

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

6 NOVEMBER 2018

IMPACT OF BREXIT ON AGRICULTURE, FOOD AND FISHERIES

DAFM OPENING STATEMENT

Introduction

- Thank you, Chairman, and thank you to you and the other members of the Committee for the opportunity to attend today to brief the Committee on the latest position in relation to Brexit from the perspective of the Department of Agriculture, Food and the Marine.
- I propose firstly to comment in overall terms on the main issues of concern that Brexit gives rise to from an agri-food and fisheries perspective, before referring to the sectoral support measures that the Department has put in place to date. I will then refer briefly to the current state of play in the EU-UK negotiations, before outlining the preparedness activities that the Department is currently engaged in.
- I also want to make it clear that the whole of Government preparations for Brexit are being co-ordinated by the Department of Foreign Affairs and Trade, and that the key interlocutors for Ireland in the context of the negotiations are that Department and the Department of the Taoiseach.

- It is also the case that those negotiations are at a critical juncture, and it is important that I do not say anything today that intrudes upon or has the potential to prejudice those negotiations in any way.

Brexit and the Agri-Food and Fisheries Sectors

- It almost goes without saying at this juncture that the implications of Brexit for the agri-food and fisheries sectors are potentially very serious indeed. Numerous studies, for example by Teagasc, the Department of Finance, and by Copenhagen Economics, point to the particular exposure of the agri-food sector to the UK market and the potential economic impact of Brexit, whether this takes place in 'hard' or 'soft' form.
- The Department of Finance's analysis shows the agri-food sector to be the most exposed from both an export and import perspective. Teagasc's research work points to very serious potential impacts on farm incomes. Copenhagen Economics' findings point to the significant proportion of the overall impact on Ireland's GDP that is likely to be accounted for by the agri-food sector.
- We are, of course, talking about a very highly export-oriented sector, trading to 180 countries worldwide. The total value of our exports in 2017 came to €13.6 billion, an increase of 74% compared to 2009, and the ambition for the sector, as outlined in Food Wise 2025, is to grow this figure to €19 billion by 2025.

- The UK remains the most important export destination, with some 38%, or €5.2 billion, of total exports in 2017. When we examine the exposure at sub-sectoral level, we see from the most recent figures that 48% of our beef exports go to the UK, 21% of dairy exports (including 46% of cheddar cheese exports), more than 60% of prepared consumer foods exports, and almost 100% in the case of mushrooms.
- And it is important to remember that trade is not all going in one direction. Ireland was also the UK's largest export destination in 2017 for agri food, with about €4.1 billion, or almost 48%, of our imports across a wide range of product categories, coming from the UK.
- Indeed, the close correlation between these export and import figures serves as a reminder of the very tightly integrated nature of the Irish and UK agri-food sectors. It also reminds us of the uniquely supportive trading environment that we enjoy courtesy of the European Union's Customs Union and Single Market, which facilitates tariff- and friction-free trade.
- It is clear, therefore, that the best interests of the agri-food sectors in Ireland and the UK lie in trading arrangements post-Brexit that are as close as possible to those that prevail currently. That is what Ireland wants from the negotiations, and it is also what the EU wants.
- It is also clear, however, that the trading relationship cannot be the same outside of the Single Market and the Customs Union, and that it will inevitably give rise to greater friction

and higher costs along the supply chain than are currently the case. In any discussion on the future relationship with the UK, we will, of course, be working to keep these to a minimum.

- A key challenge that could arise in a trade context post-Brexit is, therefore, the imposition of tariffs on Ireland-UK trade, which would have a particularly negative impact on the agri-food sector, as this is the sector in which tariffs are highest.
- Other significant challenges include potential divergence in regulations and standards, and the imposition of import control and export certification requirements on animals, plants, and products of animal and plant origin, although the latter will depend on the requirements that the UK itself may decide upon.
- And in the case of fisheries, the potential trade and other impacts are overshadowed by a very particular further set of challenges in the form of potential loss of access to UK waters, loss of quota share in all of our commercial fisheries, and stock depletion in Irish waters as a result of increased activity by other EU vessels.
- For example, on average, 34% of Irish landings by volume are taken from UK waters, and in the case of some species, such as mackerel and prawns, the proportions are much higher, at 64% and 42%, respectively. It is imperative, therefore, that current access and sharing arrangements are maintained post-Brexit.

- So, in overall terms, Ireland's key asks from an agri-food and fisheries perspective continue to be:
 - Continued free access to the UK market, without tariffs and with minimal additional customs and administrative procedures,
 - Minimisation of the risk from UK trade agreements with third countries, and
 - Maintenance of current access to fishing grounds in the UK zone in the Irish Sea, Celtic Sea and north of Donegal, and protection of Ireland's quota share for joint fish stocks.

