

NFU Cymru Consultation Response

To: Economy, Trade and Rural
Affairs Committee

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NFU Cymru response to the Economy, Trade and Rural Affairs Committee consultation on the UK – Australia Free Trade Agreement

1. NFU Cymru welcomes the opportunity to respond to the Economy, Trade and Rural Affairs Committee consultation on the recently concluded UK – Australia Free Trade Agreement (FTA).
2. NFU Cymru champions Welsh farming and represents farmers throughout Wales and across all sectors. NFU Cymru's vision is for a productive, profitable and progressive farming sector producing world renowned climate-friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming delivering economic, environmental, cultural and social benefits for all the people of Wales whilst meeting our ambition for net zero agriculture by 2040.
3. 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. The raw ingredients that we produce are the cornerstone of the multi million pound Welsh food and drink industry which is Wales' largest employer employing over 239,000 people.
4. Welsh farmers also play a key role maintaining and enhancing our natural environment – Wales' key asset. Farming activity supports a diverse range of species, habitats and ecosystems, provides a range of ecosystem services including flood alleviation, carbon sequestration, climate change mitigation; and delivers the significant backdrop for Wales' tourism and recreation sector worth an estimated £2.5bn annually.

Summary

5. There is little in this deal with Australia to benefit Welsh farmers. When it comes to agriculture, it appears that the Australians have achieved all they have asked for and Welsh farmers are left wondering what meaningful benefits have been secured for them. This will just heap further pressure on farm businesses which are already facing serious challenges such as shortages of labour and rocketing input costs.
6. NFU Cymru is not opposed to free trade, but we do believe that deals must be balanced in respect of offering reciprocal benefit. They should also have adequate measures or safeguards in place to maintain domestic production standards and for those sectors deemed as sensitive. Without reciprocal benefits and adequate safeguards, it is difficult to see how these deals match up to the UK Government's rhetoric to support our farmers' businesses and to uphold our high animal welfare and environmental standards
7. Welsh farmers are being asked to go toe-to-toe with some of the most cost-effective food producers in the world. However, there is scant evidence that the UK and Welsh Governments have the vision to create the conditions to allow our farmers to compete. We

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have seen some welcome developments in recent months, including the announcement of additional agricultural attachés in our overseas embassies, and the commitment to establish a UK Export Council, but details remain sketchy, and much more is needed.

8. We see almost nothing in the deal that will prevent an increase in imports of food produced well below the production standards required of UK farmers or in line with the expectations of the British public; for instance, on land cleared of forest for cattle production or systems that rely on the transport of live animals in ways that would be illegal in the UK. There is also nothing in the deal that realises protection and enhanced value for products carrying UK Geographical Indications such as Traditional Welsh Caerphilly Cheese or PGI Welsh Lamb.
9. NFU Cymru re-iterates its calls for a Wales-specific impact assessment for free trade agreements, including the UK-Australia Free Trade Agreement. By conducting a Wales-specific impact assessment some of the adverse impacts could be anticipated and potentially mitigated.
10. With Welsh Government set to take the Agriculture (Wales) Bill through the Senedd this year, there is an urgent need to look again at how future agriculture policy can continue to underpin sustainably produced, climate-friendly Welsh food and support our rural communities, against the backdrop of the UK Government's trade policy, a pandemic and a post-Brexit environment which continues to challenge and re-shape our food supply chains.

What is the likely impact of the agreement on the economy and specific sectors in Wales?

