WEDNESDAY 12 DECEMBER 2007

Present

Arran, E of
Cameron of Dillington, L
Greaves, L
Jones of Whitchurch, B
Palmer, L
Plumb, L
Sewel, L (Chairman)
Ullswater, V

Waitrose

Examination of Witnesses

Witnesses: **Ms Heather Jenkins**, Head of Buying, and **Mr Duncan Sinclair**, Agricultural Manager, Waitrose, examined.

Q849 Chairman: Hello and thank you very much for coming along and helping us with our inquiry. We are having a look at CAP reform and the future of the Common Agricultural Policy. Let us just say a few things to begin with. Firstly, we are webcast so there is a possibility that somewhere someone may be listening. We have never actually found out whether anybody is; we have our doubts! Secondly, this is a formal evidence session and so a note will be taken and you will get the transcript and be able to have a look and correct any errors that have crept in. As I say, thank you very much for coming. The only slight difficulty is that I come from the north of Scotland and the name Waitrose means nothing to me unfortunately! What would you like to do? Would you like to start and make a brief opening statement and then go on to questions and answers, would that be suitable to you?

Ms Jenkins: Yes, that will be fine.

Q850 Chairman: Away you go.

Ms Jenkins: I am Heather Jenkins and I am the Head of Buying for meat, poultry, fish, dairy, frozen products at Waitrose. We are the food shops of the John Lewis Partnership; we are employee-owned; and our shares are held in a trust and therefore we are not answerable to the City. In terms of the discussions today and CAP reform, we have taken a long-term approach to our supply arrangements many of which have been in situ for 15 years or more. We have an established producer group structure representing in excess of 30 livestock schemes. The principles are based on cost reduction, continuous improvement and reward for quality and consistency. We also have a communication structure in place to motivate those livestock schemes and provide clear understanding of the role of each sector and how it makes up the supply chain. Lastly we take a practical approach to running our schemes, supporting farmers, but we also take a stick and carrot approach to achieve the performance and the focus that we need to serve our customers.

Q851 Chairman: Okay fine, and your colleague, Duncan Sinclair, who are you?

Mr Sinclair: I am the Agricultural Manager at Waitrose so I manage the 30-odd livestock schemes right across the piece, from the meat side to fish and dairy. Approximately we have 2,500 farmers supplying us feeding their product into the various supply chains.

Q852 Chairman: I wonder if I could kick off with an opening general question. Being the House of Lords, in order to look forward we always look back. The European Commission initiated a "health check" with the intention really of building on the 2003 reforms. Did you notice any impact from what happened in 2003? Has it had any impact on your company's operations? Then I suppose looking forward, what do you see are the long-term objectives of the Common Agricultural Policy and did 2003 head in the right direction?

Ms Jenkins: There has been significant impact, and given the background the producers involved in our schemes had a headstart in understanding more about getting returns from the market-place. As a result of the 2005 deadline, we upped the focus on what that actually meant, so what decoupling actually meant from a market position. That included instigating benchmarking and sharing best practice and trying to create awareness, first of all, of the realities of getting a return from the market-place and the realities of getting farmers to focus on performance. I guess from a retailer perspective it would be very easy for us to be seen as dictating to farmers, but I think that as a result of our work we do not have any contracts, it is all based on trust, sharing best practice and information and dealing with difficult issues as well as celebrating the successes. Fundamentally, what we were trying to do was to interpret what the CAP policy meant, and from our perspective it was absolutely right that there was no subsidy on production because what that was doing was focusing on volume and not the cost of getting there nor indeed the consistency of the quality. Those have been some of the impacts and they continue because there is different understanding in different sectors of what the best way forward is. One of the things that we have been able to do (because we do have a joined-up approach) is to show farmers what happens at the processing stage and what happens at the retail stage. Once they leave the farm gate many people think that retailers have a propensity to take advantage with little understanding of what happens to an animal once it has left the farm gate, so we have undertaken to take them through the processing stages in many forms, including literally taking them through factories and showing them what actually happens, but also to drive home the importance of not having any waste. In the 30 livestock schemes that make up our supply chain, it is absolutely crucial that we use every piece of those animals that are reared exclusively for us, and in doing so our challenge is to add value, not to devalue it, because if we devalue it from a retail perspective then that reduces the amount of profit available to go back down the supply chain. We are probably unique in the way that we approach balancing carcasses whereas our competitors are probably cherry-picking the bits that they want and leaving the rest available to market forces.

