

Senedd Cymru  
Y Pwyllgor Newid Hinsawdd, Amgylchedd a  
Materion Gwledig  
Effaith argyfwng Covid-19 a threfniadau pontio'r  
UE  
CCERA(5) CP&EU 04  
Ymateb gan Undeb Amaethwyr Cymru

Welsh Parliament  
Climate Change, Environment and Rural Affairs  
Committee  
Impact of the Covid-19 pandemic and EU  
transition arrangements  
CCERA(5) CP&EU 04  
Evidence from Farmers' Union Wales (FUW)

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## About the Farmers' Union of Wales

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 addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.
4. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

## The impact of the Covid-19 pandemic on the agricultural sector in Wales

5. The measures put in place in EU Member States and the UK's four nations from February 2020 onwards to prevent the transmission of coronavirus led to drastic changes and disruption to food supply chains.
6. In particular, the effective rapid closure of the food service sector, both in the UK and key export markets (primarily in the EU), caused a seismic shift in how supply chains function, with the majority of service sector outlets (pubs, restaurants etc.) being lost overnight and consumer buying patterns altering rapidly in an unprecedented manner.
7. Such changes coincided with a time when seasonal agricultural production was increasing rapidly as days lengthened and temperatures rose, meaning additional severe disruption to supply and demand dynamics and leading to large quantities of Welsh farm produce being either dumped (milk), put into storage or remaining on farm.
8. With similar impacts in play across the European Union, the European Commission announced an array of emergency measures, the majority of which were effective in

the UK under the terms of the Withdrawal Agreement.

9. These included the launch on 2<sup>nd</sup> April 2020 of the Coronavirus Response Investment Initiative Plus (CRII+) which introducing exceptional flexibility and simplification in the use of the European structural investment funds (ESIF) and European agricultural fund for rural development (EAFRD) funds and a one month extension of the deadline for CAP payment applications. Whilst Welsh Government agreed to a one month extension for CAP payment applications they have not taken advantage of the flexibility available under the ESIF and EAFRD to provide financial support to help Welsh farming businesses cope with the exceptional conditions caused as a result of COVID 19.
10. On the 22<sup>nd</sup> April 2020, in recognition of the fall in prices and oversupply of produce, the EU took further action by opening emergency Private Storage Aid for certain dairy and red meat products.
11. The effective closure of some export markets, including important markets for by-products such as skins and wool, also had a significant impact.
12. Both the UK and Welsh Government announced a range of financial support measures to support businesses cope with the impact of Coronavirus. Whilst farming businesses have been able to access the business interruption loan scheme, they have not been able to access grant funding of up to £10,000 made available through the Welsh Government Economic Resilience Fund.

### **Dairy**

13. By June 2020, the collapse in markets caused by the coronavirus pandemic had resulted in a fall in average UK farmgate prices of 1.9 pence per litre compared with the average price for the 2019-20 financial year – equating to a 6% fall in the average farmgate price.
14. More detailed analysis by AHDB has led them to estimate that almost half of dairy businesses in Wales have been “highly” impacted as a result of the pandemic, with the average financial loss per affected Welsh dairy farm higher than in either Scotland or England, at £6,100 for the months of April and May.
15. By comparison, the average cost per English dairy farm was almost a third lower than that of Wales, at £4,100.
16. Validated applications for the Welsh Government’s Dairy Support Scheme show that around 11% of all Welsh dairy farmers suffered losses in April and May 2020 equating to reductions in income of more than 25%, with losses in some cases exceeding £100,000 as a result of the overnight closure of the service sector.

17. Whilst around 50% of dairy businesses in Wales have been “highly” impacted by the impact of the pandemic only around 10% of dairy farming businesses in Wales were eligible for Welsh Government’s Dairy Support scheme.
18. Farmgate milk prices have on average recovered and are currently close to the five year average.
19. However, the reintroduction of ‘lockdown’ restrictions in England (which represents the most significant market for Welsh producers) again raises major concerns for those who are reliant on the service sector, with commentators already highlighting cancelled or reduced orders, potential delays in receiving payments for deliveries already made, and increased demand from retail and wholesale businesses.