11. There is little in this deal with Australia to benefit Welsh farmers. When it comes to agriculture, it appears that the Australians have achieved all they have asked for and Welsh farmers are left wondering what meaningful benefits have been secured for them. This will just heap further pressure on farm businesses which are already facing serious challenges such as shortages of labour and rocketing input costs.
12. NFU Cymru is not opposed to free trade, but we do believe that deals must be balanced in respect of offering reciprocal benefit. They should also have adequate measures or safeguards in place to maintain domestic production standards and for those sectors deemed as sensitive. In the context of a trade deal with Australia, the sensitive sector for Welsh farming is red meat. Without reciprocal benefits and adequate safeguards it is difficult to see how these deals match up to the UK Government's rhetoric to support our farmers' businesses and to uphold our high animal welfare and environmental standards.
13. The UK Government's impact assessment confirms that the agriculture and semi-processed foods sectors are expected to see an increase in competition and domestic output is estimated in the modelling to contract relative to the baseline without the agreement. The primary agriculture and semi-processed foods sectors are expected to experience a reduction of around 0.7% (£94m) and 2.65% (£225m) in their GVA respectively, relative to baseline growth in the sectors.
14. However, it is noted that limitations in the model mean there is a degree of uncertainty over the estimated sectoral impacts in the long run. An alternative modelling approach for the beef and lamb sectors is therefore included in the UK Government's impact assessment document (page 32). It suggests a reduction in gross output of around 3% for beef and 5% for sheepmeat as a result of liberalisation. Taking Defra's Agriculture in the UK 2020, the gross output of beef production in 2020 was £2.929bn 3% off this is equivalent to £87million and 5%

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off sheepmeat, with a gross output of £1.346bn, would be £67million. The UK Government model therefore finds that because of this deal alone, UK livestock farmers will be £154million worse off, relative to what they would otherwise be without the FTA. This reduction is achieved through lower prices and a reduction in UK production. Livestock production and dairying predominates in Wales and as a result, these impacts are almost certain to be felt disproportionately hard in Wales.

15. In signing this agreement, the UK Government is asking Welsh farmers to go toe-to-toe with some of the most competitive and export focused farmers in the world. Australia is one of the major global agricultural players and as such represents direct competition for UK agricultural producers. It is the world's biggest beef exporter (by value in 2019) and second largest (behind Brazil) in volume terms. It produces around 2.4 million tonnes of beef, exporting around 70% of its production. In comparison, the UK produces around 900,000t of beef meat each year and imports are relatively stable at about 360,000t. Australian exports alone generate more than double the total output of the UK's beef sector (AUD \$10.8bn v £2.75bn). Australia accounts for 7% of global sheepmeat production and is the largest exporter of sheep meat in the world, controlling 48% of the global market.
16. Welsh farmers face significantly higher costs of production than farmers in Australia. For example, the cost of production for Australian beef farmers is around 2.5 times less than UK farmers and Australian sheep farmers can produce sheep meat for 65% less than in the UK. Differences in cost of production vary primarily because of vastly different scales of production. For example, of the cattle in Australia on feedlots (grain-fed), over 60% are on farms with a capacity for over 10,000 animals. This compares to the average beef cattle herd in Wales of just twenty-three animals. Differences in climate also mean that animals in Australia are kept outside for longer which further reduces cost.
17. Having significantly lower costs of production gives Australian farmers a huge competitive advantage. Lower costs of production mean greater resilience and profit margins for producers who can supply a range of markets at different price points, meeting consumer demands in multiple markets around the world.
18. NFU Cymru welcomes the inclusion of a chapter focusing on animal welfare and antimicrobial resistance (AMR). However, the standards of animal welfare in place in the UK versus Australia are very different. In Australia practises such as hot iron branding of cattle and mulesing of sheep are still common, whereas in the UK these practices are banned. On animal transport, journey times for animals in Australia can be up to 48 hours without water – and live exports of cattle and sheep can involve long journeys (with some boat journeys to the Middle East lasting many weeks), in comparison the UK is seeking to ban live exports for slaughter and further rearing, even to the near continent. The UK Government is considering further reforms to the rules on animal transport including journey times. Typically journeys in the UK are just a few hours and very few are over 8 hours which is considered a long journey. This chapter does nothing to stop food being imported which has been produced in ways which would be illegal here.
19. There are also differences in the approach the UK and Australia take towards traceability and individual reporting and recording of livestock. In Australia there is no requirement to register the birth or record movements of cattle on an individual basis. If property of birth (lifetime) traceability is lost it does not preclude the animal from entering the food chain, unlike the UK. There are also outstanding questions about the replacement cattle tag policy in Australia as unlike the UK, it is unclear if there is a link between the old and new identities of animals.

