

## **HCC response to the Economy, Trade and Rural Affairs Committee UK-New Zealand Free Trade Agreement**

13 April 2022

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Thank you for the opportunity to input into your scrutiny of the FTA between the UK and New Zealand.

Hybu Cig Cymru - Meat Promotion Wales (HCC) is the industry-led organisation responsible for the development, promotion and marketing of Welsh red meat. HCC's stakeholder representatives implement, on behalf of all Welsh farmers and other key industry participants, a strategic plan to develop profitable and sustainable markets for Welsh red meat to derive benefit for all in the supply chain.

### **1. How will this Agreement impact you, your business or your organisation?**

HCC are of the view that the FTA between the UK and New Zealand – which offers to increase access to the UK market for key agriculture products, including beef and sheepmeat, with eventual tariff elimination - is unsupportive of the UK agricultural industry as it threatens to distort the market through its failure to ensure a level playing field. Furthermore, the FTA comes at a time when the industry is already facing multiple challenges, including inflationary pressure and sustained labour shortages, and the effects of the FTA are expected to be significant and wide ranging, felt both in the short- and long- term.

HCC is concerned as to the extent to which increased imports of premium cuts from New Zealand may impact on carcass balance and profitability throughout the UK sector. Sales of premium cuts within the domestic market help to ensure sufficient income for the whole carcass, by balancing the price for premium cuts against the price for cheaper cuts and mince. Increased international competition may lead to a lowering of prices for premium cuts, having a negative knock-on effect on the value of the whole carcass.

### **2. What is the likely impact of the agreement on the economy and specific sectors in Wales?**

There is a serious concern that the FTA sets a precedent for other countries to demand similar unrestricted access to the UK market. This poses a significant risk to the UK agricultural industry.

It is currently difficult to assess accurately how much New Zealand product is likely to come onto the market in the short- and medium- term; however, without long-term safeguards to protect domestic production, there is a risk that the UK industry will face increased competition from imports from New Zealand which could be produced to lower standards of animal welfare, environmental standards, food safety and food hygiene.

### **3. What are the likely social and environmental impacts of the Agreement?**

Despite the Government committing to upholding high environmental, labour, food safety and animal welfare standards; little appears to exist within the FTA that will allow imports of food to be controlled so that any imported meat into the UK adheres to the same standards (or above) as UK production.

The UK produces red meat to high standards in terms of welfare, not using hormones and other supplements used in some production systems overseas. Allowing increased imports from New Zealand risks undermining UK production as there will be increased competition in the domestic market from New Zealand beef and lamb which may have a competitive advantage as a result of their potential lower regulatory (environmental/ animal health) baselines.

Increasing the UK's dependence on foreign produce also risks importing food with a higher carbon footprint, which cannot be positive for our commitments on climate change or our food security. Welsh red meat is some of the most sustainable and ethical in the world.

The Government's Impact Assessment of the FTA with New Zealand concludes that the economic improvements and increased trade arising from the FTA will entail consequences for the environment. The analysis suggests that the agreement is expected to lead to a 50 percent increase in transport related emissions.<sup>1</sup>

Any changes that disadvantage UK red meat producers are also more likely to impact on choice, availability and affordability of agricultural products, as the trade agreement may limit domestic production if farming becomes less viable.

### **4. What are the likely impacts of the Agreement's provisions on trade in agricultural products on the agricultural and food sector in Wales?**

HCC has significant concerns around the increased market access included in this FTA between the UK and New Zealand, the impact this may have on Welsh red meat producers and the precedent it may set for future deals.

The Government was seeking an agreement that works for UK consumers, producers and companies; however there appears to be very little in the FTA to benefit British farmers. From a red meat point of view (where trade between the UK and New Zealand is almost entirely one-way, namely produce being imported into the UK), the FTA appears to be one-sided. New Zealand has achieved trade liberalisation (allowing for an increase in exports to the UK) whilst farmers in the UK face increased competition in a potentially unfair playing field.

The Government's Impact Assessment of the FTA with New Zealand, which considers the impact of the agreement on a sector specific basis, concludes that there will be a reallocation of resources within the UK economy and that significant

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<sup>1</sup> **Source:** Department for International Trade. Impact assessment of the FTA between the UK and New Zealand. 28 February 2022.

resources will move away from agriculture, forestry and fishing (of around £48 million) in favour of growth in the manufacturing sectors.<sup>2</sup>

**5. 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?**

It is essential that high profile, clear labelling of any imported product where the country of origin is obviously stated on packaging and/ or menus is made a legal requirement and is rigorously enforced.

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<sup>2</sup> **Source:** Department for International Trade. Impact assessment of the FTA between the UK and New Zealand. 28 February 2022.