Q853 Chairman: And 2003 helped you in that direction, did it, with your suppliers to make them more conscious?

Ms Jenkins: I would say that 2003 created awareness. It also created a significant amount of work and a huge amount of focus and intensity, and farmers needed leadership because a lot were like rabbits in the headlights.

Q854 Chairman: What you have described seems to me to be absolutely distinctive. Are there other supermarkets, either in the UK or the EU, that have gone down that road and, if not, why not?

Mr Sinclair: I cannot really speak about Europe. I do not know the European retail sector that well. I am not aware that that model is replicated anywhere. I think that Marks & Spencer's do a fair amount but I am not aware really that any other retailer is involved to the extent that we are. Part of that is to do with the type of business that we have, being a partnership, but the other part of that is about looking ahead and wanting to have those supply lines in place to serve our customers in 10 or 15 or 20 years' time. That is very much how we approach our supply strategy, hence the reason that it has been evolving over time.

Baroness Jones of Whitchurch: Could I just pursue this uniqueness for one second because we have just heard from the Food and Drink Federation that the key thing that drives consumers, whatever they say, is the price. Price is the thing that really determines where they shop and so on. Obviously that does not apply in Waitrose. Are you resigned to being a niche supplier or do you think the principles that you are now espousing --

Chairman: That is why they avoid Aberdeen!

Q855 Baroness Jones of Whitchurch: --- could roll out across a much wider consumer base?

Ms Jenkins: I think if we were resigned to being a niche we would not have a future because at the end of the day price is very important to everybody, and whether you are a Waitrose customer or another retailer's customer price is still important. Customers enjoy a bargain, value for money; they do not enjoy being ripped off, they do not enjoy being misled, so I would say that the model is achievable by anybody, but you need to take a long-term view and understand the supply chain. We are in a different supply and demand situation today than we were in 2005 or even 2000, there is an awareness now in terms of shortages of commodities that perhaps could focus others' minds. I think it is disappointing that we need to see industries disappear before action is taken, notwithstanding the fact that there are performance issues out there in every sector. One of the key things that we have driven through benchmarking is to get farmers to think in the same way as any other business about performance and what is good and what is bad and how it could be improved and how there can be a benefit for them as a result.

Q856 Lord Palmer: Could I ask a very quick supplementary. Can you just remind us what percentage of the UK grocery trade Waitrose claims to have now?

Ms Jenkins: As a multiple retailer we represent four per cent of the market. In the area that I am responsible for, it is anything between four and ten per cent, so in the primary agricultural sectors, from beef through to chicken and fish, so we generally out punch our weight in those sectors.

Mr Sinclair: On the organic sector we have a market share of something like 18 per cent, so that is significantly higher than the overall market share.

Q857 Chairman: That tells us something about your customers, does it not?

Ms Jenkins: It does but, if I might add, we feel it is really important and right that in terms of the policy going forward that all of us should get our return from the market-place, but there is a role for the market-place to play in terms of transition and acknowledgement that we have to get from A to B before we can actually make that happen.

Chairman: Lord Plumb on the environment and animal welfare.

Q858 Lord Plumb: There are three questions to this but I would like to put them into one, if I may. Environmentally of course everybody says they want everything produced in an environmentally friendly way yet of course the market-place determines the price at the end of the day. How many of your customers therefore will say yes they will pay more if the product is produced under environmental terms which are acceptable than they might do otherwise? Customer behaviour, in other words, is really the question I am asking about and whether that reflects the concern both on environmental issues and on animal welfare. People talk a lot about the importance of making sure the animal is well looked after and we would like to know what proportion of your customers or consumers generally are prepared to pay that premium. Then, thirdly, the extent to which consumers are willing to pay a premium, could this in your view provide a way of rewarding farmers monetarily for the public benefits that they provide? Do you anticipate that there will always be a residual role for the government in this area, be it through subsidies or other instruments? Might I just add to that, since you mentioned the organic production and the sale of organic goods, what is your concern in this field - because I accept and I am with you all way on your initiative, I think it is excellent that people are demanding more organic goods - how many people in this country are consuming a vast amount of soya, for example, that is produced in America that is not necessarily organic and certainly 98 per cent of it is genetically modified, and yet they are against that sort of thing and it is a totally different base that the product is coming from? I think those are areas of concern - the environment, animal welfare and how the consumer reacts.