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20. Currently, much of Australia agri-food exports are destined for China, in part this is in response to China seeking alternative sources of protein following the mass culling of China's pig population in response to an outbreak of African Swine Fever. Once China's protein needs switch back to being met from local sources then Australia and New Zealand will inevitably look to re-direct product to new markets elsewhere in the world. Similarly, currency movements or geopolitical tensions can serve to make markets more or less attractive to exporting nations impacting trade flows.
21. The threat of geopolitical factors affecting current Australian agri-food trade is not theoretical. A worsening of diplomatic relations with China is already having an impact on Australian exports. Over the last year there has been a 38% fall in the volume of beef exports to China from Australia. The uncertainty over precisely how much Australia will capitalise on its newfound preferential access to the UK agri-food market is precisely why NFU Cymru has advocated the inclusion of more robust and meaningful safeguards than those available under the terms of the deal. If our concerns don't come to pass the inclusion of such measures would be academic as they would never be called upon.
22. The deal confirms three elements considered to offer farmers "safeguards". NFU Cymru welcomes the inclusion of these safeguard measures and believes that such provisions are prudent in ensuring domestic producers are protected against a surge of imports in the event it should be necessary. However, the true efficacy of the package of safeguard measures included in the deal is indeterminate.
23. The first aspect considered to be a "safeguard" is the use of tariff rate quotas (TRQs), covering a number of sensitive sectors. These TRQs will see steadily increasing volumes of imported products enter at zero duty, granting immediate access for large quantities of product over and above current levels of trade. For example, in Year 1 Australia will have access to 35,000t beef quota at zero duty. This equates to around 10% of the total's UK import requirement. By Year 10, beef quota volumes will increase to 110,000t which is 30% of the UK's import requirement and more than 12% of total UK production.
24. It is unclear how these quota volumes have been established. The UK Government has not published analysis or modelling to justify the amounts set, nor to provide reassurance to farmers that at the level set, the quota volumes will provide an effective safeguard during the tariff phase out period. Clearly having them will provide a maximum ceiling in the amount of product that can be imported duty free during the phase out period, but the volumes are so great, that even in Year 1 significant increases in imported volume could have a disruptive effect on the UK market.
25. It is disappointing that the volumes set within the beef and lamb TRQs are determined in "shipped product weight" and not the more conventional "carcase weight equivalent" (which takes into regard a coefficient acknowledging that not all parts of an animal's carcase are saleable and is therefore a fairer way of determining volumes of saleable product.) Shipped product weight favors the imports of high value cuts, such as striploins and boneless legs of lamb and results in imbalance across the carcase.
26. The quotas are single product quotas with no further conditions attached. For example, the beef quota is for total exportable volumes of beef, it is not split into volumes for fresh / frozen / bone

in or boneless product. When determining whether the existence of a progressively sizeable quota is to be considered an effective safeguard, we cannot just consider the volume of imports limited by the quota— we must also consider the value. A relatively small volume of high value imports, such as steak cuts of Australian beef entering under the TRQs has the potential to significantly disrupt domestic markets and negatively impact British beef farmers. For example, a quota usage of say 20% in Year One (i.e. 7,000 tonnes of striploins) would require the equivalent of 20% of UK prime beef kill to produce.

