains are particularly highly integrated between Northern Ireland and the Republic of Ireland. The re-introduction of border controls and tariffs could severely disrupt this industry, and could lead to an increase in cross-border smuggling. We therefore repeat the recommendation made in our report on Brexit: UK-Irish relations that the Government should make every effort to avoid the re-introduction of customs controls on the Irish land border. (Paragraph 113)

The Committee’s report emphasises the importance of negotiating a trade agreement that avoids the imposition of tariffs and non-tariff barriers on imports and exports of agri-food products. Our new relationship with the EU should be based on the freest possible trade in goods and services

between the UK and the EU. A comprehensive and bold new free trade agreement should include trade in agri-food products, where the UK and EU have a mutual interest in ensuring continued high levels of market access.

We start from a unique position in relation to regulatory standards in these discussions. Our close regulatory alignment, trust in one another's institutions and a spirit of cooperation stretches back decades. By negotiating withdrawal, implementation and future partnership agreements together, our arrangements should complement each other, making the move to our future partnership as smooth and orderly as possible.

The UK will seek a new customs arrangement with the EU, which enables us to make the most of the opportunities from trade with others and for trade between the UK and the EU to continue to be as frictionless as possible. The precise form of the UK's new agreement will be the subject of negotiation. It is in the interests of both the UK and the EU to have a mutually beneficial customs arrangement. This will form a key part of our ambition for a new strategic partnership with the EU.

As the Prime Minister stated in January, we will work to deliver a practical solution that allows the maintenance of the Common Travel Area with the Republic of Ireland. We are acutely aware of the increased significance and potential challenges on the issues related to the border between Northern Ireland and the Republic of Ireland. We will be working closely with the Devolved Administrations to address these issues urgently.

New market opportunities (12-19)

12.The EU is the UK's biggest trading partner for agricultural and food products. The evidence suggests that, for a considerable period of time, it will not be possible to off-set this trade by increased trade with third countries or by expansion of domestic markets. (Paragraph 146)

13.As an EU Member State, the UK has access to preferential trade agreements with a number of third countries. As we have concluded in successive reports, we doubt that UK participation in these agreements can be preserved after Brexit. It is essential therefore that the Government should, as a matter of urgency, clarify whether or not such agreements could indeed be grandfathered to preserve preferential trade arrangements for agri-food products. (Paragraph 147)

14.Our witnesses were concerned that increased trade with third countries that operate different—often less stringent—regulatory standards than the UK could render UK producers uncompetitive in the domestic market due to an influx of cheaper products produced to lower standards. (Paragraph 148)

15.It could also lead to increased pressure on the Government to reduce standards domestically in order to lower the cost of production and increase price competitiveness. Yet we note that UK producers are proud of their high standards, and that our witnesses questioned whether consumers would welcome such a downward trend in current standards. (Paragraph 149)

16.In looking to expand trade in the longer term with third countries, such as China, we also heard that high standards were crucial to the British brand. The Government should

therefore maintain the current standards to enable the export of UK food and farming products. (Paragraph 150)

17. We welcome the Government's commitment to maintaining high levels of animal welfare in the UK. There is some doubt over whether animal welfare can be used as a rationale to restrict imports from other countries under WTO rules. However, we encourage the Government to secure the inclusion of high farm animal welfare standards in any free trade agreements it negotiates after Brexit. (Paragraph 151)

18. In developing new trading relations with the EU and the world, the Government will need to balance the sometimes conflicting needs and expectations of farmers, consumers and trading partners with respect to quality and costs. (Paragraph 152)

19. It may be hard to reconcile the Government's wish for the UK to become a global leader in free trade with its desire to maintain high quality standards for agri-food products within the UK. Striking this balance will require extensive consultation with both industry and stakeholders. We note that it will be challenging to complete such a consultation in the two-year period set out by Article 50. (Paragraph 153)

In its report, the Committee highlights the complexity and interconnectedness of the UK's current trade policy with the EU and the wide ranging consequences of future changes.