Mr Sinclair: Taking the first point, in terms of the environment I think one of the key drivers for us is to make sure that our own farmers involved in our various livestock supply chains are fully engaged in the various schemes that are available out there in the industry. We have developed a specific scheme on select farm milk producers, which I think is probably a leading standard in terms of where commercial farm and habitat and agri-environment can actually work hand-in-hand together. We set them a target to have ten per cent of the farm area devoted to wildlife and habitat and when we did an audit in spring this year we found something like just over 20 per cent of the farm area was actually devoted to habitat and agri-environmental features. We have other supply chains which do not appear to be fully engaged in the agri-environmental schemes as we would like. I understand the Red Meat Industry Forum have just done a survey of livestock farmers in the West Midlands and found that out of a group of 150, only ten per cent of them for example had actually signed up to an entry level scheme. When challenged, the reaction appeared to be apathy at the farm level in terms of they did not want to have to fill out another form to prod out that funding. In the post-decoupled era I think it is important that farmers are business focused and that they actually sign up for the agri-environmental menu of options as well. We are using resources to produce food and I think we have a responsibility collectively to actually deliver some of the environmental benefits back for the general public. It is certainly something that we are working on at the moment to get all our various supply chains engaged, and certainly in England signing up to the entry level scheme, or the equivalent in Scotland or Wales, because we feel that is a very important thing.

Q859 Lord Plumb: And the consumer will pay a premium for that product?

Mr Sinclair: At the moment it is difficult to know from the market research that we have seen. There was some IGD work that was done in spring this year which definitely showed that things like price and brand were leading drivers of consumer patterns and at a much lower level were agri-environmental and environmental issues. That may well have changed because of the high profile that the environment and climate change has taken on through the course of the year. Things like animal welfare and organic production were much lower in the pecking order as well. For us our position in the retail market-place out there is such that from a brand perspective our customers expect us to be doing a lot of these things, actually taking responsibility and being able to deliver the agri-environmental benefits to take a proactive stance to ensure that we have high standards of animal welfare and care for the animals through their lifetime. We have done a significant amount of research, in conjunction with some of our suppliers, looking at how we can actually raise the animal welfare situation within our various supply chains and in time, as more of that information becomes available and we have projects complete, we will be incorporating that into our production protocols. We are continually looking to raise the level of animal welfare credentials, as it were, moving forward. We have got to be practical and it helps if there is good scientific evidence to justify that, but there is an expectation from our customers that we are working to make sure that animals have been treated with respect, et cetera, through their lifetime. There is a relatively small proportion of the public who may well look for these high welfare products, but I think it is part of an overall bundle of expectations, and I think at the moment in terms of some of the ethical drivers but some diet and health and healthier options, as it were, are at the moment some of the main drivers and they are taking a higher priority in terms of driving purchasing decisions than maybe just environment or welfare, but for us it needs to be the entire package. We have done work right across the board so it feeds in in terms of the various different strands that make up our production protocols, and we need to make sure that we are delivering a consistent, good-quality product that tastes good and that is produced to high standards with environmental credentials as well as animal welfare credentials.

Q860 Lord Plumb: I think what we are getting at is if you walk into a supermarket and you see a whole lot of chicken, it may be branded and it may have the country of origin (although occasionally it has not had in the past) but supposing that they are Brazilian and Chinese chickens and they are half the price of the chicken you offer of the standard that you are describing, what is the consumer going to take?

Mr Sinclair: For us certainly in our fresh meat offering the vast majority of that is sourced from within the United Kingdom.

Q861 Lord Plumb: So you do not have the problem, you do not import Chinese chickens?

Mr Sinclair: Certainly not on the fresh side.

Q862 Chairman: Can I put what you are saying in a different way. Do you think that your customers are prepared to pay almost a general premium to shop at Waitrose because they are buying into something that is a package that is quality, environment, animal welfare, and it is all wrapped up in the total ethos of what Waitrose is?

Ms Jenkins: Not necessarily.

Q863 Chairman: Well, I have got it wrong!