27. The second aspect outlined by the UK Government as a further “safeguard” is a product specific safeguard that will run from Years 11-15 for beef and lamb. This safeguard would allow the UK to apply a tariff of 20% on volumes of beef and lamb above certain volumes. In Year 11, the Australians will be able to send 122,000t of beef to the UK duty free, rising to 170,000t in Year 15 (almost half of the UK’s total beef import requirement). Additional volumes above those safeguard level would be subject to a 20% tariff. At such significant proportions of total import requirement, it is hard to see how effective the product specific safeguards will be.
28. The third is a bilateral safeguard which can be applied to all goods, whilst tariffs are being phased out, but not beyond the end of the transitional period (defined in Chapter 3, Article 3.1 as “five years after the completion of the customs duty reduction or elimination in relation to the good.”) –i.e. in the case of beef and lamb a bilateral safeguard is available up until Year 16, for sugar until Year 14 years and until Year 11 for dairy.
29. To use the bilateral safeguard clause there is a requirement to demonstrate serious injury or threat of serious injury to domestic production (Chapter 3, Article 3.6). The first and second “safeguards” identified above are product specific and can be triggered at an arbitrary and pre-defined volume of imported product (but not at a pre-defined value of imported product). However, the “bilateral” safeguard measure applies to all goods and is intended to provide protection if the sector faces injury as a consequence of increased trade with Australia. In this event, the UK Government could trigger an investigation and apply on a provisional basis (pending the outcome of the investigation) actions to reinstate tariffs or suspend further tariff liberalisation only to “the extent necessary to prevent or remedy the serious injury and to facilitate the adjustment of the domestic industry.” If such action was taken, measures can only remain in place for two years, with a further two years possible under exceptional circumstances. The conditions of use are also subject to a range of caveats which would have to be considered in any potential actions.
30. The bar to trigger action under the safeguard clause is set high. “Serious injury or threat of serious injury” is not the language of ordinary events in routine trade. Direct causal effect would have to be proven to be because of the increase in imports from Australia alone and not because of market conditions generally. In practice, this makes these types of clauses very difficult, if not impossible, to apply. It is much more likely that market pressure will happen because of the cumulative impact of increasing imports from around the world at the same time. The safeguard clauses in the UK-Australia FTA offer no protection against this. We call on the UK Government and Welsh Government to step up their market monitoring to ensure any warning signs are picked up and action is taken early.
31. Furthermore, the purpose of the safeguard is ultimately to facilitate the adjustment of the domestic industry to the new trading environment. However, it is not clear how the sector would be expected to adjust given not only the natural constraints but also the somewhat limited options many farmers, especially livestock farmers in the uplands, would have.
32. Notwithstanding our concerns regarding the applicability and efficacy of the bilateral safeguards, it is disappointing that the UK Government’s ability to potentially use them is also time limited. The agreement includes no safeguards that can be applied in respect to

Australian imports five years after the corresponding tariff for that good is eliminated (i.e. this is from Year 16 onwards for beef and sheep, which is the longest timeframe for any products under this deal on which these safeguards can be used). In practise this means in the long term there is no meaningful safeguards in place for any sector of agriculture.

33. Although the UK Government has asserted that the Australia trade deal will not set a precedent for future trade deals, it already appears to have set a precedent with New Zealand having been granted similar, highly favourable terms with regard to access to the UK market. Other large agri-food exporters such as the US, Canada and Brazil will be looking at the generous market access granted by the UK to Australia and New Zealand and will be wanting to secure similar if not better terms for their own producers. Fully liberalising the UK's sensitive agricultural sectors, even with "phase out" periods for tariffs, undermines the investments that UK farmers have been making, both on farm to improve productivity and deliver environmental or animal welfare gains but also in increasing their market share at home and abroad. At a time when domestic support for agriculture is also being completely overhauled it adds to the uncertainty and ultimately creates an un-level playing field for our farmers to compete on.
34. The UK Government should maintain an ongoing review programme of all FTAs as they are implemented and through the lifetime of the agreements. This should include a regular assessment of agri-food imports and exports under individual FTAs, looking at the associated effect on domestic prices and levels of UK self-sufficiency and changes in market penetration for UK exports. It should take into account the cumulative impact of each additional FTA as they are agreed and implemented. This will give reassurance to farmers that there is a solid evidence-base to develop domestic and trade policies dynamically as our new FTAs come online to help industry adapt and adjust as necessary. The UK Government should identify an independent body to have responsibility for compiling and publishing the report. For instance, the Trade and Agriculture Commission could be given additional responsibilities to do so.
35. The agreement provides no upfront legally binding commitment from Australia to protect the use of the UK's agri-food Geographical Indicators (GIs). The deal sets out that if Australia reaches a deal that includes specific GI protections for agri-food products with another international trading party (i.e. not the UK) and therefore has to establish a system to deliver that commitment, then the UK will be able to put forward its list of GIs for recognition at that stage. To be clear there is no legal requirement for Australia to establish such a system as a result of the UK-Australia trade deal. We know that the EU continues to prioritise protection of its GIs in its trade talks with Australia and we expect that this will be a pre-requisite of any deal between the parties. However, it is unclear if or when the EU and Australia will strike a deal, leaving UK GIs out in the cold in the meantime. In recognition of this uncertainty, the UK-Australia deal does say (Article 15.34) that if Australia does not introduce a scheme within two years after entry of force of the agreement, both sides will review the provisions related to GIs with a view to considering further provisions governing the protection or recognition of geographical indications. However, there is no legal requirement to agree or establish anything within this timeframe, just to revisit discussions on GI protections noting the interests and sensitivities of the parties.
36. The UK has 80 GIs on agricultural products to protect high quality product identities and protection against imitation. Geographical indications also allow farmers to differentiate their products in international markets to help improve their competitiveness and profitability. AHDB found that the real value of the PDO and PGI schemes which UK farmers can utilise, is derived from convincing consumers to pay a premium price for specific products. A number of studies have been conducted to seek to put a value on this. A European Commission-funded study by AND-International in 2012 calculated an average value premium rate for GI agricultural products and foodstuffs in the EU at 1.55. This means that GI products were sold for 1.55 times as much as non-GI products for the same volume. Approximately 25% of UK food and drink exports (by value) is generated by GIs, with exports totalling £5bn in 2018 .