### **Beef**

20. It is estimated that, overall, around 20% of beef (by volume) sold in the UK is sold in the service sector (restaurants, pubs etc.)<sup>1</sup>, while further analysis by Hybu Cig Cymru estimates the Welsh Lamb/Beef split between retail and food service at 47% to 53%<sup>2</sup>.
21. While the lockdown necessitated a switch by consumers to buying beef products in shops - primarily supermarkets – a combination of consumer and supermarket perceptions led to a large increase in mince sales, to the extent that large volumes of higher value cuts of beef were significantly devalued by being turned into mince.
22. Such impacts led to a rapid fall in cattle deadweight prices, such that by 25<sup>th</sup> April they were around 25p/kg below what they had been at the same time in 2019, and around 40p/kg below what they had been at the same time in 2018.
23. Concerted efforts by the GB levy boards, farming unions, supermarkets and others, and significant investments to promote beef and in particular higher quality cuts have since had a positive impact on prices, with deadweight prices around 20p/kg above the five year average in October.

### **Lamb**

24. As already highlighted, HCC estimates the Welsh Lamb/Beef split between retail and food service at 47% to 53%, meaning that, as was the case with beef, the closure of service sector outlets has had a major impact on the lamb sector.
25. Notwithstanding this, it must be noted that monthly slaughterhouse throughputs of lamb would generally be at a minimum in the late winter/early spring and at a peak in the late summer and autumn (see below graphs) – with slaughterhouse throughputs normally rising from the spring onwards to peaks in the autumn of between 50% and 80% of minimum (winter/spring) levels.

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<sup>1</sup> AHDB Consumer Insights (November 2019)

<sup>2</sup> HCC Briefing paper - Impact of COVID-19. Red meat in the foodservice sector: when can we expect normality? (July 2020)

26. As such, the beginning of the pandemic and lockdown occurred at a time when sheep slaughterhouses throughputs were at minimum levels.
27. However, the Easter (12<sup>th</sup> April 2020) and Ramadan (23<sup>rd</sup> April 2020) religious festivals are normally particularly important for the lamb sector, and the inability of families to gather together at these times saw sales of roasting legs down by up to 81% in weeks running up to the festivals.
28. During the two weeks up until 21st April, lamb sales were down by 27% in volume and 20% in value, while sales of leg roasting joints were down by 37% in volume while sales of shoulders were down 15%.
29. Similar trends continued, with prime lamb slaughterings down by 23.6% in May 2020 compared with May 2019.
30. Given such reduced throughputs and the ongoing absences of important markets, not least the service sector, significant work has been undertaken by Hybu Cig Cymru and others in order to shore up the lamb market including investments and promotions similar to those described above in relation to beef.
31. These have had a significant positive impact on a market which had seen a major fall in prices early in the lockdown, with average prime lamb prices around 40p/kg above the five year average at the end of October.

## **Wool**

32. Whilst wool is now, for the vast majority of Welsh sheep farmers at least, effectively a by-product of the industry, it nevertheless provides an important source of revenue for farms, not least given that sheep must be shorn annually, irrespective of what market exists for their wool, in order to ensure their welfare and minimise the risk of acute health problems such as fly strike.
33. The busiest selling period for Welsh wool is between February and May each year, and the effective closure of the international market from February onwards – including China, where a large proportion of Welsh wool is exported to - has had a particularly acute impact on wool prices.
34. The closure of normal wool markets as a result of the pandemic left British Wool (formerly the British Wool Marketing Board) with around one third of their wool stock unsold, leading to a severe cut in advance and balance payments for farmers.
35. As such, average payments for the 2019/20 season stand at 17p/kg - some 70% less than the payment received last year when the loss of the advance is taken into account.
36. This is in addition to the fact that the full payment for 2020 wool will be delayed until the 2021 season.

## Non market issues

37. Aside from the physical, psychological and social impacts which are affecting the farming community just as they are most sections of society (which the Committee is well aware of) the agricultural industry continues to face a number of specific non-market related challenges as a result of the current pandemic.
38. These include specific challenges relating to accessing veterinary services, including in relation to meeting statutory obligations such as bovine TB testing while observing social distancing etc.; meeting statutory requirements as regards, for example, accommodating farm and livestock inspections; providing information and documents to Welsh Government and responding to Welsh Government queries and marketing produce.
39. In order to help mitigate such challenges FUW staff continue to followed a number of protocols to ensure members are assisted whilst ensuring their health and welfare is protected and human contact avoided, whilst veterinary practices<sup>3</sup>, livestock markets and the Welsh Government<sup>4</sup> continue to implement a number of welcome protocols and changes to ensure businesses can continue to operate while risks are minimised.
40. Examples include changes to TB testing rules<sup>5</sup>, the strict implementation of rules in livestock markets preventing vendors from attending ringside sales<sup>6</sup>, the extension of the submission deadlines for a range of documents and the acceptance of electronic copies of documents by Rural Payments Wales which would normally have to be provided as hard copies.
41. Notwithstanding this, the restrictions placed on civil servants and resultant reduced capacity continues to cause a number of problems for farm businesses for which receiving responses to urgent queries, licences that have been applied for or site visits are time critical.
42. The FUW has arranged frequent online meetings for members in order to ensure such concerns can be raised and followed up on, and to keep the industry abreast of important developments as regards the pandemic and other issues.
43. A major obstacle for many farmers wishing to take advantage of concessions, keep up to date with developments and information of direct relevance to their businesses and communicate with others under the circumstances has been the poor provision of broadband in large areas of Wales.
44. We would also take this opportunity to highlight to the Committee the problems caused by significant increases in the numbers accessing the countryside during periods of the lockdown, especially in certain areas.