As referenced in the Queen's Speech, we will seek to forge new trading relationships across the globe. The introduction of a new Trade Bill will put in place the essential and necessary legislative framework to allow the UK to operate its own independent trade policy. We will carefully assess the impacts of any new trading arrangements and changes to tariffs on agri-food products both to consumers and producers in the UK before entering into agreements.

The maintenance of our existing high standards on food safety, environmental protection and animal welfare will be protected through the Great Repeal Bill and other domestic legislation. As we pursue any new agreements, we have an opportunity to work with the industry and other stakeholders to build a new future for our food and farming industry when we leave the European Union. Continuity in our trade and investment relationships with third countries, including those covered by EU free trade agreements or other EU preferential arrangements, is important to us. We are exploring how best to achieve this, however it is too early to say what it means in each particular case.

The prospect of transitioning existing EU free trade agreements and signing new free trade agreements after exiting the EU highlights the importance of our continuing work with the UK's agri-food and drink sector to develop its ability to trade in international markets.

Transitional arrangements (20-21)

20. Despite the regulatory conformity between the UK and the EU, there is broad consensus among experts—including those on the EU side—that it will not be possible to negotiate and conclude a comprehensive free trade agreement with the EU within two years. It is therefore essential that the Government should agree transitional arrangements with the

EU, in order to mitigate the potentially disastrous effects of trading on WTO terms on the agricultural and food sectors. (Paragraph 156)

21. In our report on Brexit: trade in goods we concluded that it was “critical that the Government considers negotiating access to the EU’s preferential trade arrangements with third countries for a transitional period”. We reiterate that conclusion: the fact that the UK may not be able to grandfather existing FTAs with third countries makes it all the more important, particularly to the agri-food sector, that there should be a phased transition, so as to allow time for the UK to negotiate new FTAs with third countries. (Paragraph 157)

In its report, the Committee suggests that a comprehensive free trade agreement with the EU may require agreement on transitional periods to avoid major disruption to the agricultural sector.

The agricultural industry will want as much certainty as possible as we move towards a more sustainable and profitable sector. Investors, businesses and citizens in both the UK and across the remaining 27 member states – and those from third countries around the world – need to be able to plan. We are exploring ways to ensure continuity for businesses as the UK leaves the EU, including in our existing EU FTAs. Business in the UK and the EU would benefit from implementation periods to adjust in a smooth and orderly way to new arrangements. This will help both sides to minimise unnecessary disruption.

We recognise the importance of providing stability for UK farmers and we have already taken steps to ensure this, including continuing to commit the same cash total in funds for farm support until the end of this parliament.

The regulatory framework

Potential improvements (22-24)

22. Brexit presents a new and important opportunity to replace elements of EU agricultural regulation that are bureaucratic, ineffective or ill-tailored to farming conditions in the UK, for example the three-crop rule and farming by calendar dates. (Paragraph 174)

23. Any regulatory change will have to strike a balance between managing international obligations, consumer and public demands, costs for producers, and the conditions of any trade agreements. (Paragraph 175)

24. Significant divergence between the regulatory frameworks in the UK and the EU, by creating non-tariff barriers, could make it more difficult to continue to trade agri-food products after Brexit. As we noted in our report Brexit: trade in goods, an FTA with the EU is likely to require a legal commitment by the UK to maintain a high level of harmonisation or mutual recognition of regulations and standards with the EU. The scope for deregulation, while not negligible, may therefore be limited. (Paragraph 176)

The Committee’s report highlights the potential limits to the scope of deregulation that may be posed by requirements of a new FTA with the EU. The UK intends to negotiate a new free trade agreement that allows the freest possible trade in goods and services with the EU. The scope for deregulation will need to be considered carefully in future discussions. In areas of the Common

Agricultural Policy that do not relate to standards, we will have freedom to change policy on farm support in areas identified by the Committee, such as greening requirements and how funding is targeted to farmers. UK ownership over domestic policies will allow the Government to deliver policies that are most beneficial for the UK to help us to grow our world-leading food and farming industry and protect and improve our environment.

The Government will assess the scope for deregulation to support for farmers in domestic policy and will carefully consider the potential impacts of any changes to the UK's regulatory frameworks on future trading agreements with the EU.