37. High value UK cheeses carrying the GI designations, such as Traditional Welsh Caerphilly Cheese, are likely to be amongst the limited number of categories of food that could benefit from tariff liberalisation into Australia. It is therefore incredibly disappointing and a genuinely missed opportunity that the UK Government has failed to reach an agreement with Australia on the use of GIs despite the significant market access concession that has been granted in return. To be dependent on the outcome of other's endeavours to establish protection for GIs is galling and ironic given claims of taking "back control." We must ensure that failure in the Australia deal does not create a precedent across other agreements. NFU Cymru believes that ensuring GIs receive protection in all third countries must be a priority for UK negotiators.
38. Despite the downsides, there may be some small areas where UK farmers could benefit directly and indirectly – for example through the export of dairy (premium cheeses), processed products (cereal preparations, cakes and biscuits) and alcoholic beverages (whisky and gin). However, these benefits will be marginal in comparison to the potential downsides, and increased trade in processed goods may benefit imported goods as much as domestic raw materials.

What are the likely social and environmental impacts of the Agreement?

39. Agriculture, and family farms make a very significant contribution to Wales' cultural life and sense of national identity. The average size of a farm in Wales is 48ha, compared to an 88ha average size in England. This means that the Welsh countryside is characterised by farms of a modest size, typically owned and/or occupied by farming families, who will often have farmed in that locality for many generations.
40. With around a third of agricultural land in Wales rented through formal and informal agreements the tenanted agricultural sector is very important in Wales. Tenants face a number of unique challenges, access to finance can be a problem and tenancy agreements can often hinder or prevent a tenant from diversifying or switching enterprises to meet changing market conditions. In that respect, tenants' ability to quickly adjust to changing market conditions as a result of the trade deal with Australia is dramatically reduced.
41. Research has shown that the proportion of Welsh speakers in the industry is 43%, a figure which is more than twice the level of Welsh speakers in the population as a whole (19%). With the extensive use of the language within the industry, both in the workplace and on a social level, there exists an undeniable connection between the future of Welsh agriculture and the future of the Welsh language.
42. In Wales, the Well-being of Future Generations Act 2015 which focuses on 'improving the social, economic, environmental and cultural well-being of Wales' confers a duty on public bodies to work to achieve the vision for Wales set out in the seven well-being goals. One of these seven well-being goals is 'A Wales of Vibrant Culture and Welsh Language'. NFU Cymru considers Welsh farmers to be key promoters and protectors of the culture, heritage and language of Wales, with the farming sector making an essential contribution to the preservation of the Welsh language.
43. As farmers in Wales maintain the Welsh landscape, they also continue to maintain its language and cultural traditions, and in so doing preserve our heritage and sense of place for future generations. Those in the agricultural industry are often at the heart of many rural communities across the country, as part of community groups, or in voluntary or leadership roles throughout rural Wales, and Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas. By their very nature, rural communities in Wales are small or in isolated locations. In these communities, it is often

farmers and members of their families that support, sustain, and facilitate many aspects of community life.