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<sup>3</sup> <https://www.bva.co.uk/coronavirus>

<sup>4</sup> <https://gov.wales/rural-payments-wales-rpw-coronavirus-covid-19>

<sup>5</sup> <https://tbhub.co.uk/statutory-tb-testing-of-cattle-in-gb-during-the-covid-19-pandemic/>

<sup>6</sup> <https://www.laa.co.uk/news/3989/coronavirus-covid-19-guidance-to-members-and-farmers/>

45. As has been well publicised at the time, during the weekend of the 21st and 22nd March, tens of thousands of visitors from within and outside Wales descended on popular destinations such as Pen-y-Fan and Snowdon with little regard for social distancing and the risk of passing the coronavirus on to other visitors or local populations.
46. For example, the Snowdonia National Park Authority stated that the area had been overwhelmed with visitors and that the significant crowding on mountain summits and trails made it impossible for effective social distancing to be maintained - scenes which were over the summer repeated and again well publicised.
47. The Welsh Government made the welcome move of introducing the Health Protection (Coronavirus Restrictions) (Wales) Regulations 2020, which placed a duty on Local Authorities, National Park Authorities, National Resources Wales and the National Trust to close certain rights of way or access land considered likely to attract large numbers of people and hence prevent effective social distancing.
48. Since March 2020, the combination of the coronavirus lockdown, sunny weather and restrictions on travelling to foreign destinations resulted in unprecedented numbers using public rights of way and accessing CRoW land, bringing to light a number of issues that are of direct relevance to Welsh Government plans which would increase rights of access and use.
49. Amongst these was the fact that increased use of access on footpaths and bridleways with gates on them led to an increase in gates being left open and livestock escaping onto neighbouring land, including onto highways and into urban areas
50. It is also notable that certain rights of way saw a many-fold increase in use leading to a range of problems, while others saw little change, thereby highlighting the degree to which existing rights of way are often underused even when close to urban areas, and the need to focus on encouraging use of existing access rather than increasing rights of access.
51. Also of relevance was the increase in litter on rights of way, antisocial or confrontational behaviour, livestock attacks by dogs and orphaned/dead lambs caused by general disturbance by walkers or cyclists - all issues which highlight the need to better educate people and ensure considerate and appropriate behaviour, and carefully consider the impacts and true costs of even minor changes to rights of use and access, as proposed by Welsh Government.
52. We would also take this opportunity to reiterate the points raised in the FUW's recent submission to the Committee on Biodiversity and Rewilding in relation to the impact of lockdown measures on biodiversity.

53. The *Wildlife in Lockdown*<sup>7</sup> report, which considered the impact of an absence of visitors, due to the closure of certain rights of way under the aforementioned Order, on wildlife on Snowdon, Cader Idris and the Carneddau, and in Cwm Idwal, Coed y Brenin, Ceunant Llennyrch and Niwbwrch/Llanddwyn, found that that wildlife flourished in those areas due to fewer disturbances and less litter, with birds such as meadow pipit and wheatear in far greater abundance around paths and common sandpiper and ring ouzel nesting close to what are usually busy areas they choose to avoid.
54. The study also suggests that less litter and picnic leftovers led to fewer predator species such as herring gulls and foxes being attracted to potential nesting areas, giving breeding birds an additional helping hand during their most important time of year.