DAFM Actions To Date

- The activities of the Department on Brexit have been multi-faceted, and underpinned by significant organisational changes. Brexit is now the responsibility of a dedicated Brexit and International Trade Division, which coordinates all activity across the wide range of Department responsibilities.
- An internal Brexit Response Committee, chaired at Assistant Secretary General level, and comprised of all relevant Departmental Divisions, has been established. All Brexit impact analysis, as well as ongoing planning and preparedness activities, have been carried out through this Committee.
- Stakeholder Consultation is also a central component of the Department's response. A national Stakeholder Consultative Committee involving all agri-food and fisheries sector

stakeholders, again chaired at Assistant Secretary General level, and usually attended by the Minister and Secretary General, meets on a regular basis. Indeed, it will meet for the tenth time on Thursday of this week.

- Its work has been complemented and deepened by the Department's active participation in the All Island Civic Dialogue process, as well as its hosting of sectoral focus groups which have assessed in detail the supply chain and logistical implications of Brexit for individual sub-sectors.
- Brexit has been added as a standing item to the agenda of the Food Wise 2025 High Level Implementation Committee, which is also due to meet on Thursday of this week.
- The Minister and the Department have also been engaging extensively with other EU Member States and with the European institutions in order to ensure that the concerns of the agri-food and fisheries sectors are fully understood and kept to the forefront of the EU agenda.
- This has been happening in an informal way around regular meetings of the Council of Agriculture Ministers, as well as through formal bilateral engagement by the Minister and officials with counterparts in European capitals, and in Brussels.
- And, of course, the Department works closely with the Department of Foreign Affairs and Trade, as well as a number of other Departments and agencies, in the context of the whole-of-Government approach to Brexit.

Immediate/Ongoing Responses to Brexit

- The most immediate impact of Brexit for the agri-food and fisheries sectors has been in the form of the difficulties caused by the significant drop in the value of sterling against the euro. Much of the Minister's and the Department's focus has therefore been on ameliorating this impact through support measures aimed at improving competitiveness. A second important dimension has been to intensify our efforts to support product and market diversification, as we seek to reduce the sector's exposure to the UK market.
- In Budget 2017, the Minister addressed the competitiveness aspect through a range of measures which included a €150 million low-cost loan scheme, new agri-taxation measures and increased funding under the Rural Development and Seafood Development Programmes.
- A further series of dedicated measures was announced in Budget 2018, amounting to a package of over €50 million. This included additional funding for Bord Bia (for example to support its market prioritisation initiative) and for Teagasc (to support development of the new National Food Innovation Hub), as well as capital investment support for the food industry. It also included a contribution to the joint DAFM/DBEI €300 million Brexit Loan Scheme, 40% of which is being made available to food businesses.
- And in his recent Budget 2019 announcement, Minister Creed outlined a €78 million package for farmers, fishermen and

food SMEs, and to cover additional costs related to Brexit. This includes:

- €44 million in direct aid to farmers through increased spending on areas of natural constraint, the introduction of a Beef Environmental Efficiency Pilot Scheme, and additional funding for the horticulture sector,
 - €27 million in capital funding for the food industry through supports for competitiveness and innovation (€13 million), further funding to progress the Teagasc Food Innovation Hub I mentioned earlier (€6.6 million), support for Artisan and Micro food and beverage programmes (€3 million), and an additional €5 million in funding for Bord Bia. This later allocation brings Bord Bia's total Grant in Aid to €46.6 million, which represents a 60% increase in funding for marketing and promotion of our food offering since 2014, and
 - €7 million to support the Department's Brexit preparedness work, including the commencement of a phased process of recruitment of additional staff to carry out the greatly increased volumes of import controls and, possibly, export certification arising from Brexit, as well as the provision of the necessary additional IT hardware and software.
- The Minister also acknowledged the announcement in the Budget by his colleague Minister Donohoe of a key Government Brexit response, the "Future Growth Loan Scheme", which will be rolled out in 2019, and for which he had made provision of €25m in 2018. The scheme will provide long term, unsecured

investment finance for farmers, fishermen, and small scale companies in the food and seafood sectors.