44. Many farmers or individuals involved with the agricultural industry undertake leadership and voluntary roles in rural communities which contribute to community cohesion. There will often be members of the agricultural industry sitting on Community Councils, PTAs or on the board of school governors. Farmers are often closely involved with tasks which assist rural communities, from clearing roads when it has snowed to arranging local shows. Local Young Farmers' Clubs bring young people in rural communities together, providing key life skills and social opportunities for young people reducing any sense of rural isolation. A typical farm business contributes to the rural economy by sourcing numerous inputs and services from a wide range of rural businesses. Farm businesses therefore not only create employment on farm, but also in the wider rural economy, and in so doing help maintain the viability of our rural communities.
45. As demonstrated the way in which our patchwork of family farms contribute to cultural life cannot easily be represented quantitatively or assigned a monetary value. NFU Cymru is firmly of the view that Wales would be culturally impoverished if our family farming structure were to be harmed or in some way diminished. The UK – Australia FTA puts all this cultural heritage at risk.
46. The UK – Australia FTA contains an environment chapter which is welcomed, but it is unclear whether this will result in concrete actions or meaningful change. The regulatory starting point of each party remains unaltered by the presence of the FTA commitments. The UK and Australia have agreed “non-regression and non-derogation” commitments in both the animal welfare and environment chapters. This means standards in either country cannot go backwards, nor can there be derogations to the way domestic standards are implemented if the aim is to undercut the other and distort trade. NFU Cymru welcome these commitments, but we must point out that it is fundamentally different from whether there is a level playing field at the outset.
47. We are concerned about the unintended consequences the UK – Australia FTA could have on our environment, biodiversity and landscape in Wales. Grazing livestock are key to the maintenance and ongoing management of several key habitats and species in Wales. As the UK Government’s impact assessment shows, UK production in beef and lamb is expected to fall which implies a reduction in headcount. Without grazing ruminants on grassland, it would naturally revert to scrub, which would reduce biodiversity and habitats for a wide range of animal and plant life that contribute to the landscape.
48. On climate change, we note reference in the agreement to the Paris Agreement but there is no reference to specific temperature commitments included for from Australia. Whilst Australia is a signatory to the Paris Agreement, it has not legislated for its net zero target nor has it committed to strengthening its 2030 emissions targets, which are already the weakest in the developed world. In contrast, in 2019 the Welsh Government were the first Government in the world to declare a climate emergency. In March 2021 the Welsh Parliament agreed to set a legally binding 2050 net zero target and the pathway to net zero is set through five-yearly carbon budgets and decadal targets covering all territorial emissions in Wales.
49. NFU Cymru has been clear that, for the UK to truly deliver on its ambitions for a more sustainable future and the goals of COP26, all aspects of policy, from domestic environmental and agricultural policies to international trade policy, must be joined up in their delivery of these aims. It is therefore disappointing to see the UK seeking to negotiate new free trade agreements with countries that are not taking a similarly ambitious approach to tackling the challenge of climate change without putting provisions that reinforce these ambitions in place. If the UK is to become a world leader in trade and climate policy, it needs to develop and implement an integrated strategy.

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What support will your business or organisation need from the Welsh and UK governments to respond to and prepare for the implementation of the Agreement?

