



# ConsultationResponse

FROM THE RSPCA IN WALES

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## Economy, Trade and Rural Affairs Committee consultation: UK-New Zealand Free Trade Agreement

April 2022

RSPCA Cymru welcomes the opportunity to respond to the Economy, Trade and Rural Affairs Committee's consultation concerning the UK-New Zealand Free Trade Agreement, and its impact on Wales. While Free Trade Agreements are negotiated and agreed by the UK Government, they clearly have a sizeable impact on devolved policy areas, including animal welfare. Therefore, while trade is a reserved matter, the input of devolved administrations and parliaments is clearly important concerning aspects of devolved policy impacted by FTAs - and thus it is welcome that the Welsh Government believes it has a "constructive" relationship with the Department for International Trade and an "opportunity to comment on the mandates in areas of devolved competence"<sup>1</sup>.

As recently noted by the Welsh Affairs Select Committee, "it is important that due thought is given to the impact of FTAs on the agricultural sector, food and drink production in Wales" - with the Committee calling for Wales-specific impact assessments for Wales for FTAs, given the nation's "greater reliance on agriculture and food production sectors"<sup>2</sup>. In the absence of such Wales-specific assessments, the exploration of FTAs by the Senedd's Economy, Trade and Rural Affairs Committee takes on even greater levels of importance.

Since the United Kingdom voted to leave the European Union in 2016, the RSPCA has been working to seize opportunities associated with Brexit for animal welfare, and to mitigate risks. This follows 25 years of RSPCA work on trade issues - including advising the European Commission on six FTAs that the EU has or is negotiating that include animal welfare elements, namely with Chile, South Korea, Canada, Japan, Mercosur and Mexico.

Given the relatively high domestic standards of animal welfare in Wales, the anticipated negotiation of new FTAs has continued to pose a profound challenge given the prospect of an increase in the importation and availability to consumers of lower welfare produce. RSPCA Cymru welcomes that the Welsh Government has been responsive to this challenge, regularly highlighting its concern that "any trade deal must not disadvantage Welsh producers or compromise the high quality standards that are so important to us in Wales" and that there is a need "to ensure that our producers are able to continue to compete on a level playing field"

<sup>3</sup> Like other recent deals - including with Australia - the signing of this FTA also comes at a very pertinent time for farm animal welfare in Wales - with a new Agriculture (Wales) Bill on the horizon; which is expected to set the framework for how farm payments are made in Wales beyond the country's membership of the EU. RSPCA Cymru has labeled this the biggest opportunity in the history of devolution for farm animal welfare; and hopes the Welsh Government will directly incentivise farmers who deliver the highest welfare standards; something which could prove all the more important if FTAs flood the market with lower welfare produce and risk undercutting domestic farmers delivering the highest standards.

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<sup>1</sup> Welsh Government, Inter-institutional relations agreement between the National Assembly for Wales and the Welsh Government: annual report 2019 to 2020, 2 February 2021

<sup>2</sup> House of Commons - Welsh Affairs Committee, The economic and cultural impacts of trade and environmental policy on family farms in Wales, 30 March 2022, p7

<sup>3</sup> Welsh Government - [Written Statement: UK-Australia Free Trade Agreement](#), 16 June 2021

It is important, too, that civic society in Wales works collaboratively to share insights on the specific challenges FTAs pose to devolved areas of policy-making. As such, RSPCA Cymru was very pleased to recently join a new group 'Trade Justice Wales' - which is a pilot project in partnership between the WCVA Brexit Forum, Fair Trade Wales and Wales Governance Center. This project has great potential to deliver a collective voice where there is agreement between participants; and build knowledge and capacity among participants to promote trade justice - including, we hope, on matters relevant to the welfare of animals.

### How will this agreement impact you, your business or organisation?

Farm animal welfare is a priority for RSPCA Cymru. Policy in this area has the potential to impact the lives of millions of animals in Wales with more than 9.5million sheep, 8.5million poultry, 1.1million cattle and 20,000 pigs based in Wales; and ten per cent of the UK's agricultural land being found in this country<sup>3</sup>.

Central to the RSPCA's mission is to ensure that animals have a good life - and providing advocacy on their behalf and it is clear that FTAs, including the New Zealand deal, could have an impact on this objective and on animal welfare standards in Wales and across the UK. However, unlike Australia, with whom a deal was recently reached, the UK has similar legal animal welfare standards to New Zealand, which means that the New Zealand FTA is, aside from the Trade and Cooperation Agreement (TCA) with the EU, the only FTA the UK is negotiating where animal welfare standards are broadly equivalent, but with some areas of discrepancy. Clearly, therefore, this means the negotiation and agreement of the FTA poses less risks to domestic standards in Wales.

