

Written Response by the Welsh Government to the report of the External Affairs and Additional Legislation Committee entitled 'Preparing for Brexit; Report on preparedness of the food and drink sector in Wales'.

Background

Brexit poses the biggest risk and challenge to the food and drink sector since the UK joined the EEC. We have become accustomed to highly integrated supply chains spanning the Single Market, trade in goods without tariffs or quotas, free flow of labour and capital, and just in time logistics. Our sector has grown within this context and now faces widespread upheaval, made much worse by uncertainty about what will happen in the coming weeks.

We have repeatedly made it clear to HM Government that no deal is unacceptable. The short term consequences would have catastrophic economic impact, especially for exports if exporters had to surmount WTO level tariffs and new trade barriers in their current markets. We can only hypothesise the longer term impact but all analysis points to fundamental challenges. No doubt our sector would adjust but the evidence suggests there would be widespread and deep impacts. The Welsh Government's position remains the UK must maintain full and unfettered access to the Single Market. Change must build upon our success, not destroy our foundations.

I would like to thank the External Affairs and Additional Legislation Committee for their report. I have set out my response to the Report's individual recommendations below.

I can assure the Committee my Department is undertaking a significant programme of work to prepare for Brexit and to address the many risks. The Food Standards Agency – Wales and the Welsh Government are collectively preparing adjustments to the regulatory framework to ensure it still operates in a 'no deal' situation so consumers are protected and business is maintained. We have taken steps to inform businesses about the issues they must consider, how to check their readiness for 'no deal', with preparation support in place. Regardless of our strong differences of opinion with the HM Government, we are working closely with them and the other Devolved Administrations, to ensure there is a UK wide contingency plan maintaining food supplies to the public in even the worst case scenario.

In the present situation it would be easy to lose sight of our longer term ambitions and how much success the food sector has enjoyed in recent years. The Welsh Government is firmly committed to building on success. Food, as a foundation sector of our economy, does and can do more, to contribute hugely to Wales' well-being. I will be continuing our strong support for the sector and, in particular in the current period, sending a strong message in our export markets that we are still very much open for business.

Recommendation 1

The Committee recommends that:

The Welsh Government's work on a new food and drink strategy and action plan takes account of the research currently underway to benchmark the sector. Furthermore, any new strategy for the sector after Brexit should set out clear and ambitious aims, including use of appropriate targets, in terms of increasing Wales' access to new "Rest of the World" markets for the export of Welsh food and drink products.

Response: Accept

The Welsh Government and the Food & Drink Wales Industry Board (FDWIB) are jointly developing a new plan to support the food and drink industry in Wales and build on success to date. We are creating a shared vision, with supporting actions, to empower businesses in Wales to succeed. We are developing proposals as part of the plan to ensure the food sector plays a full part in realising our 'well-being' goals and Prosperity for All ambitions.

We undertook extensive stakeholder engagement last summer and autumn, building a detailed picture of issues and how we can strengthen and deepen the support the sector we have successfully provided to the sector to take its future development to the next stage. Hand in hand with this we have explored how the sector can contribute to the well-being and future sustainability of Wales and its people. Work has already identified broad themes and possible targets. Stakeholders have repeatedly pointed to the importance of growing our businesses, promoting Wales as a food nation, and benefiting our people and society, and above all doing these things in an integrated, mutually supportive way. A summary of key points to date is on the [Food & Drink Wales website](#). Formal consultation is proposed for later in 2019, including proposed indicators and targets, with a new plan in place by the end of the year.

Our intelligence has identified barriers which discourage businesses from exporting, such as bureaucracy, legislation and customs requirements, the challenge of finding distributors, and lack of market knowledge. Businesses are sometimes worried about the cost effectiveness of exporting and want to be confident selling overseas is profitable and worthwhile. Through the new action plan we will develop our support for companies who export or want to start exporting, and which address these barriers. We will do this whilst continuing to lobby HM Government for the most advantageous outcome for Wales in trade negotiations with the EU and third countries. We will deliver a structured programme of business support, directed towards supporting businesses wanting to sell in the international markets with the greatest potential for returns. We will also raise Wales' profile through trade events – most notably Blas Cymru, our premier sales event, taking place at the Celtic Manor on 20-21 March.

Financial Implications – There are no additional costs, with the described actions already being supported by available budgets.

Recommendation 2

The Committee recommends that:

The Welsh Government, in its response to this report, outlines what discussions it has had with the UK Government on the creation of a UK wider scheme after Brexit, including whether or not it has raised concerns about the limited amount of time available for consultees to take part in the consultation.

Response: Accept

Wales now has 15 products with European Union Protected Food Name status with two further products still under consideration by the European Commission (Vale of Clwyd Denbigh Plum and Cambrian Mountains Lamb). We have made clear to HM Government that withdrawal negotiations must result in existing GIs retaining their status in the European Union after Brexit. We are reasonably confident this will happen.