Devolution (25-27)

25. Farming landscapes vary significantly across the UK, and agriculture is rightly a devolved policy area. Though implementation of CAP policies already varies, Brexit will allow the devolved administrations to tailor agriculture policies even more closely to their farmers and land. (Paragraph 189)

26. But the UK has an internal single market, in which agri-food plays a significant role. It is in the interest of all in the agri-food sector, as well as of consumers, that the integrity of the UK market be preserved. This will require either a UK-wide framework or the negotiation of co-ordinated agricultural policies by the UK Government and the Devolved Administrations. We encourage the Government to pursue dialogue on this issue as a matter of urgency. (Paragraph 190)

27. Trade policy is a reserved matter, so the sum of agricultural policy across the UK must respect the UK's external trade commitments. The UK Government will need to work closely with the Devolved Administrations to ensure that this is the case. (Paragraph 191)

The Committee's report highlights that agriculture policy is a devolved matter, whereas trade policy is a reserved matter. The Committee asserts that the integrity of the UK single internal market must be preserved either with a UK wide framework or via negotiation of co-ordinated agricultural policies, so that UK agricultural policy respects external trade commitments.

The UK Government agrees that preserving the UK internal single market and meeting our international obligations are priority issues. We are working closely with the administrations in Scotland, Wales and Northern Ireland to deliver a Brexit that works for the whole of the United Kingdom. As powers are repatriated from the EU, it will be important to ensure that stability and certainty are not compromised, and that the effective functioning of the UK single market is maintained. We are acutely aware of the importance of agriculture for the Devolved Administrations and their economies and we will work closely with them to address the issues specific to their industry.

The UK Government will be negotiating with the European Union, taking full account of the interests and concerns of the Devolved Administrations and, indeed, of all the regions of England.

Regulatory transfer (28-29)

28. We heard strong support for the Government's approach of an initial transfer of EU agricultural regulations into UK law via the Great Repeal Bill, followed by a considered review of where improvements could be made. (Paragraph 200)

29. We welcome the groundwork already completed in relation to transferring EU legislation on animal welfare and plant health into UK law, and invite the Government to confirm that the same process will soon be completed in relation to other aspects of agricultural legislation. (Paragraph 201)

The Government is grateful for the Committee's support for its approach to incorporating the body of existing EU law into domestic law. Under these proposals, Parliament (and, where appropriate, the devolved legislatures) will be able to decide which elements of that retained law to keep, amend or repeal once we have left the EU.

As the Committee note in their report, the Government has reviewed all the current legislation Defra has oversight of in relation to animal health and welfare. The same process described in the quote reproduced in paragraph 194 of the Committee's report has been taken by Defra for all agricultural legislation. This project is ongoing and Defra has been at the fore-front of Whitehall in developing tools to identify legislation affected. An Agriculture Bill will also allow us to further consider where improvements could be made to make sure that after we leave the EU we have an effective regulatory system in place to support UK farmers and protect our natural environment.

The focus of attention now is on preparing the significant volume of secondary legislation that will need to be put in place after the Great Repeal Bill is adopted, in order to correct the statute book, where necessary, to guarantee operability of the legislation once we leave the EU.

Institutional governance (30)

30. EU agricultural regulation is underpinned by European institutions that monitor and enforce much of the legislative framework and international commitments. The Government will need to either ensure that these institutions' roles can be carried out by independent domestic bodies, or negotiate enduring relationships with the EU agencies and entities to ensure high standards of food safety and quality after Brexit. (Paragraph 207)

The Committee's report asserts that the Government must make sure there are suitable institutions to monitor and enforce high standards of food safety and quality after exiting the EU.

We are also looking at how our institutions currently interact with the EU and the different systems and agencies that help us to maintain high standards. The Food Standards Agency's priority remains to protect public health and consumers' other interests in relation to food. Protecting consumers while maintaining access to a range of imported goods that are trusted, safe and provide confidence in the safety of our food exports is a priority. Many of our current systems are mutually beneficial to the EU and UK. For instance, in relation to animal health, animal disease does not respect national boundaries and the current arrangement, through the Animal Disease Notification System works well. As part of exit negotiations the Government will discuss with the EU our future status and arrangements with regard to these agencies and systems.