World Animal Protection's Animal Protection Index has rated New Zealand 'C' (ratings are A - G with A being the highest) for animal welfare in general and 'C' specifically for farm animal welfare standards, compared to the UK ratings of 'B' and 'D' respectively<sup>4</sup>. The conventional battery cage will be prohibited for use in New Zealand in 2022, whereas this was phased out in the UK in 2012, with caged egg production representing around 45% in both countries. New Zealand has already banned the live export of farm animals for slaughter, a measure currently being legislated in Great Britain via the UK Government's Kept Animals Bill. Meanwhile, the UK has banned the use of sow stalls for pigs - a measure still permitted for the first four weeks of pregnancy in New Zealand.

As such, given these largely comparable standards, the UK and New Zealand agreement has provided an important opportunity to agree a model FTA on animal welfare standards and there are examples where product sensitivities seem to have been taken into account. For example, the UK has eliminated tariffs on egg products which does suggest a degree of liberalisation based on product sensitivities. New Zealand has a ban on the use of conventional battery cages for laying hens from 2022 which is the equivalent baseline standard presently used in the UK. In the UK-Australia agreement, where Australian egg producers still use the conventional battery cage, the UK's MFN tariffs were maintained, set at a level to safeguard against any products entering the UK markets and undercutting standards. Due to geographical reasons any future trade in such products would always be small and neither New Zealand nor Australia exports egg products, so Australia may not have asked for a reduction on these tariff lines. However, this FTA maintains this difference in import tariffs between UK and Australia whilst deleting them on UK-New Zealand. This may indicate that the UK will maintain its tariff lines on sensitive products in other FTA negotiations particularly if these are not a priority for the other country. Indeed the UK Secretary of State for International Trade stated they did not remove these tariffs in the UK-Australia deal due to the disparity in standards<sup>5</sup>. Whether the UK will maintain them if it is a priority for the other country remains to be seen, and may be a discussion point for the agreement of future FTAs - but the UK should make it clear at the outset of negotiations that reduction in sensitive sectors such as pigs or egg products without equivalence is a red line.

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<sup>4</sup> World Animal Protection - [Animal Protection Index](#)

<sup>5</sup> Hansard, 5 January 2022

## What is the likely impact of the agreement on the economy and specific sectors in Wales? What are the likely impacts of the Agreement's provisions on trade in agricultural products on the agricultural and food sector in Wales?

According to our analysis, the consequences for Wales' farmers as a result of this FTA are likely to be small. While the export opportunities for farmers in Wales and the wider UK are expected to be minimal, the impact of greater imports of beef and lamb could be higher, depending on how New Zealand uses the deal. Although the UK has agreed reduced tariffs on beef, lamb, butter and cheese without any equivalence conditionality, it remains to be seen whether this has any great immediate impact as most of New Zealand's beef and lamb exports go to East Asia and the Middle East, where presumably they earn more revenue than if exported to the UK. A substantial increase in imports to the UK will be allowed under this FTA - but it remains to be seen if this will be utilised, in reality, by New Zealand. Indeed, it is expected that, as most of New Zealand's beef and lamb trade already goes to China and other East Asian countries - both geographically closer - that NZ will not fill its TRQ even in 2023 as there is no spare capacity in the beef sector to rapidly increase production. However FTAs are meant to be long-lasting and these TRQs are always available to New Zealand; so this could become a challenge for Wales' farmers in the future. In addition lamb is a cross seasonality trade, exported to the UK when lamb is not being produced in the UK so is not usually in direct competition. It is however a poor model for future FTAs, given the lack of conditionality in the FTA.

There are three specific safeguards that the FTA contains on beef and lamb: it has product specific safeguards to raise tariffs to 20% on beef from Years 11-15 if New Zealand exports more than the certified volume (eg Year 11 43,056 tonnes), but as New Zealand only exported 480 tonnes to the UK in 2020 this seems unlikely to be used; the published tariff rate of 20% is also well below MFN (most favored nation) tariff lines for beef which are around 50%.