### **Preparedness in Wales for the end of the EU transition period**

55. The Farmers' Union of Wales has been engaged in Welsh Government planning for post-Brexit scenarios since shortly after the EU Referendum held on 23rd June 2016, and in particular ahead of what were possible Brexit dates of 29 March 2019, 22 May 2019, 31 October 2019 and 31st January 2020.
56. Given that these marked potential dates for the UK's departure from the EU without a trade deal with the EU, the focus of various Welsh Government stakeholder groups and meetings was:
  - a. The assessment of immediate and longer term impacts of such a worst case scenario for different agricultural sectors, based on expert knowledge and analyses produced by bodies such as the Agricultural and Horticultural Levy Board (AHDB) and Hybu Cig Cymru (HCC)<sup>8</sup>, and the Agri-Food and Biosciences Institute (AFBI)<sup>9</sup> and
  - b. Planning for how the acute immediate impacts of such a worst case scenario might be reduced
57. It must be noted that the UK Government's preparations for such a no-deal scenario fell well short of what was needed to minimise adverse impacts, as highlighted, for example, by the National Audit Office, who concluded in September 2018 that Defra not yet understood the scale of work it would have to complete ahead of Brexit and had failed to complete a large number of tasks necessary to prepare for Brexit<sup>10</sup>.

<sup>7</sup> <https://www.benporterwildlife.co.uk/Wildlife-in-lockdown>

<sup>8</sup>

<https://ahdb.org.uk/knowledge-library/exploring-the-implications-of-brexit-for-agriculture-and-horticulture-in-wales-28-june-2018>

<sup>9</sup> <https://www.afbini.gov.uk/news/afbi-releases-report-post-brexit-trade-agreements-uk-agriculture>

<sup>10</sup>

<https://www.nao.org.uk/report/department-for-environment-food-and-rural-affairs-progress-in-implementing-eu-exit/>

58. As such, the scope for thorough preparation by either Welsh Government or businesses was severely limited.
59. Such analyses and planning through Welsh Government stakeholder groups has effectively continued in relation to the far more certain 'full' departure date of 31st December 2020, while emerging information regarding trade negotiations has further allowed different scenarios to be analysed. However, UK Government preparations in particular continue to leave much to be desired.
60. From an agricultural perspective, amongst the most important work undertaken in this area is that of the Welsh Government's Environment and Agriculture Roundtable Evidence and Scenarios sub group, which has continued to collate data and evidence in order to assess the possible impacts of different combinations of trade deals on issues such as agricultural prices and land use.
61. Notwithstanding this, the FUW has consistently expressed concern at the minimal amount of investment and work commissioned by the Welsh Government to look at economic impacts of different scenarios, such as on rural employment, compared with the substantial investment in modelling work focussing on possible environmental and land use changes.
62. While the FUW fully supports the latter, it maintains that economic and social impacts for Welsh families should have attracted equal attention and investment in terms of modelling different scenarios, and that such work should be carried out posthaste and attract significant investment.
63. Whilst the work carried out by the Evidence and Scenarios sub group has been essential in identifying potential impacts that, once published, should help inform businesses and others of likely effects, other Welsh Government stakeholder groups have focussed on other aspects of the post-withdrawal period, most notably the practical preparations needed to minimise adverse impacts of different UK-EU Trading Scenarios. Such groups include the Welsh Government's EU Transition Agri-food Supply Chain Stakeholder Group, the Farmed Animal Health and Welfare Agricultural Resilience Group and the Sheep stakeholder focus group.
64. The work of such groups continues to be severely hampered by uncertainty regarding post-withdrawal trading arrangements with the EU, and a lack of progress in terms of preparation, primarily by the UK Government, for different scenarios.
65. For example:
  - a. The Veterinary Public Health Association (VPHA) and British Veterinary Association (BVA)'s document *Export Certification and the challenges facing the meat and livestock sector post-transition* concludes that
    - i. If the EU discontinues recognition of the UK's health status, sub clauses may apply for meat exports requiring a 40 day standstill on the last holding before slaughter, a negative TB test within 3 months of



slaughter, systematic trichinella testing of pigs and the segregation of EU and non-EU destined products.