Withdrawing from CAP financial support

Funding in the context of Brexit (31-35)

31. Many farmers rely on Pillar I and II funding to keep their businesses viable, and any substantial reductions in the level of support would have a significant impact on both the agriculture sector and the wider rural economy. The Government should clarify its intentions regarding financial support post-2020 as soon as possible to provide the certainty required to make investment decisions. (Paragraph 237)

32. Brexit provides an opportunity for the Government to evaluate not only the level, but the objectives and structure of financial support to farmers, and to design simpler support schemes which are effective in the context of UK agriculture. We note that this could include support for the rural economy or those in less favoured areas (such as hill farmers), for investment in technology to improve productivity, for environmental protection, or to ensure UK farmers are not at a competitive disadvantage compared to their EU counterparts. We encourage the Government carefully to review the needs of the agricultural sectors across the UK, and to consult with the industry, to ensure that any future support is targeted and effective. (Paragraph 238)

33. There is a case for continuing to provide financial support to farmers after 2020 to correct market failures and deliver public goods, such as environmental protection and ecosystems services, which would not otherwise be paid for. We welcome the Minister's support for this position. (Paragraph 239)

34. Nevertheless, we recognise that agriculture will be competing with many other sectors for public expenditure. The agricultural sector will have to make a strong case to maintain financial support at the same or similar levels to that provided under the CAP. (Paragraph 240)

35. WTO rules may hinder the design of support schemes tailored to UK objectives. The Government should factor these constraints into its post-Brexit agriculture policy, and negotiate a share of the EU's Amber Box allowance to maximise its options for designing an effective post-CAP support scheme. It should also consider how to support the provision of public goods through agriculture in the event it does not secure such a share. (Paragraph 241)

The Government has a manifesto commitment to maintain the same cash total in funds for farm support until the end of this Parliament. Our commitment will help to provide stability to farmers as we develop a new agriculture policy, working closely with the Devolved Administrations and those affected.

The decision to leave the EU provides an opportunity to design a new agriculture policy from first principles in order to most effectively support the agricultural sector. The Government recognises the diverse nature of the farming industry and will continue to take into account the different needs of the various farming sectors. We will engage with groups across the industry to identify the best ways to support the agricultural sector.

The Government agrees with the Committee that we should reconsider the objectives of future support and aim for a productive and sustainable sector that is globally competitive. In doing so, we will have the opportunity to deliver improved value for money for the taxpayer and consumers. We also recognise that moving away from an agricultural policy that has operated for over 40 years in the UK will not be simple. We will want to provide as much certainty for farmers as possible, as we work with the industry to ensure they are prepared for future policy changes.

A new agri-environment system that encompasses a broad recognition of the public goods delivered by farmers, such as our treasured countryside and landscape is a priority. We will be working closely with the industry and wider stakeholders as we develop policy proposals to achieve this.

The UK's WTO commitments currently form part of the European Union's schedules. The Government is preparing UK-specific schedules ahead of EU exit.

Funding and devolution (36)

36. Farmers in the devolved nations are proportionally heavily dependent on the financial support provided by the CAP. Funding mechanisms post-Brexit, while ensuring that farmers across the UK continue to receive the support necessary to keep their industry productive and sustainable, will need to avoid distorting the UK's internal agri-food market. (Paragraph 246)

The Committee's report notes that farmers in the devolved nations are proportionally more dependent on the Common Agricultural Policy for financial support. The Committee recognises that funding mechanisms need to avoid distorting the UK's internal agri-food market.

The Government will continue to commit the same cash total in funds for farm support until the end of the parliament and will work closely with the Devolved Administrations to develop future policy for farming. As our manifesto made clear, we recognise the importance of the agricultural industry in the Devolved Administrations, as well as the opportunity to improve agricultural policy.

Our guiding principle is that as we leave the EU no new barriers to living and doing business within our own union are created. The views of the devolved nations will play an important part in helping shape our preparations for exit to achieve arrangements that work for all parts of the UK, including in the agricultural sector.

