



House of Commons:

INTERNATIONAL TRADE SELECT COMMITTEE

UK TRADE WITH CHINA

Call for written evidence:

**Submission from the Agriculture and Horticulture Development Board
(AHDB)**

22 August 2019

Executive summary

AHDB has identified the key areas relating to UK trade with China and the associated opportunities and challenges. This submission details:

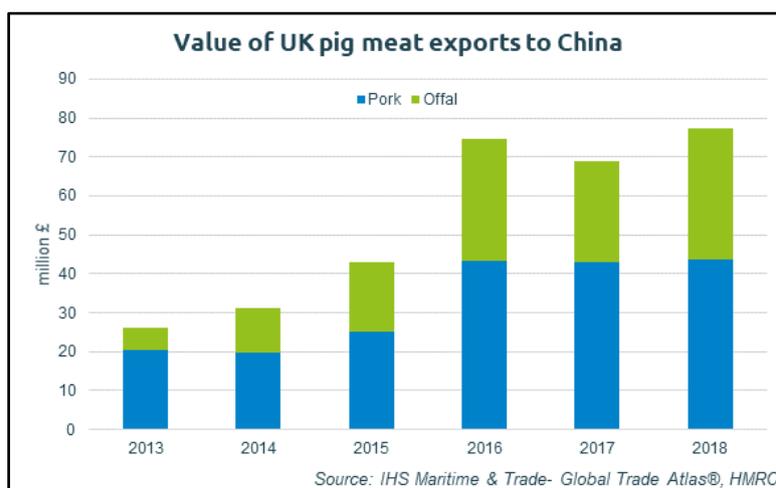
- Trade opportunities for agri-food exports and the behaviours and motivation to buy among Chinese consumers
- The ongoing success of pork exports to China since market access was secured in 2011
- AHDB's collaborative approach with Government and industry to help secure market access for beef to China and the potential value to British producers
- The role of the Agriculture Counsellor in Beijing representing the interests of UK businesses exporting to China
- International trade shows, inward missions and the role of the Government's 'Food is GREAT' campaign as an overarching identifier
- The complexities of manually obtaining export health certification and the potential for streamlining and speeding up
- Sector-specific challenges, the major role played by local knowledge, key considerations and tips for exporting to Asia.

AHDB

AHDB's purpose is to inspire our farmers, growers and industry to succeed in a rapidly changing world. We are the independent go-to source of trustworthy information and evidence-based research. We equip the industry with easy-to-use, practical know-how which they can apply straight away to make better decisions and improve their performance. Through deepening our technical, commercial and market insight, and making this available where, when and how the industry needs it, we aim to enable British agriculture to become truly world class. Export is one of our six corporate priorities, opening new opportunities in markets worldwide, promoting GREAT British products with consumers and trade internationally and collaborating across Government and industry.

Inquiry questions and AHDB's response

1. ***How should the UK approach its trade and investment relationship with China? What opportunities does the relationship present, and what challenges and risks are involved?***
2. Increasing both the volume and value of exports is vital to the profitability and viability of our agriculture sectors. AHDB is uniquely placed to provide a platform for exporters to exploit these opportunities, as well as providing the link with Government to support international market access work. AHDB is at the heart of helping UK food and farming products capitalise on the opportunities presented in China.
3. Britain has a great story to tell with the Union flag, Big Ben and the London bus well recognised across the world. As instantly identifiable as these iconic images are, forming a powerful brand for promoting inbound tourism, they are not enough to sell our food and farming products overseas. We have to ask why might a shopper in China choose a British product over products available from all other countries. Ultimately, consumer perception of British produce is key in export markets such as China. This is explored in greater detail in the [AHDB Horizon report International Consumer Buying Behaviour](#).
4. Behaviours and motivation to purchase differ around the world. As such, the necessity to know our consumer is paramount and how we can use this to differentiate our products from our competitors. AHDB is well-established in facilitating exports and enabling market access for UK products. AHDB has been effective in doing this, with notable success in the pork sector for example, where access to the Chinese market granted in 2011 has seen trade to China rise to more than £77 million in 2018. In the first half of this year the value of trade to China for pork exports is more than £65 million.



5. Another significant opportunity is for the export of beef. China lifted ban on beef exports in 2018, a vital first step in unlocking this major market. The move could be worth an estimated £230 million for British producers in the first five years alone. It followed a successful inspection hosted by Defra, the Animal and Plant Health Agency, the Veterinary Medicines Directorate, the Food Standards Agency, DAERA in Northern Ireland, the AHDB and the UK Export Certification Partnership (UKECP), in conjunction with beef farmers and food business operators. Policy and trade teams at the Department for International Trade facilitated the inspection visit, both in assisting talks with Chinese officials, and supporting Chinese delegations visiting the UK. A subsequent inspection visit in June 2019 has moved this further forward towards commercial trade.
6. For the meat sector, China also presents a market for products that have limited value and demand in our domestic market. This is a vitally important area of work for the red meat sector as the products involved have low structural demand in the UK due to eating habits mainly focused on whole muscle and not offal or bone-in cuts. These products are often highly sought after in China and command premium price, presenting opportunities to maximise overall carcass yield.