Ms Jenkins: I think, our customers expect us to have considered all these issues on their behalf and so they would expect us to deliver on the environmental strategy although they probably would not understand it because it is quite difficult from a consumer to understand how farmers are spending their money so, as Duncan said, it is a package of credentials that is delivering the Waitrose brand. If we look at milk for example, we have Select Farm milk produced to the highest animal welfare standards and we have been paying as close to the cost of production since 1999 rewarding for the quality standards, which is completely against what the rest of the market have been doing, and we have been selling it at the same price as everybody else, so there is a combination of things that we would do because it is the right thing to do for our brand and it is the right thing to do for our customer. Whether it is CAP policy, whether it is UK strategy, whether it is legal requirements, we are interpreting those all of the time and translating them into whatever livestock scheme we are offering, and therefore what it looks like in terms of an assortment of choice to a customer. We are in a position where we can add value and we are creating the choice, so the entry level, if you like, the British standard meat offer that you see at Waitrose (because we do not sell anything else except New Zealand lamb in season) is our entry level and that will have high welfare credentials. We will not necessarily charge any more money for it because it might not be accepted by the customer or it just might not be competitive. Coming back to the niche market discussion, we cannot afford to trade in a vacuum. You could say maybe ten years ago that Waitrose customers were Waitrose customers, indeed they were and they are today, but they are more promiscuous and everybody wants to trade in the premium end of the market so going back to where do customers pay more for environmental credentials, the evidence that we have got is that the customers believe that your credentials should be throughout your business not just an emblem or a logo on a pack in amongst Chinese chicken or whatever else imported meat might be in there, I think they have a very cynical view from that point of view. It does not necessarily follow that just because you are serving Waitrose that we can pay a premium, because we have to trade in the open market like everybody else, and what we try and do, as I said, about trying to balance a carcass and find differentiation, we try and add value. There are challenges associated with that but if you are able to take a long-term view and be innovative, then there is a long-term benefit for everybody involved in the chain. The most important thing for customers, whilst we talk about animal welfare and environmental credentials and what we do on the farm, is that it tastes good.

Chairman: Can we move on to risk management and Lord Cameron.

Q864 Lord Cameron of Dillington: With falling intervention in the EU and falling tariffs, the Commission has, quite rightly in my view, put forward the proposal that risk management is something that ought to be looked at and that the farmers ought to take their share on that. I should declare an interest before I ask the question, namely

a) I am a supplier of organic milk to Waitrose and b) I am a supplier of non-organic potatoes to Tesco's.

Baroness Jones of Whitchurch: Promiscuous!

Q865 Lord Cameron of Dillington: Promiscuous, yes! I was wondering what role the supermarkets for instance could play in this in terms of supplying their suppliers with very good market information, perhaps their own forward analysis of the market-place and, more importantly, and this is the thing I have struggled to achieve both with potatoes and milk, some form of long-term contract so that they are sharing the risk? Let us avoid milk and take potatoes, for instance, where prices go from £40 a tonne one year to £200 a tonne the next, as a farmer one would really long to have some sort of consistency of price but it is almost impossible to achieve.

Ms Jenkins: I do not think it is impossible but I think there has to be equal risk taken. The two examples I would give today is the activity that we have had in the beef and the sheep sector this year in particular. I did say that we do not have any formal contracts - I think milk is slightly different - but in the sheep sector, for example, there was no way that they were going to get the right return for producing sheep meat so we underpinned the market. We have done that all season and again we were the only retailer to actually do it in the way that you are referring to. We have also taken a stance on beef prices and given a structured approach to the next 18 months. That is quite a risk for one retailer to stick their neck out when there is no sign at the moment that the market is going to follow suite. Coming back to why we can do it and others cannot, I think that fundamentally others do need to look at the base commodities with some sort of sense of "what is this worth and where are these people going to be?" otherwise they are not going to be there in the future. So I think that contracts can be developed. It is a bit like a marriage; there are good times and there are bad times and you need to go into it with your eyes open. I think in the past what we have seen is that farmers can be fair weather friends and when the market changes they walk away, so it has equal responsibility in risk-taking because at the end of the day we are trying to provide the customer with a consistent quality and a consistent price.

Q866 Lord Cameron of Dillington: I accept that but again reverting to potatoes, the cost of producing a potato with cold storage and all the rest of it is about £150 a tonne. To have a contract for £125 a tonne would be quite good over a five-year period, but it is almost impossible and supermarkets have got to learn to share the risk and not just go entirely on spot price.

Ms Jenkins: I think so. It is also about reducing the variables so it is about having clarity as to what the exposure is. You would not be the first person to talk to me about Tesco potato contracts I cannot believe that the UK cannot provide all the potatoes that every retailer wants. We do not need to be going abroad to get our potatoes. I think that there is an opportunity there but again I would also say, as I say to our own producers, that working together is far more powerful than trying to do it on an individual basis.

Q867 Lord Cameron of Dillington: I agree with that.