The Welsh Government and other Devolved Administrations have actively engaged Defra to develop a new UK Geographical Indication scheme for after Brexit takes place. We have worked collaboratively to shape proposals to establish a common UK GI scheme. This new scheme would form the basis for a potential reciprocal arrangement with the EU to gain protected food name and geographical status within European markets post EU exit. We have agreed many of the main points but there are important details to finalise.

In support of developing a new scheme, the Welsh Government has supported consultation UK wide led by Defra. We have no concerns about the time consultees had to respond and none of our businesses raised concerns with us about lack of time or not being aware of the consultation. We were involved in drafting the consultation and we used our communication channels and close relationship with GI producers to make them aware of the consultation so they could respond if they wished.

In addition to developing a post-Brexit scheme for the UK, we have also negotiated (with Defra and the other Devolved Administrations) regulatory improvements to strengthen enforcement arrangements in the UK which uphold GI standards. This has resulted in the [Quality Schemes \(Agricultural Products and Foodstuffs\) Regulations 2018](#) which assist trading standards officers to take action where there are breaches for the current EU schemes and any UK successor scheme. Strong enforcement is in the interests of consumers, producers and retailers.

Financial Implications - The costs of preparing proposals for a new UK GI Scheme and the new regulations are absorbed by existing budgets.

Recommendation 3

The committee recommends that:

The Welsh Government, in its response to this report, outlines details of the work underway to support businesses to mitigate the effects of a “no deal” Brexit on the security and continuity of food supplies in Wales.

Response: Accept

Business Wales has published an online Brexit Portal for all businesses to use. The portal and self-assessment tool cover key business areas to measure business readiness for Brexit. On completion of self-assessment businesses are provided with an assessment which identifies issues and risks. Bespoke additional support is available for food businesses through the Welsh Government’s comprehensive range of technical and business support delivered by a combination of Food Innovation Wales and Menter a Busnes.

In addition, and at a broader level, the Welsh Government has forwarded HM Government’s Technical Notes and HMRC’s Partnership Pack for ‘no deal’ to food businesses. The Food & Drink Industry Wales Board has reinforced these efforts by holding specific Brexit related events for businesses in North and South Wales.

The Welsh Government is a member of the Defra led Food Chain Emergency Liaison Group (FCELG), which convenes food sector major trade bodies and the Devolved Administrations as a discussion forum for Brexit planning. FCELG is also the communication channel at a UK level to direct information for Brexit preparation into the sector to manufacturing businesses, retail and wholesale. Trade bodies have reported their members, which include the large retailers, are confident they can maintain food supplies to the UK population in a ‘no deal’ Brexit, although choice of some fresh produce may be more limited for a period than usual.

English ports, especially Dover and the Channel Tunnel, are key to Wales’ food supply, especially fresh produce. Supplies via these ports face significant disruption because of delays at EU ports caused by new checks for imports from the UK as a third country. HM Government is responsible for ensuring that disruption at English ports is minimised but so we have and will continue to make clear to HM Government their importance to Wales.

Welsh ports are of secondary importance to Wales’ food supply, but we are doing everything in our power to ensure that disruption is minimal. We are considering how to manage traffic disruption in and around Holyhead which might result from customs delays at Dublin. We will continue working closely with the port, the ferry operators, emergency services, Isle of Anglesey Council and the local resilience forum, to develop arrangements which will be published shortly. We do not anticipate problems at Pembroke Dock or Fishguard because they have capacity to hold delayed vehicles. For all ports, the assumptions underpinning analysis are finely balanced; they and preparations are kept under review with the ports, Border Force, the local authority and emergency services, in order to react quickly to changes.

Food supplies depend on road haulage logistics within the UK. We remain concerned about HM Government’s permit application scheme for hauliers and the

Minister for Economy and Transport has written to the responsible HMG Roads Minister, Jesse Norman MP, stressing the need to ensure Welsh hauliers and businesses are not adversely impacted. Separately the EU has proposed that UK operators may temporarily (for nine months) carry goods into the EU provided the UK confers equivalent rights to EU road haulage operators. Whilst HMG's acceptance offers some comfort, it is a short term solution only.

Regarding the general population and the diverse range of non-business and business organisations which exist across Wales and deliver services to the public, we have created 'Preparing Wales' to reassure and advise anyone concerned about the potential impacts of a no deal Brexit. 'Preparing Wales' is a single, comprehensive, source of information about the actions we are taking. It provides guidance about the steps that need to be taken to prepare for this outcome and signposts to relevant advice on how to prepare from others bodies, including HM Government.

Financial Implications – There are no additional costs, with the described actions already being supported by available budgets.