- I mentioned earlier that the second dimension of this initial response has been to provide support for product and market diversification. I've referred to the budgetary measures in this regard in the form of support for innovation and for Bord Bia's ongoing market diversification activities. There has also been very extensive and practical complementary action taken by Minister Creed and the Department.
- We are continuing to work very closely with the agri-food industry in order to increase the sector's global footprint, and to reduce its exposure to the UK market. Trade Missions are an essential part of this work.
- In the last few days Minister Creed has returned from leading the first agri-food Trade Mission to Indonesia and Malaysia, and in the last two years he has led similar, very successful, Missions to the Gulf Region, China, Canada, the United States of America, Mexico, Japan and Korea.
- Minister of State Doyle has also been active in this regard, and is in fact this week leading Irish food and seafood participation in major trade Expos in Shanghai and Qingdao, in China.
- We are taking other direct, practical actions to support the sector's market diversification efforts, for example through our seven-point Market Access Plan, which includes the allocation of more departmental resources to market access

work, an online portal through which essential information across a wide range of markets can be centrally accessed, and the oversight of market access work by a High Level Committee chaired by an Assistant Secretary General.

EU-UK Negotiations - State of Play

- Turning briefly to the current state of play in the EU-UK negotiations, I think it is probably an understatement to say that they are at a critical stage, and that real challenges still remain.
- As I have already indicated, the Department of Agriculture, Food and the Marine is not the lead Department in these negotiations, but I can assure the members of the Committee that the Department is engaging closely, through whole of Government structures, to ensure that those involved in the negotiations are sensitised to the concerns of the agri food and fisheries sectors. I am confident that this is the case.

Preparedness

- In the meantime, the preparedness planning being undertaken by the Department of Agriculture, Food and the Marine is proceeding in accordance with recent Government decisions, and in close consultation with other Departments and agencies, as per the whole-of-Government approach to Brexit.
- The focus from our perspective is on the staffing, infrastructural and information technology requirements that will arise in the context of the implementation of import

controls at ports and airports on an East-West basis under the so-called "central case" scenario. This envisages no hard border on the island of Ireland, a transition period to the end of 2020, and an EU-UK Free Trade Agreement from 1 January 2021, in accordance with stated UK commitments and red lines.

- These requirements are significant, and will arise in respect of the import of live animals, plants, and products of animal and plant origin from the UK into Ireland and the EU once the UK has become a third country, the conditions for which are set out in EU legislation.
- I mentioned earlier that Budget 2019 included an allocation of €7 million for the first phase in a process of recruitment of the necessary staff that will run until 2021, as well as for the provision of IT hardware and software.
- The Department is also continuing to engage with the Office of Public Works and with other Departments and agencies in relation to the additional physical infrastructure that will be required at ports and airports in order to provide integrated solutions that will address the requirements of all of these bodies.
- It is also possible that there could be significant export certification requirements in respect of exports of agri-food and fisheries products to the UK post-Brexit.
- To date - and in its most recent published notice on this issue - the UK has indicated that it does not intend to impose export certification requirements. However, it will require pre-

notification of products of animal origin. It is not clear at this juncture what pre-notification will involve. The Department has taken a prudent approach by assuming that certification will be required, and has estimated the staffing and IT resources that may be needed to meet any requirements.

- It is also worth pointing out the Department's extensive and ongoing input to the Government's recently launched communications campaign on preparedness, under the heading of "Getting Ireland Brexit Ready".
- Minister Creed spoke at the first Brexit Outreach event in Cork in early October, and the Department and its agencies have facilitated breakout discussions in relation to agri-food and fisheries at all four of these events to date, including that held recently in the Convention Centre in Dublin, which was attended by the Taoiseach and the Tánaiste.
- Notwithstanding the current focus on preparation for the central case scenario, which envisages an orderly Brexit taking effect from January 2021, the Department is also considering the potential response that may be necessary in the event of a disorderly Brexit at the end of March 2019.
- The focus in this regard will be on the arrangements that will be necessary in order to fulfil our legal obligations as efficiently as possible while also ensuring the minimum possible disruption to trading arrangements.
- Similar to the work already undertaken in relation to the central case scenario, the Department will be working closely

with other Departments in making progress on these arrangements as required over the coming period.

- For fisheries, the Minister's priority has been, and remains, to maintain existing levels of access to waters and resources. However, in a worst case scenario of a disorderly departure in March 2019, those reciprocal arrangements could be endangered. Such issues could not, of course, be dealt with in isolation from the overall scenario of a disorderly Brexit, and any measures taken would have to be carefully considered by ourselves in partnership with relevant Member States, the Task Force and stakeholders.

Conclusion

- I hope that I have given the Members of the Committee a comprehensive overview of the challenges faced by the agri-food and fisheries sectors as a result of Brexit, as well as a good understanding of the wide breadth of the actions already taken by the Department of Agriculture, Food and the Marine, and those that are ongoing.
- I and my colleagues are happy to answer any questions you may have.

Thank you.