Funding transition (37)

37. Farmers will need a transitional period in order to adjust to any new financial support scheme, and to provide the certainty they need to invest and adjust their business practices. The duration of the transitional period should be based on consultation with the industry and reflect the magnitude of change being implemented. (Paragraph 251)

In its report, the Committee notes the importance of a transitional period to provide certainty for farmers, in order to adjust to any new system of financial support. The Government will continue to commit the same cash total in funds for farm support until the end of this Parliament, as in the manifesto. This will provide stability to farmers as we develop a new agri-environment system for

introduction in the next Parliament. We understand that the Common Agricultural Policy has operated in the UK for over 40 years and that farmers will need time to adjust to any new forms of agricultural support. The Government therefore intends to provide as much certainty to farmers as possible in order to secure a smooth transition for the industry.

The Government is committed to avoiding unnecessary uncertainty and will consult widely with the farming industry, as well as other groups, as we develop future policy proposals.

Access to labour

Scale and scope of EU labour (38-42)

38. Many workers in the agricultural sector are often regarded as ‘unskilled’, but are in fact extremely skilled at sector-specific tasks such as crop handling and harvesting. We recommend that the Government recognise these skills when assessing labour needs and access to foreign labour after Brexit. We also welcome the Minister’s recognition that continued access to EU labour should be based on an assessment of the needs of the industry, rather than a simplistic distinction between skilled and unskilled labour. (Paragraph 264)

39. UK agriculture and food sectors are highly dependent on access to not only seasonal, but also permanent, skilled and unskilled (in terms of education level) workers from the rest of the EU. The entire food supply chain will be adversely affected by any loss of access to that labour pool. (Paragraph 265)

40. We particularly bring to the Government’s attention the overwhelming reliance of the sector on EU citizens providing veterinary services in abattoirs, which are essential to ensure compliance with food standards and regulations. (Paragraph 266)

41. The evidence we heard suggests the agricultural sector is already struggling to fill vacant positions and that this challenge is being exacerbated by the uncertainty surrounding the UK’s withdrawal from the EU. We therefore urge the Government to work with farmers and the food processing industry and to assist their recruitment efforts. (Paragraph 267)

42. In our report on Brexit: acquired rights we concluded that the longer the future of EU nationals in the UK is uncertain, “the less attractive a place to live and work the UK will be, and the greater labour market gaps will be”. This risk is already materialising in the agri-food sector, and we therefore repeat our call for the Government to clarify the rights of these EU nationals to remain and work in the UK. (Paragraph 268)

In its report, the Committee highlights the importance of recognising the contribution of skilled labour and migrant workers to farming. It is a key priority of this Government to enable an innovative, productive and competitive food supply chain from farm and sea to fork, that invests in its people and skills. Access to a sufficient and appropriately skilled workforce is essential for the whole food chain, and we welcome the Committee’s recognition of the importance of this issue.

Migrant workers make up a relatively large proportion of the total number of employees in the food chain, in both permanent and seasonal roles at varying skill levels. The Office of National Statistics (ONS) found that in 2016 workers from other EU countries make up around 9% of the permanent agricultural workforce. According to Defra's June Survey the seasonal workforce comprised approximately 67,000 people in 2015, whilst industry estimates that the majority of the seasonal workforce is from other EU countries and numbers around 80,000 people. The proportion of non-UK nationals in the UK veterinary profession is significant. Based on data by the Royal College of Veterinary Surgeons we believe that one in four of UK veterinary surgeons come from other EU Member States. Approximately 85% of Official Veterinarians carrying out official controls in Food Standards Agency approved meat establishments are from other EU countries. The official control system also relies on the use of Meat Hygiene Inspectors (MHI) - around 40% are from other EU Member States, and new MHI employees are almost entirely recruited from the EU.

Workers from other EU countries play an important role within food and farming at all skill levels, contributing to the sector and the wider economy. The Government places a high value on a strong skills system that can drive increases in productivity, improvements in social mobility and help make a success of EU exit. The Government has announced its intention to commission advice from the Migration Advisory Committee to better understand the reliance on EU migrant workers across the economy. We also remain closely engaged with our stakeholders to ensure that we are informed of their latest intelligence on labour demand. The Government welcomes the sharing of any robust sources of labour market data.