7. Access for seed potatoes has also recently been secured, opening up opportunities for UK growers. Demand has increased for frozen potato products while rising disposable incomes are expected to drive growth in savoury snacking. Across the Asia-Pacific region, potato crisps were worth \$6.2 billion (USD) in 2017 and are forecast to grow to \$10 billion by 2022, with China among the countries expected to contribute most to growth. UK producers must, however, have a greater understanding of consumer choice if they are to benefit from this growth in demand.
8. Western style bakeries are now commonplace across Chinese cities, creating demand for butter, cream and cream cheese in foodservice. Consumers want to know the story behind a product and again place paramount significance on food safety. Tight regulation of production in the UK therefore presents an opportunity to deliver products with messages around food safety. Dairy products have also been identified in Asia as particularly good for growing children, delivering nutrients such as protein and calcium. Indeed, around seven in 10 Chinese parents buy child-specific yoghurt and milk. There is also a growing opportunity in dairy drinks in foodservice and retail.
9. The UK produces great quality food that has the potential to be highly sought after in export markets. China is beginning its transition from an export-orientated economy to one being driven by domestic consumption with middle class growth driving changes in lifestyles and consumption patterns that present clear opportunities. Forecasts from the International Monetary Fund (IMF) China is set to see substantial population growth over more than 10million people from 2018 to 2023. More than 85% of Chinese consumers eat out at least once a week. Key opportunities and considerations for exporters are examined in greater detail in the [AHDB Horizon report Exploring Asia: Understanding consumer needs](#).
10. Safety is a top priority and consumers have concerns about pesticides or chemical contaminants in their food and the effect on their health. According to AHDB/ICM research, 82% of Chinese consumers still worry about safety of their food and rely on imported food as a coping method to mitigate risk, especially in categories considered high risk such as dairy. Safety-conscious consumers demand as much information about their food as possible with an interest in the story from farm to fork. Consequently, adding traceability to a product's offering can help allay consumer fears and encourage cautious shoppers.
11. It is also important to note that in China, issues surrounding disease outbreaks, food contamination and low safety standards are taken incredibly seriously and can lead to countries being banned from exporting to this market.
12. The AHDB makes a significant contribution in funding the Agriculture Counsellor role in China. Based in the British embassy in Beijing, the Agriculture Counsellor represents the interests of UK businesses already exporting quality British food and drink produce to China, and firms looking to open new trade links. Additional technical resource in the form of a Veterinary Counsellor to support the appetite for broader access across the Asia region and addressing ongoing technical discussions could also add significant impact and maintain existing access when challenged.
13. The Government's 'Food is GREAT' offshoot of the 'GREAT' campaign is used by AHDB as an overarching identifier and banner at international trade shows which AHDB uses to provide a platform for its exporters to meet and communicate with buyers in market. These are overwhelmingly business-to-business events with little or no direct consumer interaction. AHDB is looking at extending its work to more closely interact with consumers as these markets develop and has done some initial research in this sphere as set out in the [AHDB Horizon report International Consumer Buying Behaviour](#). AHDB is building on this approach, adapting to appeal to consumer needs in specific countries and categories. The future use of 'Food is GREAT' as the prominent UK brand has not yet been considered.
14. In addition to the technical market access work, AHDB runs a commercial programme to provide a platform for exporters in new and existing markets. This includes supporting exporters in international markets and bringing buyers to the UK in order to improve understanding of market requirements and show both exporters and importers the benefits that can be derived from developing trade with the UK.