On sheep, the duty free transitional quota of 35,000 tonnes (Years 1-4) and 50,000 tonnes (Years 5-15) only applies once New Zealand reaches 90% of its WTO quota - but the UK Government's own agrifood explainer states "New Zealand already has effective tariff free access to the UK and in 2020 used half of that quota"<sup>6</sup>. Therefore this safeguard could be deemed as meaningless as the UK Government does not expect "to be flooded with New Zealand lamb". However, it could be said that the FTA delivers less for devolved nations such as Wales on agrifood as the Welsh Government has little formal say in trade negotiations, with trade being a reserved issue, but still set the rules and subsidies they give for farmers with agriculture and animal welfare being devolved. Any impact that could be felt in countries with significant lamb production, such as Wales, will depend on how much of the TRQs in the long-term. Finally there is a general bilateral safeguard mechanism (Trade Remedies Section D) which would allow the UK to provide a temporary rise in tariffs should imports rise to such an extent that it seriously impacts the industry. However this is only allowed for two years during which tariffs have to be lowered in Year 2, cannot be applied again for a further year after the end of the first use and does not apply after the transition period has ended (Year 15 for sheep and beef) so is possibly the most meaningful but does not apply after 2037.

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

The import of any animal-derived products into Wales has the potential to contribute towards our greenhouse gas emissions. With New Zealand being approximately 18,750km, or 11,650 miles, from Wales, transporting produce between the two nations will inevitably contribute towards our carbon footprint, although by how much will depend on how much both countries decide to utilise the FTA. Like Wales, New Zealand has also made ambitious climate-change related commitments in recent years including pledges to halve greenhouse gas emissions by 2030<sup>7</sup>. However, the country is among the 'world's worst performers on emissions increases' although efforts have been made within this FTA to reward sustainability. Within the Environment Chapter of this FTA there is a specific heading (22.7) which denotes that environmentally clean goods should be zero tariffed as they are beneficial to sustainable development and addressing climate change concerns.

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<sup>6</sup> Department for International Trade - [Agri-food in the UK-New Zealand Free Trade Agreement](#), February 2022

<sup>7</sup> The Guardian, [New Zealand pledges to halve greenhouse gas emissions by 2030](#), 31st October 2021

## 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?

The RSPCA has a public policy and commercial role on this issue - which is likely to be impacted by any trade negotiation impacting on animal welfare standards. However, unlike the agreement with Australia, RSPCA Cymru does not believe this FTA with New Zealand will result in pressuring farmers into lowering more costly, higher standards in order to compete with cheaper imports; given the relatively similar standards between the two nations. Nevertheless, the RSPCA sets the standards for the UK's only higher welfare farm assurance and food labelling scheme, RSPCA Assured, which has over 3,000 members and assures over half the UK's laying hens and a fifth of its pigs - with standards far exceeding statutory norms; and there is always a concern that any substantive increase in imports into Wales and the wider UK places new pressures on the profitability and viability of this farm assurance and food labelling scheme.

RSPCA Assured has made huge strides in helping nurture an understanding in the public consciousness of the importance of higher welfare produce - with products sold in many of the UK's biggest supermarkets, including Tesco, Sainsbury's, Lidl, Aldi and Marks & Spencers, as well as by other major high-street chains, such as McDonalds, Wetherspoons and Frankie and Benny's. 61% of consumers now recognise the RSPCA Assured logo on produce and have safeguards about the treatment of the animals reared from birth to slaughter<sup>8</sup>. RSPCA Assured contributed approximately £200,000 to our wider work in 2020<sup>9</sup>. It is a fine example of the power of labelling - and the Welsh Government, amid the negotiation of new FTAs, must consider ensuring all consumers in Wales are empowered to make adequately informed decisions; including about the provenance and welfare standards of their produce. Inadequate labelling risks hindering the sale of higher welfare and locally sourced products and therefore unfairly disadvantages the farmers producing them.

More generally, with regards to all future FTAs, the Welsh Government is well placed to ensure resilience for the agricultural sector and Wales' generally high standards via its future Agriculture (Wales) Bill. It is vital that farmers are given the financial support needed to sustainably produce higher-welfare products via the incoming Sustainable Farming Scheme, which will be an integral part of that new legislation. Such support will - it is hoped - make the agricultural sector in Wales more resilient to changes imposed by this and any other FTAs; and motivate the agricultural community to continue to rear animals to the highest welfare standards.

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<sup>8</sup> YouGov - [Do Britons know what food quality labels mean?](#), January 19 2022

<sup>9</sup> RSPCA - [Trustees' report and accounts 2020](#)