Mr Sinclair: One area where we have actually through our suppliers been working as a group is on the organic cereals side because we have got a significant share of the organic pig meat supply in the UK, and one of the biggest challenges we have there is having enough organic cereals. We started some work in the summer time, long before the cereal prices reached the high level that they actually did, because we were concerned that with a poor harvest in the UK and elsewhere in Europe whether we would have enough organic cereals to be able to maintain our various livestock supply chains moving forward. Essentially we took a stand at two organic cereals events in the summer and we got 35-odd leads to follow up with farmers to discuss a two or three-year contract price for organic cereals to provide them with something that they could actually plan for their future, in the same way as our livestock farmers could plan with some certainty for the future. The biggest challenge we have had is because the cereal price increased markedly is trying to say what would be a level that would be acceptable on a two or three-year period and that little exercise has essentially been much more difficult in the way in which the cereal market has actually evolved. We were taking the view from the integrity of our supply chain that to have to rely on Eastern European supply, Kazakhstan supply of organic cereals is something that we would prefer not to have to rely on. We would much rather that that product was grown in the UK and we would have much more faith in the quality of the raw material. That is an example where we have through our suppliers tried to look at a contract scenario, but it has proven to be a very challenging exercise.

Chairman: We must move on to biofuels and climate change.

Q868 Lord Palmer: Both my questions are fairly topical with the Renewable Transport Fuel Obligation, et cetera. What is Waitrose's view on the food miles debate? Are there alternative strategies for reducing the impact of the food chain on the emission of greenhouse gases that should, in your view, receive greater attention? I find this very difficult because I live next door to one of the largest potato packing plants in the country. I am told potatoes get shipped from Lord Cameron's part of the world, all the way to the Scottish borders, get washed, get packaged and then shipped all the way back to Lord Cameron's part of the world. Quite a lot of our witnesses have also expressed great concern about the impact of policies to encourage bioenergy and renewable energy. How do you think this might have an effect on the supply and indeed the price of food and are you worried about this long term?

Mr Sinclair: I think the extra demand for renewable energy is something that has certainly been one of the major driving forces behind a significant increase in cereal prices that has occurred this year, allied to the poor summer weather and so on, and it has had a major impact. I think the obligations that set out the aspirations of the EU Commission for different Member States to achieve different level is going to be a factor that could mean that we are facing a scenario where livestock production costs, particularly in the pig and poultry sectors, are going to be much higher in the future than maybe they have been for the last five to ten years, so it could be a fundamental difference in the cost structures of these particular sectors. It is something that we have had to respond to but we have found it extremely difficult in the current economic climate to be able to recoup these extra costs at the retail end of the supply chain. I think one of the big issues for the industry is how we balance the discussion between land for providing and producing feed to supply the domestic industry versus using the land to meet some of these renewable energy targets that the Government have to meet moving forward. It is a discussion that is going to intensify in the next couple of years but it could mean that we are looking at significantly different cost structures, particularly in those two sectors here and across Europe, and the fact that set aside may well disappear as part of the CAP health check, I think it is going to be an interesting scenario to see when that land is released and cereals are grown at one end, does that product end up as animal feed or does it move into the biofuels supply scenarios. I think some work I have seen that some folk in the EU Commission are suggesting is that to meet some of the renewable obligations by 2020 we could be looking at something like 15 per cent of the EU arable land would have to be used for production on biofuels versus the current ratio of three per cent of the EU arable area. It is a difficult thing to assess moving forward but I think it could be fundamentally different cost structures we are looking at in some sectors.

Lord Palmer: Thank you.

Earl of Arron: You have not really answered the food miles question.

Q869 Lord Palmer: You have not, no.

Mr Sinclair: I think the food miles is at least part of the concept. For us it has to be looking at it more on the entire picture of the carbon life cycle. You start with your inputs and then the production system. I think one of the things that might help is if we could have some standard methodology for assessing the carbon footprint. I understand in spring there is going to be a BSI standard published. An amalgam of the BSI, the Carbon Trust and Defra have been working to develop this one methodology. I think that will actually help the discussion. For us in working with our supply chain, we have through the main agricultural commodities virtually plugged our figures into the Cranfield model to give us an idea on the various livestock sectors, where are some of the hot spots, where are some of the big issues in terms of carbon footprint and equally so with the major processors that we use. They have done a carbon audit of their processing facilities which I guess is possibly easier than making assumptions at a farm level with a view again to looking at where the hot spots are. What are the things that you can do to try and adapt and mitigate the effect and reduce these factors moving forward. We have begun the process but I think there is more we could actually do.

Q870 Lord Palmer: And this will be in your long-term plans, will it?

Mr Sinclair: Yes, it will be.