- ii. Existing Harmonised European Health Certificate (EHC) conditions will impose a severe limitation on and in some cases prohibit the export of certain categories of products such as fresh mince and meat preparations, 5th quarter products and certain categories of offal and by-products.
- iii. Shortages of Veterinarians may be a major problem, since meeting export requirements does not only require vets to sign EHCs at the point of departure, but also to verify and certify information and processes throughout the supply chain, including on farm, in slaughterhouses, co-located and standalone cutting plants and retail packing sites, cold stores and at borders. While the UK's Animal and Plant Health Agency (APHA) has estimated the number of additional vets needed for EHC certification work to be around 200, businesses involved in export certification work have put the number at at least 350.
- iv. While a great deal of progress has been made to automate the system to apply for EHCs, the expected 500% increase in the requirement for these will be coupled with a different and in essence new form of export trade; the bulk of current Products of Animal Origin exports to non-EU countries is of frozen product with long lead times, whereas current trade with the EU is largely of fresh product often with very short lead times and tight delivery windows. As such, any delays will adversely affect shelf life and be commercially damaging, and concern therefore exists regarding the speed at which EHCs will be processable.
- v. Operators dealing with movements of agricultural goods between Northern Ireland and Britain do not yet know how this trade will be managed, what Sanitary and Phytosanitary (SPS) rules will apply and what the legal requirements will be for the placing of British products on the Northern Irish market, and the placing of Northern Irish product on the British and EU markets after the withdrawal period.
- vi. There is no clarity regarding imported Products of Animal Origin materials which are further processed in the UK for re-export to the EU market.
- vii. The uncertainty and lack of information on these key issues is undermining confidence among operators and making it difficult for these businesses to organise and plan their post withdrawal period trade with the EU, and unless they are resolved exports to EU markets will either be impractical or impossible.

- b. Academics in the Republic of Ireland and Wales working under the *Ireland Wales Cooperation Programme* have noted the failure of the UK to prepare Welsh ports for post-withdrawal arrangements<sup>11</sup>, highlighting:
- i. The Internal Market Bill could significantly affect UK ports like Liverpool, Holyhead, Fishguard, Pembroke Dock and Milford Haven, and the Irish ports of Dublin and Rosslare.
  - ii. Welsh and Irish ports are facing profound and unprecedented challenges as the transition period draws to an end, and efforts to address these have been more far-reaching and sustained in the Republic of Ireland than in Wales.
  - iii. The Republic of Ireland has made considerable investments in new customs infrastructure - for instance, an investment €30 million and re-purposing of 10 hectares of land, including building new customs posts and associated facilities at Dublin Port - while there are to date no comparable developments in Welsh ports - despite Holyhead being the second busiest port in the UK (Border Inspection Posts are not expected to be in place in Welsh ports until July 2021).
  - iv. With around 40% of total Irish trade facilitated through Holyhead, equating to some 150,000 lorries crossing to the European mainland via UK ports, the lack of infrastructure in Welsh ports threatens to increase the current 20 hour duration of such journeys in such a way as to make such crossings far less practical, leading ports at Dublin and Rosslare to develop new direct ferry routes to continental Europe.
  - v. The UK must address practical challenges in its Irish-facing ports if Brexit is to work economically and politically
- c. The British Meat Processors Association (BMPA) maintains a log of issues and progress<sup>12</sup> in relation to key matters that need to be resolved in order to facilitate exports and minimise friction and costs.

As at 30th October 2020, of the ten key issues identified in their log, five were 'in progress' while five were 'unresolved'. Issues unresolved include:

- i. The fact that the UK has yet to be given Third Country approval, which must take place before meat processing plants that currently export can be officially listed by the EU as eligible to continue doing this. Third Country approval must be voted on by the EU Standing Committee on Plant, Food and Feed and it is understood that this may not take place before December 2020, introducing a high degree of

<sup>11</sup> <https://theconversation.com/uk-is-not-doing-enough-to-get-irish-facing-ports-ready-for-brexit-148063>

<sup>12</sup>

[https://bmpa-my.sharepoint.com/:x/g/person/anna\\_proffitt\\_britishmeatindustry\\_org/EbY59FPP-Z9Ni-FHilbL2T8BqtEqdTkLxQuhDR4pceZYQ?rttime=np0fANJ82Eg](https://bmpa-my.sharepoint.com/:x/g/person/anna_proffitt_britishmeatindustry_org/EbY59FPP-Z9Ni-FHilbL2T8BqtEqdTkLxQuhDR4pceZYQ?rttime=np0fANJ82Eg)

uncertainty for UK exporters and EU importers in terms of the ability of the UK to continue trade with the EU.