Until we have left the EU, the UK will remain a member with all of the rights and obligations that membership entails, and employers in the agricultural and food processing sectors are free to continue to recruit EU workers to meet their labour needs.

We understand that providing certainty to workers, business and the community is crucial. The Prime Minister announced on 26th June the Government's proposals in respect of existing EU citizens in the UK. The Government has made it clear that it wants to ensure that EU citizens in the UK before a specific date can continue to live here as they do now, with access to education, healthcare, benefits and pensions.

Filling the labour gap (43-44)

43. In the short term, technology cannot materially reduce the UK's need for EU agricultural labour; nor is there sufficient local labour to address the shortfall. Unless arrangements are made to preserve access to labour from outside the UK, the agri-food industry will suffer major disruption. (Paragraph 275)

44. The UK agri-food supply chain employs both seasonal and permanent EU workers, so a seasonal agricultural workers scheme alone, though a priority for our witnesses, will not be a sufficient measure for preserving access to labour. (Paragraph 276)

The Committee highlights the importance of developing future policy that addresses the UK agricultural industry's labour needs. Ensuring that food and farming sectors are able to secure an appropriately-sized and skilled workforce, both permanent and seasonal, will depend in the first instance on the ability to source workers from the domestic labour market.

In terms of the permanent workforce, it is vital that the industry plans ahead and secures the appropriately-skilled people that it needs. Developing the skills that the labour market needs is an essential part of Government's Industrial Strategy and our work on future farming productivity.

We want to ensure that the UK has enough veterinary capacity for food safety and animal health. The Food Standards Agency continues to explore opportunities to reduce reliance on manual labour by introducing more flexible inspection models and risk based controls. Where labour is required, Government agencies are considering contingency options to support retention and future recruitment. Government and its agencies also actively collaborate with the wider veterinary profession and UK university veterinary schools to attract students to this sector and increase UK self-sufficiency.

Apart from attracting, training and retaining a domestic workforce, investment in capital and R&D for innovation and automation is another key component. We are aware that this is a longer-term challenge. Business Investment and Research and Innovation are some of the core themes of the Industrial Strategy which will play a role in addressing this challenge.

As far as the role of immigration policy is concerned, the Government intends to consult business and communities on options to shape our future immigration system. We are considering the options very carefully, and will look to develop a system which works for all. For seasonal workers, the Government has stated that it does not believe that there is sufficient evidence to introduce a new Seasonal Agricultural Workers Scheme in at this moment. We keep this position under careful, ongoing review.

Resources (45-46)

45. UK bodies, such as the food inspection agencies, will need additional resources if they are to take on roles currently fulfilled by EU institutions in relation to the agri-food sector. One of these new roles will be an inspection workforce working in countries with which we have FTAs to ensure the upholding of welfare and phytosanitary standards. (Paragraph 284)

46. Defra faces an enormous challenge in repatriating agricultural policy alongside fisheries and environmental policy, particularly given the heavy cuts in its budget over recent years. Its role in relation to the agriculture sector will also increase significantly. The Department will need significant numbers of additional staff, with appropriate expertise. We welcome Defra's use of expertise from its agencies as an interim measure to inform policy development ahead of Brexit, but the Department will need to secure sufficient long-term resource. (Paragraph 285)

The Committee's report asserts that the UK must have sufficient resource to ensure sanitary and phytosanitary standards are upheld by trading partners. No decisions have been made on whether current EU roles will need to be taken on by UK inspection bodies and institutions. The Government will carefully monitor the need for domestic institutions to take on EU roles, and will assess resource needs accordingly.

In its report, the Committee identifies the volume and scale of work that Defra is responsible for as we prepare to exit the EU. Defra is amongst those government departments whose work is most closely linked to, and affected by, EU activity, legal frameworks and funding. Some 80% of Defra's

work is framed by EU legislation, and a quarter of EU laws apply to Defra's sectors. The resourcing of EU Exit work is a key priority of the Department and is subject to on-going assessment. Work continues to identify the number of dedicated posts required in the long-term to meet the demands of EU Exit; in the meantime, staffing resources will continue to be deployed flexibly across the entire Defra agenda.