Q871 Chairman: Can I ask on cross-compliance, obviously farmers in receipt of Single Farm Payments have to observe some basic cross-compliance conditions. In your judgment, does that improve the quality or safety of UK-produced farm goods and would you like to see changes in the requirements incorporated in cross-compliance, so where are we with cross-compliance and how useful is it?

Mr Sinclair: I think it was a concept that many farmers were very nervous about in terms of when it was discussed, when it was agreed, exactly how that would affect how they do things on the farm. What I detect is that it has not been as intrusive as they maybe felt it would have been. It was originally perceived that it might not to be able to do not a lot of the general activities that they actually did. I think it has been positive in terms of it certainly raised the awareness of environmental issues on farm. On things like increased legislation in this area, it has probably encouraged people to think about best practice, the sort of things like the new legislation that is about to come in and extend potentially nitrate-vulnerable zones and extra Framework Directive legislation probably and because we have raised the awareness then I think it will probably help in possibly being able to achieve some of these things moving forward. It is difficult sitting here to know whether the way in which we have been able to address some of the measures here in the UK are the least cost options and is there any work being done across Europe on other ways in which to address some of these issues in other Member States and could we learn from that, because I think we have got to make sure that from a competitive point of view we do not saddle our industry with an extra burden of cost relative to our European counterparts. I think that is an important part that we are able to deliver against the EU frameworks but we have got to have some flexibility in there and I think at some point we have got to take stock to make sure that the measures we have got are actually delivering what was expected of them.

Chairman: Trade liberalisation and Baroness Jones.

Q872 Lord Palmer: So if the outcome of the Doha negotiations is that it opens up markets so that there are more imports coming here from third countries, would you envisage taking up that opportunity to import more is or is your ethos committed to British products at all costs?

Ms Jenkins: We have been involved in developing British production schemes for many, many years and our belief at the moment is that providing the UK can provide the indigenous resources to do it effectively, then that is where we will continue to place our emphasis. It is true to say that part of the reforms is creating awareness with farmer suppliers in terms of if you see that you cannot produce what we need you to produce at the prices that we can retrieve from the market-place, then we are going to seriously have to think about where else we go in the world, and certainly our specifications are transferable; we have no issue with that. For us it is about if we can produce it indigenously then we should, in the interests of everything, whether it is animal welfare or environment or food miles or all of these things taken into consideration, and if we cannot, then we have to look elsewhere like any other buyer, but that is certainly our strategy.

Q873 Baroness Jones of Whitchurch: And are there opportunities for you in terms of greater exports, the quid pro quo of opening up some of these markets. I do not know what proportion of your product you export, presumably a relatively small amount?

Ms Jenkins: We have an interesting export business. We do not have any bricks and mortar but we do have a developing export business and, yes, we are looking at all those opportunities to grow that in the future.

Q874 Baroness Jones of Whitchurch: So then lastly you have talked very persuasively about the health and animal welfare standards that you have - and you are probably a leading example of it - do you look forward to extending those principles out beyond the EU to wider international levels? Do you think that they should be taken up as part of the Doha negotiations or beyond?

Mr Sinclair: I think it would be a very difficult issue to try and achieve an agreement, and certainly when this was discussed the last time around in the context of the Uruguay Round they ended up being cast aside to actually achieve that Framework Agreement. I think the big issue moving forward is the mechanism and if we cannot actually see them include it in the Doha Agreement, whenever that may come, I think the challenge will be does the EU try to differentiate EU-produced product versus non-EU produced product out there in the market-place. I think that is an important thing and I think the animal welfare aspect, as Heather mentioned, is one aspect because our experience has been essentially to translate our UK production standards into other European Member States and also to non-EU Member States, so they are virtual equivalents across the world in terms of where we are actually sourcing. I think we are probably unique in that, but I think the challenge will be if we cannot see that incorporated into the next agreement can the EU try in some way to differentiate. I know there has been some discussion about an EU project looking at welfare labelling. That may be a potential mechanism to try and differentiate in consumers' minds between product produced in the EU meeting the EU's standards versus imported third country product that does not. I think that is one of the confusing issues out there at the moment. I think many consumers expect imported product to reach the exact same standards as we would have within the European Union and in a whole range of different sectors that is not the case.

Chairman: What is quite interesting is in the defence and security world how some of those people are now talking in terms of building environmental requirements into trade negotiations because they see environmental issues as being real security threats, and that is one way of dealing with it. I think it is impossible to deliver them, but never mind. Thank you very much indeed. It has been of very great help.