50. Exports of agri-food products are important to Wales. Our farmers are very proud of the food they produce and are anxious not only to maintain and grow existing export markets but also to sell their produce into new markets. Trade agreements may offer opportunities to sell into new markets. However, realising these opportunities requires the UK Government not only to invest in market development and promotion, but also support at home for companies wishing to export.
51. NFU Cymru considers the UK's offer in terms of trade diplomacy to be lacking, particularly when compared to competitor nations. Trade readiness on the part of the UK Government needs to be stepped up, with the creation of export strategies tailored to particular export markets. For example, the Australian Government is investing \$85.9 million to help Australian agribusinesses expand and diversify their export markets through the Agri-Business Expansion Initiative (ABEI). Announced on 23 December 2020, ABEI is part of a long-term strategy and commitment by the government, in close collaboration with industry, to help achieve sustainable growth and resilience in our agribusiness exports. There are four key elements of ABEI, including grants for market expansion, boosted in-country engagement activities, accelerated work on technical market access and greater collection and delivery of market intelligence to exporters. A fifth element is being delivered by Austrade and involves scaling-up their business support services to assist over 2,000 agri-food exporters each year.
52. We have seen some welcome developments in recent months from the UK Government, including the announcement of additional agricultural attachés in our overseas embassies, and the commitment to establish a UK Export Council, but details remain sketchy, and much more is needed. NFU Cymru would like to see the UK Government progress this work as a matter of urgency to ensure agricultural counsellors are deployed swiftly to target markets. As part of this drive to increase exports, we also believe that the UK Government should commit to match-funding existing industry investment in developing and entering new markets at home and abroad. We would expect the UK and Welsh Governments food and trade divisions to work together to ensure that Welsh food and drink businesses are able to capitalise on new export market opportunities.
53. Owing to Welsh agriculture's reliance on one or two key sectors - namely livestock and dairy - and the typically smaller size of our average farming business, certain trade liberalisation scenarios will risk having a disproportionate impact on Wales compared to the rest of the UK. NFU Cymru therefore calls for a Wales-specific impact assessment for free trade agreements, including the UK-Australia Free Trade Agreement.
54. We are deeply concerned at the Australia and New Zealand trade deals, the precedent they set, and their likely adverse effect on the future viability of our sector. Our rural communities are also strongholds of Welsh language and culture, things which are important to our sense of national identity, but which will also be at risk if we get our future trading agreements wrong.
55. By conducting a Wales-specific impact assessment some of these adverse impacts should be able to be anticipated and potentially mitigated. A proper understanding of the implications of future trade deals can only follow a deep and meaningful examination of their content. Without such an examination there is a serious risk of doing great damage to Wales' rural communities. By conducting a Wales-specific impact assessment some of these adverse impacts should be able to be anticipated and potentially mitigated.

56. NFU Cymru's ambition to be world leaders in the production of climate friendly food, against a backdrop where our nature and rural communities thrive requires long term investment. This requires the UK and Welsh Governments to, as a minimum, maintain current levels of funding to Welsh farming. NFU Cymru welcomed assurances given by 2016-2021 Welsh Government to the ring-fencing of funding for Welsh agriculture received from the UK Government in future. At this critical time, we would welcome a re-affirmation of this commitment by the current Welsh Government.
57. A commitment to deliver funding for agriculture on a multi-annual basis would be welcome and would offer farmers some stability and certainty beyond the arrangements currently in place, since our departure from the EU. We would therefore urge the UK and Welsh Governments to work together to look at options for making multi-annual commitments with regard funding for agriculture.
58. The trade deals with Australia and New Zealand mean potentially significant marketplace changes for Welsh agriculture. These trade deals, coupled with the impact of a pandemic, mean that things have changed drastically in a short space of time, and the world of late 2021 is very different to the one we knew when Welsh Government began to consider future farm policy for Wales.
59. With Welsh Government set to take the Agriculture (Wales) Bill through the Senedd this year, there is an urgent need to look again at how future agriculture policy can continue to underpin sustainably produced, climate-friendly Welsh food and support our rural communities, against the backdrop of the UK Government's trade policy, a pandemic and a post-Brexit environment which continues to challenge and re-shape our food supply chains.
60. Regulation and its impact is a crucial determinant of business confidence and the success of a farm business. The Welsh Government needs to recognise that the sector needs an enabling regulatory framework which encourages sustainable business growth and investment.
61. The public sector is a significant procurer of food, it is often the case that procurement decisions end up being made solely or largely on the basis of cost. We consider this approach to be short term and misguided and detrimental to domestic producers. We believe that following our departure from the EU, there are opportunities to look afresh at public sector procurement. We would expect the public sector to show leadership and make purchasing decisions on the basis of quality, standards and provenance.
62. With ever greater ranges of product set to come into the UK via trade deals reached with third countries NFU Cymru is of the view that our governments need to legislate for clear food labelling, including country of origin labelling in order to allow consumers to make an informed purchase. We believe that there is a pressing need to introduce stricter food labelling rules in relation to the foodservice and hospitality sectors where labelling has always been more opaque, and there has traditionally been a far greater use of imported product.