- ii. With guidance on what health marks need to be applied to Products of Animal Origin after December 2020 having finally been issued on 15th October 2020, the Chief Veterinary Officer of the UK must now write to non-EU countries to advise them of the changes such that buyers in importing markets understand the new health marks and that they guarantee the same standards as the previous EU health marks.
  - iii. That the system developed by Defra for the export certification of grouped consignments (the Groupage Export Facilitation Scheme) specifically excludes fresh and frozen meat, and only covers products packaged for sale to the final consumer, meaning there is no provision for grouped consignments of fresh meat in any format. If the system is not developed to accommodate such consignments, this type of trade with the EU will have to cease.
  - iv. The Draft Harmonised Export Health Certificates (already referred to under 15a, above) have been circulated which suggest significant differences between current and future requirements, including Trichinella testing (which the UK is currently exempt from), TB testing requirements, and a 40 day residency requirement on the last holding before slaughter. Such requirements would mark a significant change compared to current practices and place major restrictions on farmers and exporters which would start to take effect in the coming weeks.
  - v. Defra has to date only provided a broad outline of the processes involved in relation to certification requirements for movements of products between Britain and Northern Ireland, and while there is some detail on health and identification marks there is still significant ambiguity in terms of the practical implementations for companies.
66. Committee will note that while farming businesses are not generally involved directly in exporting, most, if not all of the above examples relate to issues which are of direct relevance to farm businesses, including some which seem likely to start to have an impact in the coming weeks.
67. Concerns such as those listed have been discussed in regular meetings of the Welsh Government's EU Transition Agri-food Supply Chain Stakeholder Group and other groups, which provide invaluable forums for the dissemination of information in relation to all aspects of Wales' agri-food supply chain, including in relation to work undertaken to change or implement new Welsh legislation necessary for the post-withdrawal period.
68. Whilst many of the issues of concern for farmers and food producers are beyond the control of the Welsh Government, and some are beyond the control of the UK Government (and rely on EU decisions which are tied to the current political

negotiations), there is concern that Welsh Government may have been slow to prepare with regard to certain areas which *do* fall within its powers, or exert influence in other ways, for example in relation to decisions relevant to infrastructure near ports.

69. For example, the Border Operating Model document<sup>13</sup> published by the UK Government on 8th October 2020 states that “*HMG are working with Welsh and Scottish government to confirm the infrastructure requirements for Wales and Scotland*”, while it is notable that Border Inspection Posts at Welsh Ports are not expected to be operational until July 2021.
70. The 8th October 2020 Border Operating Model document lists the roles of the UK and Devolved Administrations, Government agencies and others in relation to UK ports, stating that the Welsh Government is responsible in Welsh ports, partly or fully, for:
  - a. Imports and exports of live animals and animal products
  - b. Imports and exports of fruit and vegetables, plants and wood
  - c. Protecting the environment
  - d. Control of imports and exports of chemicals and nuclear materials (in association with the HSE)
71. However, given that exports to mainland Europe via English ports and the Channel Tunnel is the prime concern for Welsh agriculture, the FUW had had little involvement in discussions with Welsh Government relating to Welsh ports until recent months.

### **Preparedness of Welsh farm businesses**

72. Welsh farm businesses are reliant to varying degrees on exports to the EU (as well as imports in some contexts), with reliance in the sheep and hill sheep sector particularly acute, given that around a third of Welsh lamb is exported to mainland Europe. Moreover, agriculture is amongst those industries most at risk from the impacts of tariff and non-tariff barriers under most of the likely post-withdrawal scenarios, given the UK Government’s position on membership of the Single Market.
73. Whilst some farmers are involved directly in the importation and exportation of live animals for breeding, the majority are not - although it should be noted such trade is important for the industry as a whole in terms of indirect benefits, such as improved genetics, and that the trade in semen, ova and embryos is also important for many individual businesses and the industry as a whole.

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<sup>13</sup> <https://www.gov.uk/government/publications/the-border-operating-model>

74. As such, there has been relatively little that the vast majority of farmers have been able to do directly to prepare for the post-withdrawal period, other than taking limited actions such as stockpiling medicines and other items in anticipation of shortages - not least given that there is still no certainty as to what the future trading relationship with the EU, or Third Countries and other trading blocs, will look like.
75. Moreover, farmers are well aware that a specific change in their business model made in anticipation of one post-withdrawal agreement would be wholly inappropriate in other post-withdrawal scenarios.
76. As such, since 2016 the FUW has advised farmers to better understand where their main financial strengths and weaknesses are such that changes to a business can be made rapidly to suit different Brexit scenarios once they are agreed and understood.
77. As the 31st December 2020 approaches it seems likely that more specific advice as to how farm businesses should prepare may become appropriate, and be given by Governments, trade bodies or buyers with specific needs in terms of meeting export requirements (for example, the 40 day residency rule, if made a requirement for Export Health Certification - something that would have an immediate and likely retrospective impact on farm businesses).