15. AHDB's trade show programme has a sharp commercial focus aimed at increasing exports, while also providing an opportunity to showcase the unique qualities of British products particularly in terms of sustainable production, product quality, food safety and traceability.
16. AHDB export activity using the 'Food is GREAT' campaign is wholly funded by farmers, growers and processors via the levy and limited financial support from Government. The UK Government investment in promoting and marketing British food abroad is not of the scale of countries such as the USA and Ireland who deliver coordinated marketing activities funded by Government to develop export and international opportunities.
17. In a number of overseas markets inside and outside the EU, assurance, high standards of quality and food safety are key attributes sought by consumers. The UK's industry quality marks can play a key role in communicating this, although there are challenges in overseas markets in relation to providing assurance throughout the supply chain, particularly in parts of the sub-supply chain outside the UK.
18. This has implications for how the schemes are checked and verified when primary products are exported and then processed or packed in locations outside the UK. For example, if primal cuts of meat are exported to Third Country markets such as China and then cut and retail packed locally, the value of assurance is only as good as the integrity of the processing plant and supply chain outside the UK. Therefore, mechanisms must be in place to audit and verify this which has financial implications.
19. Exporting to China presents a wealth of opportunities for the UK agri-food sector, whether you are a pork processor or potato producer. Making the first step can be daunting but the rewards can potentially revolutionise businesses. The importance of understanding the market remains key, as well as checking health certification, visiting to experience the market, labelling and packaging and taking the time to build business relationships. This approach will pay dividends.
20. ***What are the main barriers to trade and investment between China and the UK at present and how might these be addressed?***
21. Consumer awareness and exposure to British products abroad remains low and the extent to which a British food export brand has been built in the minds of consumers is open to debate. The UK Government's 'GREAT' campaign does provide consistent messaging globally but consumer awareness of it is doubtful. The principle benefits for AHDB is the campaign's use as a national identifier and, using the AHDB export programme, raising awareness of the UK as a producer of high quality food. Once market access has been secured for product it is imperative to educate the consumer about the quality and provenance of that product to raise their awareness to drive sales.
22. We have great products to export and there is an opportunity to build on the respect for British. However, exporters need to work to reinforce the quality credentials they believe they satisfy to capitalise on this. Critically, our food producers should not assume their product has the same relevance across all markets. Understanding and adapting to consumer needs is vital and products need to fit in with current lifestyle and food choices within target export markets to maximise opportunities presented. For example [our market research shows](#) that in some markets safety is key and this intelligence represents an opportunity for an accredited food mark such as Red Tractor.
23. Businesses exporting to non-EU markets currently have to go through a complex manual procedure to obtain export health certification which is both cumbersome and slow. This is an issue which pre-dates the UK's vote to leave the EU. However, it is clear that as we develop exports into non-EU markets and indeed may face a more complex export procedure to European markets that this system needs to be significantly streamlined and speeded up. We are aware that progress is being made on a semi-electronic system that we fully support.
24. This could be achieved through the use of technology such as the electronic generation of certificates and other forms of smart tech that obviate the need for 'at border checks'. Other countries in the EU already employ significantly more technology in this area than the UK. Further, companies that export only to the EU will require support if there is a need to provide certification for post Brexit trade and as this is not currently the case, the skills are not in place.

25. As well as the key work we do in research & development and knowledge exchange, which address competitiveness/productivity, AHDB also seeks to encourage business development through increased exports. Increasing the volume and value of exports is vital to the profitability and viability of our agriculture sectors. It is probably the case that some positive messaging about British products would enhance this.
26. ***Should the UK seek a post-Brexit trade and/or investment agreement with China? What other initiatives should the UK government pursue to facilitate trade and investment between the UK and China?***
27. As an NDPB AHDB is not able to provide a response to this question
28. ***Does the Department for International Trade provide adequate support and expertise to UK companies wishing to export to and invest in China, as well as those currently operating in China?***
29. AHDB is already very committed, invests significantly in this area and would be keen to work in close partnership with DIT, Defra and others to develop further export opportunities. Government works with industry in a number of areas to support overseas market development but this support is generally limited to advice and information, rather than financial. Realistically, in order to conduct promotional activities at a meaningful level, significantly higher levels of funding are required than those at the disposal of AHDB. However, working in collaboration with Government and industry has facilitated some notable successes in China, highlighted earlier with the success of pork exports and the securing of access for beef.
30. Some sectors face particular challenges and this is especially the case for ruminant meat (beef and lamb) where the legacy of BSE continues to hamper progress. Disease outbreaks in general often cause negotiations to be suspended and the clock re-set in many cases. In 2007, following the FMD 'incident', it was recognised that the workload in terms of re-establishing trade and in particular completing access procedures was beyond the resources available in Defra. To resolve this, a partnership was formed specifically for the meat sectors between Defra and industry called the UK Export Certification Partnership (UKECP), of which AHDB is a major contributor both financially and with significant technical expertise.
31. UKECP is a Defra/industry partnership that liaises with the UK livestock and livestock products industries to establish export market priorities. It provides a forum to discuss the use of Defra agents to negotiate export health certificates on behalf of the UK and assists in the drafting of export health certificates which are generally required before exports can take place.
32. This requires funding and to this end the industry side of the partnership receive contributions from a wide range of organisations across the UK including AHDB, Hybu Cig Cymru (HCC), Livestock and Meat Commission for Northern Ireland (LMC) and Quality Meat Scotland (QMS). The body that coordinates this work is called Export Certification Limited (ECL) to which AHDB is the major contributor, accounting for approximately half of all the funding.
33. The AHDB, as a Non Departmental Public Body (NDPB), does provide direct support to its exporter levy payers to exploit overseas export opportunities. We do however organise trade stand space at leading global food shows to provide and facilitate UK exporters with a platform to market their products under the GREAT banner such as our presence at Food & Hotel China (FHC) held in in Shanghai annually. AHDB also provides the link with Government to support the market access work which is a prerequisite to success in markets outside the EU. AHDB works closely with government to target and open up new markets for UK products.
34. ***To what extent does the Belt and Road initiative present opportunities and/or risks to UK businesses?***
35. As an NDPB AHDB is not able to provide a response to this question.
36. ***How should human rights, security, and environmental concerns shape the UK's trade policy in respect of China?***

37. As an NDPB AHDB is not able to provide a response to this question.

38. ***Further information***

39. Any queries relating to this submission should, in the first instance, be directed to Andy Hutson, AHDB Public Affairs Manager, Agriculture and Horticulture Development Board, Stoneleigh Park, Kenilworth, Warwickshire CV8 2TL. T: 024 7647 8822 E: andy.hutson@ahdb.org.uk